Court of Appeal File Numbers: C56118 / C56115 / C56125
Superior Court File No. CV-12-9667-00CL

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

COMPENDIUM OF THE RESPONDENTS, SINO-FOREST CORPORATION

November 6, 2012

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Lawyers for Sino-Forest Corporation

Index

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Tab 1

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT IN THE MATTER OF SINO-FOREST CORPORATION

AFFIDAVIT OF ELIZABETH FIMIO
(Sworn June 8, 2012)

I, **ELIZABETH FIMIO**, of the City of Burlington, in the Regional Municipality of Halton, **MAKE OATH AND SAY**:

1. I am an assistant of Bennett Jones LLP, counsel for Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.

2. SFC and certain of its current and former officers, directors and employees, along with SFC's current and former auditors, technical consultants and various underwriters involved in prior equity and debt offerings, have been named as defendants in class actions in Ontario, Quebec, Saskatchewan and New York.

3. A copy of this Fresh as Amended Statement of Claim in the Ontario class action is attached as Exhibit "A".

4. Copies of the originating documents in the Quebec and Saskatchewan class actions are attached as Exhibits "**B**" and "**C**" respectively.

5. A copy of the complaint in the New York class action is attached as Exhibit "**D**".

SUPPORT OF THE NOTEHOLDERS

6. On June 8, 2012, SFC issued a press release advising that as of that date, noteholders holding in excess of $1,296,000 and approximately 72% of the total debt of approximately $1.8 billion of SFC's noteholder debt have executed written support agreements to support the plan outlined in the announced SFC CCAA plan dated March 30, 2012. A copy of the June 8, 2012 press release is attached as Exhibit "**E**".

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, this 8th day of June, 2012

Elizabeth Fimio

Daniel Holden
Barrister & Solicitor

Tab A

THIS IS EXHIBIT "A" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN JUNE 8, 2012

A Commissioner, etc.

Daniel Holden
Barrister & Solicitor

Court File No.: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (successor by merger to Banc of America Securities LLC)

Defendants

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM

(NOTICE OF ACTION ISSUED JULY 20, 2011)

AMENDED THIS Apr 18/12 PURSUANT TO
MODIFIÉ CE CONFORMÉMENT À
☐ RULE/LA RÈGLE 26.02 (
☒ THE ORDER OF Mr. J. Patell
L'ORDONNANCE DU
DATED / FAIT LE March 26 2012

REGISTRAR
SUPERIOR COURT OF JUSTICE
GREFFIER
COUR SUPÉRIEURE DE JUSTICE

S. Chandradat
Registrar

TO: **Sino-Forest Corporation**
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **David Horsley**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Allen Chan**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **William Ardell**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **James Bowland**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **James Hyde**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Edmund Mak**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **W. Judson Martin**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Simon Murray**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Kai Kit Poon**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Peter Wang**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Garry West**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: **Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7

AND TO: **BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, China

AND TO: **Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052
PR CHINA

AND TO: **Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9

AND TO: **TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2

AND TO: **Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9

AND TO: **RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7

AND TO: **Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6

AND TO: **CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8

AND TO: **Merrill Lynch Canada Inc.**
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8

AND TO: **Canaccord Financial Ltd.**
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1

AND TO: **Maison Placements Canada Inc.**
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5

AND TO: **Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, NY 10010

AND TO: **Merrill Lynch, Pierce, Fenner & Smith Incorporated**
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

TABLE OF CONTENTS

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

(a) "**AI**" means Authorized Intermediary;

(b) "**AIF**" means Annual Information Form;

(c) "**Ardell**" means the defendant William E. Ardell;

(d) "**Banc of America**" means the defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated;

(e) "**BDO**" means the defendant BDO Limited;

(f) "**Bowland**" means the defendant James P. Bowland;

(g) "BVI" means British Virgin Islands;

(h) "**Canaccord**" means the defendant Canaccord Financial Ltd.;

(i) "*CBCA*" means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;

(j) "**Chan**" means the defendant Allen T.Y. Chan also known as "Tak Yuen Chan";

(k) "**CIBC**" means the defendant CIBC World Markets Inc.;

(l) "*CJA*" means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;

(m) "**Class**" and "**Class Members**" all persons and entities, wherever they may reside who acquired **Sino's Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino's Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino's Securities** outside of Canada, except the **Excluded Persons**;

(n) "**Class Period**" means the period from and including March 19, 2007 to and including June 2, 2011;

(o) "**Code**" means Sino's Code of Business Conduct;

(p) "*CPA*" means the Ontario *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;

(q) "**Credit Suisse**" means the defendant Credit Suisse Securities (Canada), Inc.;

(r) "**Credit Suisse USA**" means the defendant Credit Suisse Securities (USA) LLC;

(s) "**Defendants**" means **Sino**, the **Individual Defendants**, **Pöyry**, **BDO**, **E&Y** and the **Underwriters**;

(t) "**December 2009 Offering Memorandum**" means Sino's Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino's 4.25% Convertible Senior Notes due 2016 which **Sino** filed on **SEDAR** on December 11, 2009;

(u) "**December 2009 Prospectus**" means **Sino**'s Final Short Form Prospectus, dated December 10, 2009, which **Sino** filed on **SEDAR** on December 11, 2009;

(v) "**Dundee**" means the defendant Dundee Securities Corporation;

(w) "**E&Y**" means the defendant, Ernst and Young LLP;

(x) "**Excluded Persons**" means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;

(y) "**Final Report**" means the report of the IC, as that term is defined in paragraph 10 hereof;

(z) "**GAAP**" means Canadian generally accepted accounting principles;

(aa) "**GAAS**" means Canadian generally accepted auditing standards;

(bb) "**Horsley**" means the defendant David J. Horsley;

(cc) "**Hyde**" means the defendant James M.E. Hyde;

(dd) "**Impugned Documents**" mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements

(filed on **SEDAR** on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on **SEDAR** on March 19, 2007), 2006 **AIF** (filed on **SEDAR** on March 30, 2007), 2006 Annual **MD&A** (filed on **SEDAR** on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on **SEDAR** on May 4, 2007), Q1 2007 **MD&A** (filed on **SEDAR** on May 14, 2007), Q1 2007 Financial Statements (filed on **SEDAR** on May 14, 2007), **June 2007 Prospectus**, Q2 2007 **MD&A** (filed on **SEDAR** on August 13, 2007), Q2 2007 Financial Statements (filed on **SEDAR** on August 13, 2007), Q3 2007 **MD&A** (filed on **SEDAR** on November 12, 2007), Q3 2007 Financial Statements (filed on **SEDAR** on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on **SEDAR** on March 18, 2008), 2007 **AIF** (filed on **SEDAR** on March 28, 2008), 2007 Annual **MD&A** (filed on **SEDAR** on March 18, 2008), Amended 2007 Annual **MD&A** (filed on **SEDAR** on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on **SEDAR** on May 6, 2008), Q1 2008 **MD&A** (filed on **SEDAR** on May 13, 2008), Q1 2008 Financial Statements (filed on **SEDAR** on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 **MD&A** (filed on **SEDAR** on August 12, 2008), Q2 2008 Financial Statements (filed on **SEDAR** on August 12, 2008), Q3 2008 **MD&A** (filed on **SEDAR** on November 13, 2008), Q3 2008 Financial Statements (filed on **SEDAR** on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on **SEDAR** on March 16, 2009), 2008 Annual **MD&A** (filed on **SEDAR** on March 16, 2009), Amended 2008 Annual **MD&A** (filed on **SEDAR** on March 17, 2009), 2008 **AIF** (filed on **SEDAR** on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on **SEDAR** on May 4, 2009), Q1 2009 **MD&A** (filed on **SEDAR** on May 11, 2009), Q1 2009 Financial Statements (filed on **SEDAR** on May 11, 2009), **June 2009 Prospectus, June 2009 Offering Memorandum**, Q2 2009 **MD&A** (filed on **SEDAR** on August 10, 2009), Q2 2009 Financial Statements (filed on **SEDAR** on August 10, 2009), Q3 2009 **MD&A** (filed on **SEDAR** on November 12, 2009), Q3 2009 Financial Statements (filed on **SEDAR** on November 12, 2009), **December 2009 Prospectus, December 2009 Offering Memorandum**, 2009

Annual **MD&A** (filed on **SEDAR** on March 16, 2010), 2009 Audited Annual Financial Statements (filed on **SEDAR** on March 16, 2010), 2009 **AIF** (filed on **SEDAR** on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on **SEDAR** on May 11, 2010), Q1 2010 **MD&A** (filed on **SEDAR** on May 12, 2010), Q1 2010 Financial Statements (filed on **SEDAR** on May 12, 2010), Q2 2010 **MD&A** (filed on **SEDAR** on August 10, 2010), Q2 2010 Financial Statements (filed on **SEDAR** on August 10, 2010), **October 2010 Offering Memorandum**, Q3 2010 **MD&A** (filed on **SEDAR** on November 10, 2010), Q3 2010 Financial Statements (filed on **SEDAR** on November 10, 2010), 2010 Annual **MD&A** (March 15, 2011), 2010 Audited Annual Financial Statements (filed on **SEDAR** on March 15, 2011), 2010 **AIF** (filed on **SEDAR** on March 31, 2011), and Management Information Circular dated May 2, 2011 (filed on **SEDAR** on May 10, 2011);

(ee) "**Individual Defendants**" means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang,** and **West**, collectively;

(ff) "**July 2008 Offering Memorandum**" means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino's 5% Convertible Senior Notes due 2013 which **Sino** filed on **SEDAR** as a schedule to a material change report on July 25, 2008;

(gg) "**June 2007 Prospectus**" means **Sino**'s Short Form Prospectus, dated June 5, 2007, which Sino filed on **SEDAR** on June 5, 2007;

(hh) "**June 2009 Offering Memorandum**" means **Sino**'s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino's Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which **Sino** filed on **SEDAR** as a schedule to a material change report on June 25, 2009;

(ii) "**June 2009 Prospectus**" means **Sino**'s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on **SEDAR** on June 1, 2009;

(jj) "**Maison**" means the defendant Maison Placements Canada Inc.;

(kk) "**Martin**" means the defendant W. Judson Martin;

(ll) "**Mak**" means the defendant Edmund Mak;

(mm) "**MD&A**" means Management's Discussion and Analysis;

(nn) "**Merrill**" means the defendant Merrill Lynch Canada Inc.;

(oo) "**Muddy Waters**" means Muddy Waters LLC;

(pp) "**Murray**" means the defendant Simon Murray;

(qq) "**October 2010 Offering Memorandum**" means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino's 6.25% Guaranteed Senior Notes due 2017;

(rr) "**Offering**" or "**Offerings**" means the primary distributions in Canada of Sino's **Securities** that occurred during the **Class Period** including the public offerings of Sino's common shares pursuant to the **June 2007, June 2009** and **December 2009 Prospectuses**, as well as the offerings of Sino's notes pursuant to **the July 2008, June 2009, December 2009,** and **October 2010 Offering Memoranda**, collectively;

(ss) "*OSA*" means the *Securities Act*, RSO 1990 c S.5, as amended;

(tt) "**OSC**" means the Ontario Securities Commission;

(uu) "**Plaintiffs**" means the plaintiffs, the Trustees of the Labourers' Pension Fund of Central and Eastern Canada ("**Labourers**"), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario ("**Operating Engineers**"), Sjunde AP-Fonden ("**AP7**"), David C. Grant ("**Grant**"), and Robert Wong ("**Wong**"), collectively;

(vv) "**Poon**" means the defendant Kai Kit Poon;

(ww) "**Pöyry**" means the defendant, Pöyry (Beijing) Consulting Company Limited;

(xx) "**PRC**" means the People's Republic of China;

(yy) "**Representation**" means the statement that Sino's financial statements complied with **GAAP**;

(zz) "**RBC**" means the defendant RBC Dominion Securities Inc.;

(aaa) "**Scotia**" means the defendant Scotia Capital Inc.;

(bbb) "**Second Report**" means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;

(ccc) "**Securities**" means Sino's common shares, notes or other securities, as defined in the *OSA*;

(ddd) "**Securities Legislation**" means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act, 1988*, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;

(eee) "**SEDAR**" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

(fff) "**Sino**" means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;

(ggg) "**TD**" means the defendant TD Securities Inc.;

(hhh) "**TSX**" means the Toronto Stock Exchange;

(iii) "**Underwriters**" means **Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia,** and **TD,** collectively;

(jjj) "**Wang**" means the defendant Peter Wang;

(kkk) "**West**" means the defendant Garry J. West; and

(lll) "**WFOE**" means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

II. CLAIM

2. The Plaintiffs claim:

(a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;

(b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;

(c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;

(d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;

(e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;

(f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of $6.5 billion;

(g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of $175,835,000;

(h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, E&Y, Dundee, Merrill, Credit Suisse, Scotia and TD, general damages in the sum of $330,000,000;

(i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of $319,200,000;

(j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US$345 million;

(k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US$400 million;

(l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US460 million;

(m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US$600 million;

(n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of $50 million;

(o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;

(p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;

(q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;

(r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;

(s) Prejudgment and post judgment interest;

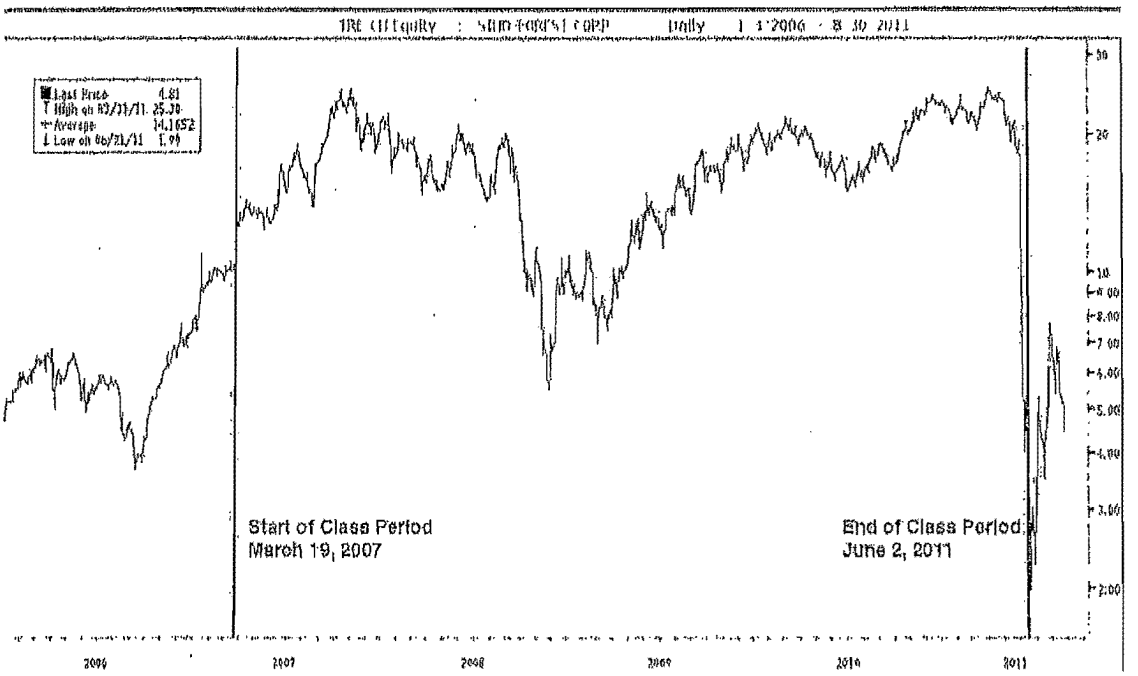
(t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and

(u) Such further and other relief as to this Honourable Court may seem just.

III. OVERVIEW

3. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere. Throughout that period, Sino has also claimed to have experienced breathtaking growth.

4. Beguiled by Sino's reported results, and by Sino's constant refrain that China constituted an extraordinary growth opportunity, investors drove Sino's stock price dramatically higher, as appears from the following chart:



5. The Defendants profited handsomely from the market's appetite for Sino's securities. Certain of the Individual Defendants sold Sino shares at lofty prices, and thereby reaped millions of dollars of gains. Sino's senior management also used Sino's illusory success to justify their lavish salaries, bonuses and other perks. For certain of the Individual Defendants, these outsized gains were not enough. Sino stock options granted to Chan, Horsley and other insiders were backdated or otherwise mispriced, prior to and during the Class Period, in violation of the TSX Rules, GAAP and the Securities Legislation.

6. Sino itself raised in excess of $2.7 billion[1] in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

7. As a reporting issuer in Ontario and elsewhere, Sino was required at all material times to comply with GAAP. Indeed, Sino, BDO and E&Y, Sino's auditors during the Class Period and previously, repeatedly misrepresented that Sino's financial statements complied with GAAP. This was false.

8. On June 2, 2011, Muddy Waters, a short seller and research firm with extensive PRC experience, issued its first research report in relation to Sino, and unveiled the scale of the deception that had been worked upon the Class Members. Muddy Waters' initial report effectively revealed, among other things, that Sino had materially misstated its financial results, had falsely claimed to have acquired trees that it did not own, had reported sales that had not been made, or that had been made in a manner that did not permit Sino to book those sales as revenue under GAAP, and had concealed numerous related party transactions. These revelations had a catastrophic effect on Sino's stock price.

9. On June 1, 2011, prior to the publication of Muddy Waters' report, Sino's common shares closed at $18.21. After the Muddy Waters report became public, Sino shares fell to $14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of $5.23 (a decline of 71.3% from June 1).

10. On June 3, 2011, Sino announced that, in response to the allegations of Muddy Waters, its board had formed a committee, which Sino then falsely characterized as "independent" (the

1 Dollar figures are in Canadian dollars (unless otherwise indicated) and are rounded for convenience.

"**Independent Committee**" or "**IC**"), to examine and review the allegations contained in the Muddy Waters' report of June 2, 2011. The initial members of the IC were the Defendants Ardell, Bowland and Hyde. The IC subsequently retained legal, accounting and other advisers to assist it in the fulfillment of its mandate.

11. On August 26, 2011, the OSC issued a cease-trade order in respect of Sino's securities, alleging that Sino appeared to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino's revenue and/or exaggerated some of its timber holdings, and that Sino and certain of its officers and directors, including Chan, appeared to be engaging or participating in acts, practices or a course of conduct related to Sino's securities which they (or any of them) knew or ought reasonably know would perpetuate a fraud.

12. On November 13, 2011, the IC released the Second Report. Therein, the IC revealed, *inter alia*, that: (1) Sino's management had failed to cooperate in numerous important respects with the IC's investigation; (2) "there is a risk" that certain of Sino's operations "taken as a whole" were in violation of PRC law; (3) Sino adopted processes that "avoid[] Chinese foreign exchange controls which must be complied with in a normal cross-border sale and purchase transaction, and [which] could present an obstacle to future repatriation of sales proceeds, and could have tax implications as well"; (4) the IC "has not been able to verify that any relevant income taxes and VAT have been paid by or on behalf of the BVIs in China"; (5) Sino lacked proof of title to the vast majority of its purported holdings of standing timber; (6) Sino's "transaction volumes with a number of AI and Suppliers do not match the revenue reported by such Suppliers in their SAIC filing"; (7) "[n]one of the BVI timber purchase contracts have as

attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by the Company; and (8) "[t]here are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials."

13. On January 31, 2012, the IC released its Final Report. Therein, the IC effectively revealed that, despite having conducted an investigation over nearly eight months, and despite the expenditure of US$50 million on that investigation, it had failed to refute, or even to provide plausible answers to, key allegations made by Muddy Waters:

> This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.
>
> [...]
>
> Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions

14. Sino failed to meet the standards required of a public company in Canada. Aided by its auditors and the Underwriters, Sino raised billions of dollars from investors on the false premise that they were investing in a well managed, ethical and GAAP-compliant corporation. They

were not. Accordingly, this action is brought to recover the Class Members' losses from those who caused them: the Defendants.

IV. THE PARTIES

A. *The Plaintiffs*

15. Labourers are the trustees of the Labourers' Pension Fund of Central and Eastern Canada, a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately $2 billion in assets, over 39,000 members and over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related.

16. Operating Engineers are the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately $1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately $15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 Offering Memorandum and in the distribution to which that Offering Memorandum related. Grant continued to hold those Notes at the end of the Class Period.

19. Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related, and continued to own those shares at the end of the Class Period.

B. *The Defendants*

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradegate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:

(a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;

(b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;

(c) contemporaneously with each of the above, a MD&A of each of the above financial statements; and

(d) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future.

24. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.

25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US$3.0 million, US$3.8 million, US$5.0 million, US$7.6 million and US$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of $10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of $11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US$1.1 million, US$1.4 million, US$1.7 million, US$2.5 million, and US$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of $34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of $474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of $6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of $9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of $2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs *of investors and creditors*" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.

59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately $7.5 million, $14.0 million and $14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US$2.2 million, US$8.5 million and $US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of $2.7 billion from investors during the Class Period. In particular:

(a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of $12.65 per share for gross proceeds of $201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;

(b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;

(c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of $11.00 per share for gross proceeds of $379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

(d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;

(e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

(f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the "**Prospectuses**") pursuant to which Sino distributed to the public 21,850,000 common shares at a price of $16.80 per share for gross proceeds of $367,080,000. The December 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

(g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD$187,187,000 in aggregate principal amount of Sino's existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and

(h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors' report of E&Y dated March 15, 2010 with respect to Sino's Annual Financial Statements for 2008 and 2009; and (3) Sino's unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.

64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have receipted the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

VI. THE MISREPRESENTATIONS

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

A. Sino's history and fraudulent origins;

B. Sino's forestry assets;

C. Sino's related party transactions;

D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;

E. Sino's relationships with its "Authorized Intermediaries;"

F. Sino's cash flows;

G. Certain risks to which Sino was exposed; and

H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.

A. *Misrepresentations relating to Sino's History and Fraudulent Origins*

(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture

71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("**Leizhou**"). The stated purpose of Leizhou, established in 1994, was:

> Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m^3 of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m^3.

72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("EJV") and cooperating joint ventures ("CJV"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have "phased-in." Leizhou was the key driver of Sino's purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US$11.3 million, US$23.9 million and US$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

> To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission
>
> Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28th January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29th January in the same year. It has been 4 years since the registration and we set out the situation as follows:
>
> I. Information of the investment of both sides

A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20th June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.

B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16th March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30th January 1996. In accordance with the notice, the foreign party then on 10th April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20th December the same year. On 14th May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14th May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11th June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30th June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29th January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30th April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

II. *The Joint Venture is not capable of attaining substantial operation*

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.

3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

> The $14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

(ii) Sino's Fictitious Investment in SJXT

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "**1997 Financial Statements**"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("**SJXT**"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as "Shanghai Jin Xiang Timber Ltd." While an entity called "Shanghai Jin Xiang Timber Wholesale Market" does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US$9.7 million, of which Sino would be required to contribute approximately US$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US$1.0 million. In Sino's balance sheet as at December 31, 1997, the SXJT investment was shown as an asset of $1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m^3 of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate "significant revenue" for Sino-Forest amounting to approximately $40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino's total reported revenues in 1998 were $92.7 million.

84. In Sino's Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the "**1998 Financial Statements**"), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total

investment in SJXT was estimated to be US$9.7 million, of which Sino would be required to contribute approximately $1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SXJT investment was again shown as an asset of US$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

> *SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising.* Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.
>
> *The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.*
>
> *The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.*
>
> [...]
>
> *The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.*
>
> [Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the "Agency Agreement with SJXT [is] expected to generate approximately $40 million over 18 months."

88. In Sino's Annual Report for 1999, Sino stated:

> *There are also promising growth opportunities as Sino-Forest's investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops.* The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.
>
> Sino-Forest's investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company's lumber and wood products trading business.
>
> [Emphasis added.]

89. In Sino's MD&A for the year ended December 31, 1999, Sino also stated that:

> *Sales from lumber and wood products trading increased 264% to $34.2 million compared to $9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999.* Lumber and wood products trading on an agency basis has increased 35% from $2.3 million in 1998 to $3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately $1.8 million of fees earned from a new customer.
>
> [Emphasis added.]

90. That same MD&A, however, also states that "The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from $11.7 million in 1998 to $37.2 million in 1999*" (emphasis added).

91. In Sino's Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the "**1999 Financial Statements**"), Sino stated:

> During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of $868,000* [Chinese renminbi 7.2 million] to $1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of $278,000* as a result of the increase in total capital contributions. The additional capital contribution of $278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%.* The principal activity of SJXT is to organize trading of timber and logs in the PRC market.
>
> [Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of $1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, $796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of $796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "**2000 Financial Statements**"), Sino stated:

> In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of $868,000 [Chinese renminbi 7.2 million] to $1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of $278,000 as a result of the increase in total capital contributions. The additional capital contribution of $278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of $796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of $519,000, being the sum of Sino's purported SJXT investment of $1,315,000 as at December 31, 1999, and the $796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interested therein.

(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by

the Code, which touted the "high standards of ethical conduct, in both words and actions", of Sino's senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

> The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

102. Similarly, the June 2009 Prospectus stated only that:

> The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

103. Finally, the December 2009 Prospectus stated only that:

> The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the

> Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

B. *Misrepresentations relating to Sino's Forestry Assets*

(i) Sino Overstates its Yunnan Forestry Assets

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("**Sino-Panel**"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("**Gengma Forestry**") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US$700 million to US$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("**Greenheart**").

110. In August 2010, Greenheart issued an aggregate principal amount of US$25,000,000 convertible notes for gross proceeds of US$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

> **Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname**
>
> *****
>
> **312,000 hectares now under Greenheart management**
>
> Hong Kong, March 1, 2011 – Greenheart Group Limited ("Greenheart" or "the Company") (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. ("Vista"), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart's concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*

> Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."
>
> [Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

> We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.*
>
> [Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries.

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino overstates its Jiangxi Forestry Assets

119. On June 11, 2009, Sino issued a press release in which it stated:

> Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.
>
> Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m^3) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m^3, to the extent permitted under the relevant PRC laws and regulations. ***The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares*** to achieve an estimated average wood fibre yield of approximately 100 m^3 per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.
>
> In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("**Zhonggan**") for US$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

(a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1 000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;

(b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;

(c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the

area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year," provided figures and tables regarding Yunnan, stated that "Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest," stated that "the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha" and that "[a]lmost 97% of the broadleaf forest is in Yunnan," and provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 4. Pöyry's 2010 Valuations were incorporated in Sino's 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

(d) In a "Summary Valuation Report" regarding "Valuation of Purchased Forest Crops as at 31 December 2010" and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that "[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces" and that "[a]nalysis of [Sino's] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log," and stated that "[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;" and

(e) In a press release titled "Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports" and which was "jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports," Pöyry reported on Sino's "holdings" and estimated the market value of Sino's forest assets on the 754,816 ha to be approximately US$3.1 billion as at December 31, 2010.

C. *Misrepresentations relating to Sino's Related Party Transactions*

(i) Related Party Transactions Generally

124. Under GAAP and GAAS, a "related party" exists "when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other." (CICA Handbook 3840.03) Examples include a parent-subsidiary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm's length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary "sells" an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm's length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

(ii) Sino fails to disclose that Zhonggan was a Related Party

127. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino fails to disclose that Homix was a Related Party

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited ("**Homix**"), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US$7.1 million. That press release stated:

> HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.
>
> [...]
>
> Mr. Allen Chan, Sino-Forest's Chairman & CEO, said, "As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

> forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."
>
> Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("**Jiangsu**")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

> HOMIX acquisition
>
> In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for $7.1 million. This corporate acquisition is small but strategically important *adding valuable intellectual property rights* and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. ***Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture.*** Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a

variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

(v) Sino fails to disclose that Yuda Wood was a Related Party

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("**Yuda Wood**"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *"there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)"* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

(vi) Sino fails to Disclose that Major Suppliers were Related Parties

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino's purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC*

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officals, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

> To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

(a) In the 2008 AIF: "*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management*, and we are in the process of applying for the plantation rights

certificates for those plantations for which we have not obtained such certificates" [emphasis added];

(b) In the 2009 AIF: "*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates" [emphasis added]; and

(c) In the 2010 AIF: "*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates" [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries ("BVIs") in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

(a) In the July 2008 Offering Memorandum, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations";

(b) In the June 2009 Offering Memorandum, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations";

(c) In the October 2010 Offering Memorandum, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations";

(d) In the 2006 AIF, Sino stated "Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations";

(e) In the 2007 AIF, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations";

(f) In the 2008 AIF, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations";

(g) In the 2009 AIF, Sino stated "Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations";

(h) In the December 2009 Offering Memorandum, Sino stated "Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations"; and

(i) In the 2010 AIF, Sino stated "Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations."

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that "*in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred*" [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

> Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the "Notice on the Implementation of Nationwide Uniform Plantation Right Certificates" (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the "Notice"). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*
>
> [Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

(a) In the 2006 AIF: "In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*" [emphasis added]; and

(b) In the 2007 AIF: "For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*" [emphasis added]

E. Misrepresentations relating to Sino's Relationships with its AIs

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with it AIs.

(i) Sino Misrepresents the Degree of its Reliance on its AIs

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

> ...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. ***In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.***
>
> [Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) Sino Misrepresents the Tax-related Risks Arising from its use of AIs

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties maybe also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US$10 million to US$150 million, US$50 million to US$260 million, US$81 million to US$371 million, and US$83 million to US$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

(a) In the 2006 Annual Financial Statements, note 11 [b] "Provision for tax related liabilities" and associated text;

(b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(c) In the AIF dated March 30, 2007, the section "Estimation of the Company's provision for income and related taxes," and associated text;

(d) In the Q1 and Q2 2007 Financial Statements, note 5 "Provision for Tax Related Liabilities," and associated text;

(e) In the Q3 2007 Financial Statements, note 6 "Provision for Tax Related Liabilities," and associated text;

(f) In the 2007 Annual Financial Statements, note 13 [b] "Provision for tax related liabilities," and associated text;

(g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(h) In the AIF dated March 28, 2008, the section "Estimation of the Corporation's provision for income and related taxes," and associated text;

(i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 "Provision for Tax Related Liabilities," and associated text;

(j) In the Q1, Q2 and Q3 2008 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(k) In the July 2008 Offering Memorandum, the subsection "Taxation" in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," and associated text;

(l) In the 2008 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;

(m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(n) In the AIF dated March 31, 2009, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;

(o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 "Provision for Tax Related Liabilities," and associated text;

(p) In the Q1, Q2 and Q3 2009 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(q) In the 2009 Annual Financial Statements, note 15 [d] "Provision for tax related liabilities," and associated text;

(r) In the 2009 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(s) In the AIF dated March 31, 2010, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;

(t) In the Q1 and Q2 2010 Financial Statements, note 14 "Provision for Tax Related Liabilities," and associated text;

(u) In the Q1 and Q2 2010 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(v) In the Q3 2010 Financial Statements, note 14 "Provision and Contingencies for Tax Related Liabilities," and associated text; and

(w) In the Q3 2010 MD&As, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(x) In the October 2010 Offering Memorandum, the subsection "Taxation" in the section "Selected Financial Information," and associated text;

(y) In the 2010 Annual Financial Statements, note 18 "Provision and Contingencies for Tax Related Liabilities," and associated text;

(z) In the 2010 Annual MD&A, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text; and

(aa) In the AIF dated March 31, 2011, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text.

171. In every Impugned Document that is a financial statement, the line item "Accounts payable and accrued liabilities" and associated figures on the Consolidated Balance Sheets fails to properly account for Sino's tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

(iii) Sino Misrepresents its Accounting Treatment of its AIs

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

> Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. ***Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.***
>
> [Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

> Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. ***Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.***
>
> [Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions. This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

F. *Misrepresentations relating to Sino's Cash Flow Statements*

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory"; cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material

overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

G. *Misrepresentations relating to Certain Risks to which Sino was exposed*

(i) Sino is conducting "business activities" in China

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

(ii) Sino fails to disclose that no proceeds were paid to it by its AIs

187. In the Second Report, Sino belatedly revealed that:

> In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. *No proceeds are directly paid to the Company, either onshore or offshore.*
>
> [Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

(a) In the 2005 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities" [emphasis added];

(b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(c) In the 2006 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added];

(d) In the 2007 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;"

(e) In the 2008 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added];

(f) In the 2009 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added]; and

(g) In the 2010 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added].

H. *Misrepresentations relating to Sino's GAAP Compliance and the Auditors' GAAS Compliance*

(i) Sino, Chan and Horsley misrepresent that Sino complied with GAAP

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

(a) In the annual statements filed on March 19, 2007, at Note 1: "These consolidated financial statements Sino-Forest Corporation (the "Company") have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles";

(b) In the annual financial statements filed on March 18, 2008, at Note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles";

(c) In the annual financial statements filed on March 16, 2009, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles";

(d) In the annual financial statements filed on March 16, 2010, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles"; and

(e) In the annual financial statements filed on March 15, 2011, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles".

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

(a) In the annual MD&A filed on March 19, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(b) In the quarterly MD&A filed on May 14, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(c) In the quarterly MD&A filed on August 13, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(d) In the quarterly MD&A filed on November 12, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(e) In the annual MD&A filed on March 18, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(f) In the amended annual MD&A filed on March 28, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(g) In the quarterly MD&A filed on May 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(h) In the quarterly MD&A filed on August 12, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(i) In the quarterly MD&A filed on November 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

(j) In the annual MD&A filed on March 16, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(k) In the amended annual MD&A filed on March 17, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(l) In the quarterly MD&A filed on May 11, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(m) In the quarterly MD&A filed on August 10, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

(n) In the quarterly MD&A filed on November 12, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")";

(o) In the annual MD&A files on March 16, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")";

(p) In the quarterly MD&A filed on May 12, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")";

(q) In the quarterly MD&A filed on August 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")";

(r) In the quarterly MD&A filed on November 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")"; and

(s) In the annual MD&A filed on March 15, 2011: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")."

193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:

(a) In the July 2008 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP")[...]," "Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada" and "Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]";

(b) In the June 2009 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP")[...]," "Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada," "The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP," "Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP";

(c) In the June 2009 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP")[...]," "Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada" and "The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP"; and

(d) In the October 2010 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP")[...]," "Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada," "The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP," "Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-

month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP."

195. In the Class Period Management's Reports, Chan and Horsley represented that Sino's reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management's Reports that Sino's financial statements were GAAP-compliant as follows:

(a) In the annual statements filed on March 19, 2007 Chan and Horlsey stated: "The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles";

(b) In the annual financial statements filed on March 18, 2008 Chan and Horlsey stated: "The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted acoounting principles";

(c) In the annual financial statements filed on March 16, 2009 Chan and Horlsey stated: "The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles";

(d) In the annual financial statements filed on March 16, 2010 Chan and Horlsey stated: "The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles"; and

(e) In the annual financial statements filed on March 15, 2011 Chan and Horlsey stated: "The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles."

(ii) E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS

197. In each of Sino's Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino's reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino's financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

(a) In Sino's annual financial statements filed on March 19, 2007, BDO stated: "We conducted our audit in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles";

(b) In the June 2007 Prospectus, BDO stated: "We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents";

(c) In Sino's annual financial statements filed on March 18, 2008, E&Y stated: "We conducted our audit in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007";

(d) In the July 2008 Offering Memorandum, BDO stated: "We conducted our audit in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles" and E&Y stated "We conducted our audit in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles";

(e) In Sino's annual financial statements filed on March 16, 2009, E&Y stated: "We conducted our audits in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles";

(f) In Sino's annual financial statements filed on March 16, 2010, E&Y stated: "We conducted our audits in accordance with Canadian generally accepted auditing standards" and "In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles"; and

(g) In Sino's annual financial statements filed on March 15, 2011, E&Y stated: "We conducted our audits in accordance with Canadian generally accepted auditing standards." and "In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles."

(iii) The Market Relied on Sino's Purported GAAP-compliance and E&Y's and BDO's purported GAAS-compliance in Sino's Financial Reporting

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino's auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino's financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino's securities on the critical premise that Sino's financial statements were in fact GAAP-compliant, and that Sino's auditors had in fact conducted their audits in compliance with GAAS. Sino's reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino's purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino's securities.

201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

VIII. THE TRUTH IS REVEALED

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

> Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE's default on its investment obligations, the JV never went into operation. TRE just lied.
>
> The foundation of TRE's fraud is a convoluted structure whereby it claims to run most of its revenues through "authorized intermediaries" ("AI"). AIs are supposedly timber trader customers who purportedly pay much of TRE's value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.
>
> The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.
>
> [...]
>
> On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased $2.891 billion in standing timber under master agreements since 2006 [...]
>
> [...]
>
> Valuation
>
> Because TRE has $2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than $1.00 per share.

205. Muddy Waters' report also disclosed that (a) Sino's business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters' initial report became public, Sino shares fell to $14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of $18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of $5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

> B. Overview of Principal Findings
>
> The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.
>
> Timber Ownership
>
> [...]
>
> ***The Company does not obtain registered title to BVI purchased plantations.*** In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. ***The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved*** with the Suppliers in a manner satisfactory to the Company.
>
> Forestry Bureau Confirmations and Plantation Rights Certificates
>
> Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. ***Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.*** In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.
>
> The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers. The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained. It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of $2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of $298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, *these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.*

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. *However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.* We note also that the independent valuation referred to in Part VIII below has not yet been completed.

Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, *the IC was unable to review any documentation of AIs or Suppliers which independently verified movements*

of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.

Relationships

• Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities).* Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*

• Other: The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.

• Accounting Considerations: *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute "business activities" within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking "business activities" within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

(a) Chinese Legal Regime for Forestry:

• national laws and policies appear not yet to be implemented at all local levels;

• in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;

• the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;

• as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register*; and

• Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

• *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes*;

• third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities: *many third parties explained their reluctance to provide requested documentation and information as being "for tax reasons" but declined to elaborate*; and

• awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships.* The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

• operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company's business and in relation to North American practices; including:

  • *incomplete or inadequate record creation and retention practices;*

  • contracts not maintained in a central location;

  • significant volumes of data maintained across multiple locations on decentralized servers;

  • *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;*

  • no integrated accounting system; accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;

- *no internal audit function* although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;

- *SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses* which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and

- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: *The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.*

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. *In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.* In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: *The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.* The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the

forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. *The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.*

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated, the IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. *That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:*

• *book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited*

• *recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.*

A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. *However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.* At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. *While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.* It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) *Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.*

(iii) Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.

(iv) Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. *As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.*

1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. *As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.* The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of

obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

(a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. ***The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.***

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

(b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14, as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. *Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.*

3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. *The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.*

4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

(a) assisting in responses to regulators and RCMP as required; and

(b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid $163,623 by Sino in 2010, $115,962 in 2009, $57,000 in 2008 and $55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total $712,000 in 2008, $1,225,000 in 2009 and $992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.

216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

XI. THE PLAINTIFFS' CAUSES OF ACTION

A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy*

(i) Statutory Liability– Secondary Market under the Securities Legislation

231. The Plaintiffs plead the claim found in Part XXIII.1 of the *OSA*, and, if required, the equivalent sections of the Securities Legislation other than the *OSA*, against all Defendants except the Underwriters.

232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a "Core Document" within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

235. Sino is a reporting issuer within the meaning of the Securities Legislation.

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

(ii) Statutory Liability – Primary Market for Sino's Shares under the Securities Legislation

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

(iii) Statutory Liability – Primary Market for Sino's Notes under the Securities Legislation

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino's notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

(iv) Negligence Simpliciter – Primary Market for Sino's Securities

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the "**Primary Market Defendants**") acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.

254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) Unjust Enrichment of **Chan, Martin, Poon, Horsley, Mak and Murray**

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

(vi) Unjust Enrichment of Sino

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

(vi) Unjust Enrichment of the Underwriters

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

(vii) Oppression

274. The Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's

best interests and, in turn, in the interests of its security holders. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

(a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;

(b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;

(c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;

(d) Sino and the Individual Defendants would not make the misrepresentations particularized above;

(e) Sino stock options would not be backdated or otherwise mispriced; and

(f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

(a) Sino did not comply with GAAP;

(b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;

(c) Sino's corporate governance procedures and internal controls were inadequate;

(d) the misrepresentations particularized above were made;

(e) stock options were backdated and/or otherwise mispriced; and

(f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders. The value of the shareholders' investments was based on, among other things:

(a) the profitability of Sino;

(b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;

(c) Sino's compliance with its disclosure obligations;

(d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and

(e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

(viii) Conspiracy

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "**Conspirators**") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

(a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;

(b) artificially increase the value of the securities they held; and

(c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

(a) they agreed to, and did, make the Representation, which they knew was false;

(b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;

(c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;

(d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and

(e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

(a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;

(b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and

(c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

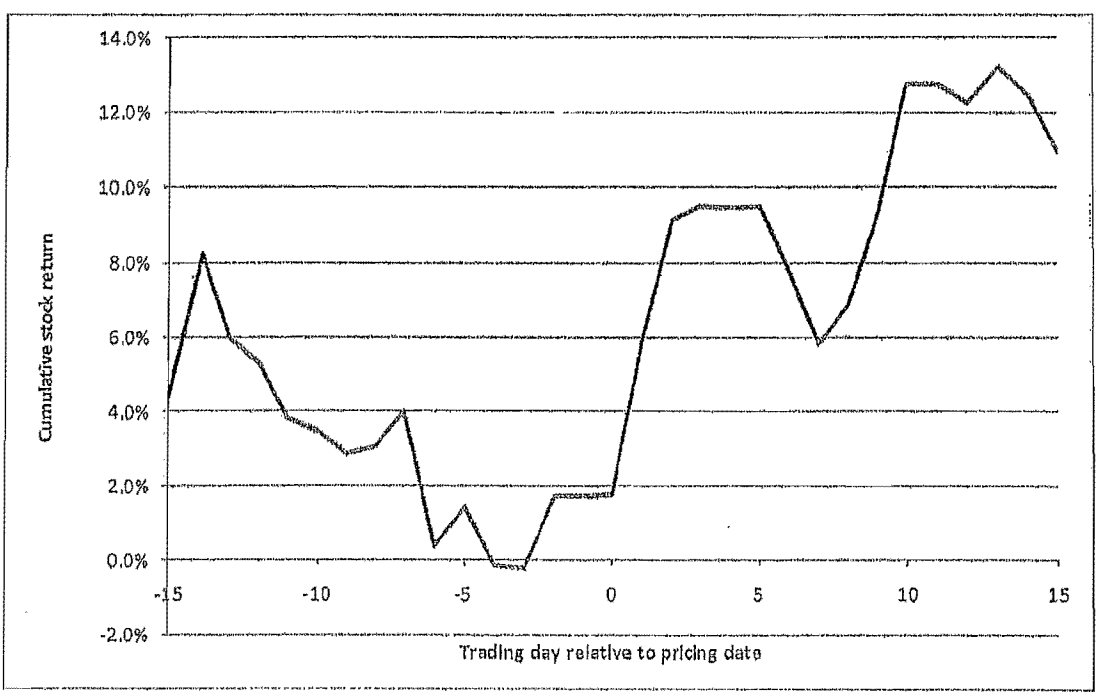
285. At all material times, the Sino Option Plan (the "**Plan**") prohibited in-the-money options.

286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX

Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the *OSA*, the Securities Legislation other than the *OSA*, the Code, the rules and requirements of the TSX (the "**TSX Rules**") and the *CBCA*. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino's securities.

290. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

XII. THE RELATIONSHIP BETWEEN SINO'S DISCLOSURES AND THE PRICE OF SINO'S SECURITIES

291. The price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino's disclosure documents upon the price of its Sino's securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

XIII. VICARIOUS LIABILITY

A. *Sino and the Individual Defendants*

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

B. *E&Y*

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

C. *BDO*

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

D. *Pöyry*

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

305. The acts or omissions particularized and alleged in this Claim to have been done by Pöyry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöyry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöyry.

E. *The Underwriters*

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

308. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

(a) Sino is a reporting issuer in Ontario;

(b) Sino's shares trade on the TSX which is located in Toronto, Ontario;

(c) Sino's registered office and principal business office is in Mississauga, Ontario;

(d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;

(e) a substantial proportion of the Class Members reside in Ontario;

(f) Sino carries on business in Ontario; and

(g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

XV. SERVICE OUTSIDE OF ONTARIO

309. The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the Rules of Civil Procedure, because this claim is:

(a) a claim in respect of personal property in Ontario (para 17.02(a));

(b) a claim in respect of damage sustained in Ontario (para 17.02(h));

(c) a claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and

(d) a claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and

(e) a claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

311. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

~~April 18, 2012~~ January 26/12

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Trustees of the Labourers' Pension Fund of Central and Eastern Canada, *et al.*	and	Sino-Forest Corporation, *et al.*	Court File No.: CV-11-431153-00CP
Plaintiffs		Defendants	

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM

(NOTICE OF ACTION ISSUED JULY 20, 2011)

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Tab B

THIS IS EXHIBIT "B" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN JUNE 8, 2012

A Commissioner, etc.

Daniel Holden
Barrister & Solicitor

( )

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUÉBEC
NO: 200-06-000132-111

(Class Action)
SUPERIOR COURT

GUINING LIU, residing at 6580 Monkland Ave, Unit 103, Montreal, Quebec, H4B 2N4;

Petitioner;

V.

SINO-FOREST CORPORATION, legal person established pursuant to the Canada Business Corporations Act, having its head office at 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

ERNST & YOUNG LLP, legal person having its head office at 222 Bay Street, Toronto, Ontario, M5K 1J7 ;

and

ALLEN T.Y. CHAN, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

W. JUDSON MARTIN, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

KAI KIT POON, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

DAVID J. HORSLEY, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

WILLIAM E. ARDELL, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

JAMES P. BOWLAND, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

JAMES M.E. HYDE, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

EDMUND MAK, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

SIMON MURRAY, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;
and

PETER WANG, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

GARRY J. WEST, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, legal person having its head office at 2208-2210 Cloud 9 Plaza, No. 1118 West Yan'an Road, Shanghai 200052, PR China ;

Defendants;

MOTION TO AUTHORIZE THE BRINGING OF A CLASS ACTION AND TO OBTAIN THE STATUS OF REPRESENTATIVE
(Article 1002 C.C.P. and following)

TO ONE OF THE HONOURABLE JUSTICES OF THE QUEBEC SUPERIOR COURT, SITTING IN AND FOR THE DISTRICT OF QUEBEC, YOUR PETITIONER STATES AS FOLLOWS :

General presentation

1. The Petitioner wishes to institute a class action on behalf of the following group, of which he is a member (the "Group"):

> "All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the "Class Period")."

or such other group definition as may be approved by the Court.

2. Sino-Forest Corporation (along with its subsidiaries, "Sino") is a public company and its shares were listed for trading at all material times on the Toronto Stock

Exchange (the "TSX") under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the Tradegate market as "SFJ TH."

3. At all material times, Sino purported to be a legitimate enterprise operating as a commercial forest plantation operator in the People's Republic of China ("PRC"). At all material times, Sino overstated the nature of its forestry operations and misrepresented the fact that its financial reporting had complied with Canadian GAAP, when in fact it had not done so.

4. The relief that the Petitioner seeks includes the following:

   a) damages in an amount equal to the losses that it and the other Members of the Group suffered as a result of purchasing or acquiring the securities of Sino at inflated prices during the Class Period;

   b) a declaration that every prospectus, management's discussion and analysis, annual information form, information circular, annual financial statement, interim financial report, Form 52-109F2 and Form 52-109F1 issued by Sino-Forest Corporation after August 12, 2008 (the "Impugned Documents") contained one or more misrepresentations;

   c) a declaration that Sino-Forest Corporation is vicariously liable for the acts and/or omissions of Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West

(the "Individual Defendants"), and of its other officers, directors and employees;

d) a declaration that Ernst and Young LLP is vicariously liable for the acts and/or omissions of each of its officers, directors, partners and employees; and

e) a declaration that Pöyry (Beijing) Consulting Company Limited is vicariously liable for the acts and/or omissions of each of its officers, directors and employees.

The Petitioner

5. The Petitioner is one of thousands of investors who purchased shares of Sino during the Class Period and continued to hold shares of Sino when the price of Sino's securities declined due to the correction of the misrepresentations alleged herein.

6. During the Class Period, the Petitioner made net purchases of 1,000 Sino shares over the TSX. **[Particulars of the Petitioner's Class Period transactions are attached hereto as P-1].**

The Defendants

7. The defendant Sino purports to be a commercial forest plantation operator in the PRC. Sino is a corporation formed under the *Canada Business Corporations Act*, RSC 1985, c C-44 (the "CBCA").

8. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the Tradegate market as "SFJ TH." Sino securities are also listed on alternative trading systems in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino also has various debt instruments, derivatives and other securities which are publicly traded in Canada and elsewhere.

9. The defendants Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry J. West (the "D&Os") are officers and/or directors of Sino. Each of them are directors and/or officers of Sino within the meaning of the *Securities Act*, RSQ c V-1.1 (the "*Securities Act*").

10. The defendant Ernst & Young LLP ("E&Y") is Sino's auditor. E&Y is an expert of Sino within the meaning of the *Securities Act*.

11. The defendant Pöyry (Beijing) Consulting Company Limited ("Pöyry") is an international forestry consulting firm. Pöyry is an expert of Sino within the meaning of the *Securities Act*.

Sino's Continuous Disclosure Obligations

12. As a reporting issuer in Quebec, Sino was required throughout the Class Period to issue and file with SEDAR:

- within 60 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP including a comparative statement to the end of each of the corresponding periods in the previous financial year;

- within 140 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year; and

- contemporaneously with each of the above, management's discussion and analysis of each of the above financial statements.

13. The Defendants issued the disclosure documents referenced herein pursuant to their statutory obligation to do so, and also for the specific purpose of attracting investment in Sino's securities, and inducing members of the public to purchase those securities.

The Defendants' Misrepresentations

14. Throughout the Class Period, Sino falsely purported to be a legitimate enterprise operating as a commercial forest plantation operator in the PRC. As part of its obligations as a reporting issuer in Quebec (and elsewhere), Sino issued the Impugned Documents. In those documents, Sino made statements concerning the nature of its business, its revenues, profitability, future prospects and compliance with the laws of the PRC and of Canada, implicitly and explicitly and through documents incorporated by reference.

15. In fact, such statements were materially false and/or misleading. During the Class Period, Sino overstated its forestry assets, misrepresented its revenue recognition practices, falsely maintained that its financial statements complied with Canadian GAAP and issued materially misleading statements regarding Chinese law and Sino's compliance therewith, among other misrepresentations.

16. On June 2, 2011, however, the truth was at least partially revealed. As a result, the market value of Sino's securities fell dramatically, and the market value for Sino's shares in particular fell by in excess of 70% on extraordinarily heavy trading volume. Trading of Sino common shares was halted on the TSX after a decline in excess of 24% on June 2. When trading resumed on the TSX on June 3, Sino shares fell in excess of a further 63%, for a two-day drop in excess of nearly 73%.

The Defendants' Fault

The Defendants Owed Duties to the Members of the Group

17. The Defendants owed a duty to the Petitioner and to persons and entities similarly situated, at law and under provisions of the *Securities Act* (chapter V-1.1), to disseminate promptly, or to ensure that prompt dissemination of truthful, complete and accurate statements regarding Sino's business and affairs, and promptly to correct previously-issued, materially inaccurate information, so that the price of Sino's publicly-traded securities was based on complete, accurate and truthful information.

18. At all times material to the matters complained of herein, each of the Defendants knew or ought reasonably to have known that the trading price of Sino's publicly

traded securities was directly influenced by the statements disseminated by the Defendants concerning the business and affairs of Sino.

19. As such, the Defendants knew or ought reasonably to have known that a failure to ensure that Sino's disclosures referenced herein were materially accurate and materially complete would cause Sino's securities to become inflated, and thus would cause damage to persons who invested in Sino's securities while their price remained inflated by such false statements.

The Defendants Violated their Duties

20. Certain statements made by Sino and the D&Os in the Impugned Documents were materially false and/or misleading. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Group plead negligent misrepresentation as against Sino and the D&Os.

21. Sino's internal controls, which were designed and/or maintained by the D&Os, were inadequate or ignored. The D&Os owed a duty of care to the Petitioner and the Members of the Group to properly design and/or maintain such internal controls. The Petitioner and the Group plead negligence as against the D&Os in connection thereto.

22. E&Y made statements in certain of the Impugned Documents that were continuous disclosure documents that the audited financial statements contained or incorporated by reference therein "present fairly, and in all material respects,

the financial position of [Sino] [...] and the results of its operations and cash flows [...] in accordance with Canadian generally accepted accounting principles" (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and the true value of Sino's securities became clear, the Petitioner and the Group were injured thereby. In respect of Sino's continuous disclosure documents, the Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y.

23. E&Y made statements in those of the Impugned Documents that are prospectuses that the Sino financial statements contained or incorporated by reference therein "complied with Canadian generally accepted standards for an auditor's involvement with offering documents" (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Group were injured thereby. The Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y in respect of Sino's Class Period prospectuses.

24. Pöyry made statements regarding the nature of Sino's operations in reports dated on or about May 31, 2011, May 27, 2011, April 23, 2010 and April 2, 2009. Such statements were materially false and/or misleading, and Pöyry lacked a reasonable basis to make such statements when Pöyry made such statements. Pöyry knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Members of the Group plead negligence and negligent misrepresentation as against Pöyry.

25. At all times material to the matters complained of herein, each of the Defendants ought to have known that Sino's disclosure documents described herein were materially misleading as detailed above. Accordingly, the Defendants have violated their duties to the Petitioner and to persons or entities similarly situated.

26. The reasonable standard of care expected in the circumstances required the Defendants to act fairly, reasonably, honestly, candidly and in the best interests of the Petitioner and the other Members of the Group.

27. The Defendants failed to meet the standard of care required by issuing Sino's disclosure documents during the relevant period, which were materially false and/or misleading as described above.

28. The negligence of the Defendants resulted in the damage to the Petitioner and Members of the Group as pleaded.

The Relationship Between Sino's Disclosures and the Price of Sino's Securities

29. The price of Sino's securities was directly affected during the Class Period by the issuance of the disclosure documents described herein. The Defendants were aware at all material times of the effect of Sino's disclosures upon the price of its Sino's securities.

30. The disclosure documents referenced above were filed, among other places, with SEDAR and the TSX and thereby became immediately available to, and were reproduced for inspection by, the Members of the Group, other members of the investing public, financial analysts and the financial press.

31. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino's securities. Sino provided either copies of the above referenced documents or links thereto on its website.

32. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of press releases on newswire services in Canada, the United States and elsewhere. The price of Sino's securities was directly affected each time SINO communicated new material information about Sino's financial results to the public.

33. Sino was the subject of analysts' reports that incorporated material information contained in the disclosure documents referred to above, with the effect that any recommendations in such reports during the Class Period were based, in whole or in part, upon that information.

34. Sino's securities were and are traded on efficient and automated markets. The price at which Sino's securities traded promptly incorporated material information about Sino's business and affairs, including the omissions and/or misrepresentations described herein, which were disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

Statutory Liability for Misrepresentations – Secondary Market

35. Each of the Impugned Documents is a "Core Document" within the meaning of the *Securities Act*.

36. Each of the Impugned Documents contained one or more misrepresentations.

37. Each of the D&Os was an officer and/or director of Sino at all material times. Each of the D&Os authorized, permitted or acquiesced in the release of some or all of the Impugned Documents.

38. Sino is a reporting issuer within the meaning of the *Securities Act*.

39. Pöyry is an expert within the meaning of the *Securities Act*.

40. E&Y is an expert within the meaning of the *Securities Act*.

41. The Petitioner and the Group assert the causes of action set forth in Title VIII, Chapter II, Division II of the *Securities Act* as against Sino, Pöyry, the D&Os and E&Y and will seek leave, if and as required, in connection therewith.

Statutory Liability for Misrepresentations – Primary Market

42. Sino issued prospectuses on December 11, 2009 and June 1, 2009 (the "Prospectuses," both of which are Impugned Documents).

43. The defendants E&Y, Chan, Horsley, Martin and Hyde signed the Prospectuses.

44. The Prospectuses contained one or more misrepresentations within the meaning of the *Securities Act*.

45. The Petitioner and the Group plead the cause of action found in Title VIII, Chapter II, Division I of the *Securities Act* as against all Defendants.

Vicarious Liability of Sino

46. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

47. The acts or omissions particularized and alleged herein to have been done by Sino were authorized, ordered and done by the Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

Damages

48. As a result of the acts and omissions described above, the Petitioner and the other Members of the Group were induced to over-pay substantially for Sino's

securities. Such persons and entities have suffered damages equivalent to the loss in market value that occurred when Sino corrected the Misrepresentations.

49. The Petitioner and other Members of the Group are also entitled to recover, as damages or costs, the costs of administering the plan to distribute the recovery in this action.

Conditions required to institute a class action

50. The composition of the Group makes the application of article 59 or 67 C.C.P. impracticable for the following reasons:

- The number of persons included in the group is estimated to be several thousand;
- The names and addresses of persons included in the group are not known to the Petitioner (but are likely to be known to Defendants);
- All the facts alleged in the preceding paragraphs make the application of articles 59 or 67 C.C.P. impossible.

51. The claims of the Members of the Group raise identical, similar or related questions of fact or law, namely:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants' Misrepresentations cause the share price of Sino's stock to be artificially inflated during the Class Period?

- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?

- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?

- Are the Defendants jointly responsible for the damages sustained by each of the members?

52. The interests of justice weigh in favour of this motion being granted in accordance with its conclusions.

Nature of the action and conclusions sought

53. The action that the Petitioner wishes to institute for the benefit of the Members of the Group is an action in damages;

54. The conclusions that the Petitioner wishes to introduce by way of a motion to institute proceedings are:

GRANT the Petitioner's action against the Defendants;

CONDEMN Defendants to pay to the Members of the Group compensatory damages for all monetary losses;

GRANT the class action of the Petitioner on behalf of all the Members of the Group;

ORDER the treatment of individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice expenses;

55. The Petitioner suggests that this class action be exercised before the Superior Court in the district of Quebec for the following reasons:

- A great number of the Members of the Group resides in the judicial district of Montreal and in the appeal district of Quebec;
- The Petitioner and his lawyers are domiciled in the district of Quebec.

56. The Petitioner, who is requesting to obtain the status of representative, will fairly and adequately protect and represent the interest of the Members of the Group for the following reasons:

- He understands the nature of the action;
- He is available to dedicate the time necessary for an action to collaborate with Members of the Group; and
- His interests are not antagonistic to those of other Members of the Group.

57. The present motion is well-founded in fact and in law.

FOR THESE REASONS, MAY IT PLEASE THE COURT:

GRANT the present motion;

AUTHORIZE the bringing of a class action in the form of a motion to institute proceedings in damages;

ASCRIBE the Petitioner the status of representative of the persons included in the group herein described as:

> "All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the "Class Period")."
>
> or such other class definition as may be approved by the Court.

IDENTIFY the principle questions of fact and law to be treated collectively as the following:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants' Misrepresentations cause the share price of Sino's stock to be artificially inflated during the Class Period?
- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?

- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?

- Are the Defendants jointly responsible for the damages sustained by each of the Members of the Group?

IDENTIFY the conclusions sought by the class action to be instituted as being the following:

GRANT the Petitioner's action against the Defendants;

DECLARE that the Defendants made the Misrepresentations during the Class Period;

DECLARE that the Defendants made the Misrepresentations negligently;

DECLARE that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants;

CONDEMN Defendants to pay to the Members of the Group compensatory damages in the amount of 4 billion$, or such other sum as this Court finds appropriate for all monetary losses;

GRANT the class action of the Petitioner on behalf of all the Members of the Group;

ORDER the treatment of individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice fees;

DECLARE that all Members of the Group that have not requested their exclusion from the Group in the prescribed delay to be bound by any judgement to be rendered on the class action to be instituted;

FIX the delay of exclusion at 30 days from the date of the publication of the notice to the Members of the Group;

ORDER the publication of a notice to the Members of the Group in accordance with article 1006 C.C.P.;

THE WHOLE with costs to follow.

Quebec, June 9, 2011

(s) SISKINDS, DESMEULES

SISKINDS, DESMEULES, AVOCATS
(Me Simon Hébert)
Lawyer for the Petitioner

SCHEDULE 1

NOTICE TO DEFENDANT

Take notice that the plaintiff has filed this action or application in the office of the Superior Court of the judicial district of Québec.

To file an answer to this action or application, you must first file an appearance, personally or by advocate, at the courthouse of Québec located at 300, boul. Jean-Lesage, Québec, G1K 8K6 within 10 days of service of this motion.

If you fail to file an appearance within the time limit indicated, a judgment by default may be rendered against you without further notice upon the expiry of the 10 day period.

If you file an appearance, the action or application will be presented before the court on September 23, 2011, at 9h00 a.m., in room 3.14 of the courthouse. On that date, the court may exercise such powers as are necessary to ensure the orderly progress of the proceeding or the court may hear the case, unless you have made a written agreement with the plaintiff or the plaintiff's advocate on a timetable for the orderly progress of the proceeding. The timetable must be filed in the office of the court.

These exhibits are available on request.

Quebec City June 9, 2011

(s) SISKINDS, DESMEULES

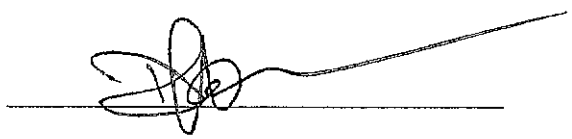
SISKINDS, DESMEULES, AVOCATS
(Me Simon Hébert)
Lawyers for the Petitioner

Tab C

THIS IS EXHIBIT "C" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN JUNE 8, 2012



A Commissioner, etc.

Daniel Holden
Barrister & Solicitor

Q.B. No. 2088 of 2011

CANADA)
PROVINCE OF SASKATCHEWAN)

IN THE QUEEN'S BENCH
JUDICIAL CENTRE OF REGINA

Between:

ALLAN HAIGH

Plaintiff,

and

SINO-FOREST CORPORATION,
ALLEN T.Y. CHAN, and DAVID J. HORSLEY.

Defendants

Brought under *The Class Actions Act*

STATEMENT OF CLAIM

NOTICE TO DEFENDANT

1. The plaintiff may enter judgment in accordance with this Statement of Claim or such judgment as may be granted pursuant to the Rules of Court unless
   - within 20 days if you were served in Saskatchewan;
   - within 30 days if you were served elsewhere in Canada or in the United States of America;
   - within 40 days if you were served outside Canada and the United States of America

(excluding the day of service) you serve a Statement of Defence on the plaintiff and file a copy thereof in the office of the local registrar of the Court for the judicial centre abovenamed.

2. In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult his lawyer as to his rights.

3. This Statement of Claim is to be served within six months from the date on which it is issued.

4. This Statement of Claim is issued at the above-named judicial centre the 1st day of December, 2011.

T. LANGFORD
DY. LOCAL REGISTRAR

Local Registrar

SEAL

DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

(a) "AI" means Authorized Intermediary;

(b) "AIF" means Annual Information Form;

(c) *"CAA" means The Class Actions Act*, S.S. 2001, c. C-12.01, as amended;

(d) *"CBCA"* means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;

(e) "Chan" means the defendant Allen T.Y. Chan;

(f) "Class" and "Class Members" means all persons and entities wherever they may reside who acquired securities of Sino during the Class Period either by primary distribution in Canada or an acquisition on the TSX or other secondary market in Canada, other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the family of an Individual Defendant;

(g) "Class Period" means the period from and including March 19, 2007 to and including June 2, 2011;

(h) "Code" means Sino's Code of Business Conduct;

(i) "Defendants" means Sino and the Individual Defendants;

(j) "December 2009 Prospectus" means Sino's Final Short Form Prospectus, dated December 10, 2009, which Sino filed on SEDAR on December 11, 2009;

(k) "E&Y" means Ernst and Young LLP;

(l) "GAAP" means Canadian generally accepted accounting principles;

(m) *"Globe"* means *The Globe and Mail*;

(n) "Horsley" means the defendant David J. Horsley;

(o) "Impugned Documents" means the 2006 Annual Consolidated Financial Statements (filed on SEDAR on March 19, 2007), 2006 AIF (filed on SEDAR on March 30, 2007), 2006 Annual MD&A (filed on SEDAR on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on SEDAR on May 4, 2007), Q1 2007 MD&A (filed on SEDAR

on May 14, 2007), Q1 2007 Financial Statements (filed on SEDAR on May 14, 2007), June 2007 Prospectus, Q2 2007 MD&A (filed on SEDAR on August 13, 2007), Q2 2007 Financial Statements (filed on SEDAR on August 13, 2007), Q3 2007 MD&A (filed on SEDAR on November 12, 2007), Q3 2007 Financial Statements (filed on SEDAR on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on SEDAR on March 18, 2008), 2007 AIF (filed on SEDAR on March 28, 2008), 2007 Annual MD&A (filed on SEDAR on March 18, 2008), Amended 2007 Annual MD&A (filed on SEDAR on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on SEDAR on May 6, 2008), Q1 2008 MD&A (filed on SEDAR on May 13, 2008), Q1 2008 Financial Statements (filed on SEDAR on May 13, 2008), Q2 2008 MD&A (filed on SEDAR on August 12, 2008), Q2 2008 Financial Statements (filed on SEDAR on August 12, 2008), Q3 2008 MD&A (filed on SEDAR on November 13, 2008), Q3 2008 Financial Statements (filed on SEDAR on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on SEDAR on March 31, 2009), 2008 Annual MD&A (filed on SEDAR on March 16, 2009), Amended 2008 Annual MD&A (filed on SEDAR on March 17, 2009), 2008 AIF (filed on SEDAR on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on SEDAR on May 4, 2009), Q1 2009 MD&A (filed on SEDAR on May 11, 2009), Q1 2009 Financial Statements (filed on SEDAR on May 11, 2009), June 2009 Prospectus, Q2 2009 MD&A (filed on SEDAR on August 10, 2009), Q2 2009 Financial Statements (filed on SEDAR on August 10, 2009), Q3 2009 MD&A (filed on SEDAR on November 12, 2009), Q3 2009 Financial Statements (filed on SEDAR on November 12, 2009), December 2009 Prospectus, 2009 Annual MD&A (filed on SEDAR on March 16, 2010), 2009 Audited Annual Financial Statements (filed on SEDAR on March 16, 2010), 2009 AIF (filed on SEDAR on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on SEDAR on May 11, 2010), Q1 2010 MD&A (filed on SEDAR on May 12, 2010), Q1 2010 Financial Statements (filed on SEDAR on May 12, 2010), Q2 2010 MD&A (filed on SEDAR on August 10, 2010), Q2 2010 Financial Statements (filed on SEDAR on August 10, 2010), Q3 2010 MD&A (filed on SEDAR on November 20, 2010), Q3 2010 Financial Statements (filed on SEDAR on

November 20, 2010), 2010 Annual MD&A (March 15, 2011), 2010 Annual Audited Financial Statements (filed on SEDAR on March 15, 2011), 2010 AIF (filed on SEDAR on March 31, 2011) and Management Information Circular dated May 2, 2011 (filed on SEDAR on May 10, 2011);

(p) "**Individual Defendants**" means Chan and Horsley;

(q) "**June 2007 Prospectus**" means Sino's Short Form Prospectus, dated June 5, 2007, which Sino filed on SEDAR on June 5, 2007;

(r) "**June 2009 Prospectus**" means Sino's Final Short Form Prospectus, dated June 1, 2009, which Sino filed on SEDAR on June 1, 2009;

(s) "**MD&A**" means Management's Discussion and Analysis;

(t) "**Muddy Waters**" means Muddy Waters LLC;

(u) "**OSC**" means the Ontario Securities Commission;

(v) "**Plaintiff**" means the plaintiff Allan Haigh;

(w) "**PRC**" means the People's Republic of China;

(x) "**Representation**" means the statement that Sino's financial statements complied with GAAP;

(y) "**SEDAR**" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

(z) "**Sino**" means the defendant, Sino-Forest Corporation;

(aa) "**SSA**" means *The Securities Act*, S.S. 1988-89, c. S-42.2, as amended;

(bb) "**TSX**" means the Toronto Stock Exchange;

(cc) "**WFOE**" means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

CLAIM

(1) the parties

(a) plaintiff

2. The Plaintiff, Allan Haigh, resides in Saskatoon, Saskatchewan. Mr. Haigh purchased 200 shares of Sino on November 3rd, 2010, at a cost of $20.14 per share.

(b) defendants

3. The Defendant Sino-Forest Corporation ("Sino-Forest"), is incorporated pursuant to the laws of Canada, with its head office at 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3.

4. The Defendant Chan resides in Ontario. At all material times, Chan was Sino's Chairman, Chief Executive Officer, and a director of the company.

5. The Defendant Horsley resides in Ontario. At all material times, Horsley was Sino's Chief Financial Officer.

(2) the class

6. The Plaintiff brings this action on behalf of all persons or entities who held common shares of Sino between March 19th, 2007 and June 2, 2011 (the "Class Period") either by primary distribution in Canada or an acquisition on the Toronto Stock Exchange or other secondary market in Canada.

(3) particulars

7. At all material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario.

8. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere.

9. In 1994, Sino entered Canada's capital markets by way of a "reverse takeover." This allowed Sino to avoid the scrutiny of an Initial Public Offering.

10. At all material times, Sino's shares were listed for trading on:

(a) the Toronto Stock Exchange (the "TSX") under the ticker symbol "TRE";

(b) on the Berlin exchange as "SFJ GR";

(c) on the OTC market in the United States as "SNOFF";

(d) on the Tradegate market as "SFJ TH";

(e) on alternative trading systems in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading.

11. At all material times, Sino had various debt instruments, derivatives and other securities that were publicly traded in Canada and elsewhere.

12. The price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino's disclosure documents upon the price of its Sino's securities.

13. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Plaintiff, Class Members, other members of the investing public, financial analysts and the financial press.

14. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the Impugned Documents or links thereto on its website.

15. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

16. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

17. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

18. In Sino's Initial Proxy Circular of February 11th, 1994, Sino purported to operate through six joint ventures formed in the PRC. By the early 2000's, Sino's business structured changed to include wholly-owned subsidiaries and so called authorized intermediaries ("AIs"). By early 2011, Sino purported to conduct business through more than 60 subsidiaries, at least 16 of which were formed in the British Virgin Islands, and at least 40 of which were formed in the PRC.

19. Sino conducted seven offerings during the Class Period (the "Offerings"), raising an aggregate of more than $2.7 billion from investors:

(a) by short form prospectus dated June 5, 2007 (filed with SEDAR), Sino conducted an offering of 15,900,000 common shares at a price of $12.65 per share, resulting in gross proceeds of $201,135,000;

(b) by way of an "Offering Memorandum", Sino sold through private placement US$345 million in aggregate principal amount of convertible senior notes due 2013;

(c) by short form prospectus dated June 1, 2009 (filed with SEDAR), Sino conducted an offering of 34,500,000 common shares for $11.00 per share, resulting in gross proceeds of $379,500,000;

(d) by way of an Exchange Offer Memorandum, Sino exchanged certain of its then outstanding senior notes with new notes, pursuant to which Sino issued US$212,330,000 in aggregate principal amount of guaranteed senior notes due 2014;
(e) by way of a final Offering Memorandum, Sino sold through private placement US$460,000,000 in aggregate principal amount of convertible senior notes due 2016;
(f) by short form prospectus dated December 11th, 2009 (filed with SEDAR on December 11, 2009), Sino conducted an offering of 21,850,000 common shares for $16.80 per shares, resulting in proceeds of $367,080,000;
(g) On February 8th, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD$195 million notes issued by Mandra Forestry Financial Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new guaranteed senior notes issued by Sino in the aggregate principal amount of USD$187,177,375 with a maturity date of July 28, 2014.
(g) On October 14, 2010, Sino issued a final Offering Memorandum pursuant to which Sino sold through private placement US$600,000,000 in aggregate principal amount of guaranteed senior notes due 2017.

20. The offering documents referenced in the preceding paragraph included and incorporated other documents by reference that included the Representation and other misrepresentations that are particularized below. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have receipted the Prospectuses and the offerings would not have occurred.

(4) Sino's class period misrepresentations

21. During the class period, Sino misrepresented:

(a) Its 2006 Results and AIF;

(b) Its May 2007 Management Information Circular;

(c) Its tax-related risks arising from its use of AIs;

(d) Its Yunnan Forestry Assets;

(e) Its Suriname Forestry Assets;

(f) Its Jiangxi Forestry Assets;

(g) Its related parties;

(h) Its sales of standing timber;

(i) Its purchases of Forestry Assets; and

(j) Its margins and taxes.

Sino's 2006 Results and AIF

22. Prior to the opening of markets on March 19th, 2007, Sino issued and filed on SEDAR its 2006 Annual Consolidated Financial Statements and 2006 Annual MD&A. Each document contained the Representation, which was false.

23. In particular, Sino materially overstated its results for 2006, and its assets as at year-end 2008. Sino reported in each such document, on a GAAP basis, that its revenues and net income for the year ended December 31st, 2006 were, respectively, US$634.0 million and US$111.6 million, and further reported, on a GAAP basis, that its assets as at December 31st, 2006 were US$1.2 billion.

24. Over the ten trading days following the issuance of Sino's inflated 2006 results, Sino's share price rose substantially on unusually heavy trading volume. At the close of trading on March 16th, 2007 (the trading day prior to March 19th, 2007), Sino's shares traded at $10.10 per share. At the close of trading on March 29th, 2007, Sino's shares traded at $13.42 per share, which constituted an increase of approximately 33% from the March 19th closing price.

Sino's May 2007 Management Information Circular

25. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

> ...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. **In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.** [Emphasis added.]

26. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

27. These statements were false and materially misleading when made, as Sino had no intention of reducing materially its reliance on AIs, because AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

28. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber and Sino's reliance on AIs in fact *increased* during the Class Period.

Sino's tax-related risks arising from its use of AIs

29. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

30. Tax evasion penalties in the PRC are severe and depending on the severity of the offense can be punishable with unlimited fines.

31. During the Class Period, Sino professed to be unable to determine whether its AIs had paid required taxes and so the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed to disclose these risks in its Class Period disclosure documents, including and particularly in its discussions of its tax provisioning set forth in its Class Period financial statements and AIFs.

32. Based upon Sino's reported results, Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were materially deficient and Sino's inadequate tax accruals violated GAAP.

33. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

34. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs were not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

35. During the Class Period, Sino also failed to disclose the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US$1.4 billion. Notwithstanding this disclosure, Sino did not disclose that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

36. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

> Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. ***Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.*** [Emphasis added.]

37. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period, which states:

> Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. ***Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.*** [Emphasis added.]

38. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

39. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions. This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its 2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

Sino Overstates its Yunnan Forestry Assets

40. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("Sino-Panel"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("Gengma Forestry") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned commercial standing timber in Lincang City and surrounding cities in Yunnan for US$700 million to US$1.4 billion over a 10-year period.

41. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents.

42. However, the reported acquisitions did not take place. As the *Globe* later revealed, Sino "substantially overstated the size and value of its forestry holdings in China's Yunnan Province, according to figures provided by senior forestry officials and a key business partner there." Sino simply does not own the trees it claims to own in Yunnan.

Sino Overstates its Suriname Forestry Assets

43. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong and a listing on the Hong Kong Stock Exchange ("Greenheart").

44. In August 2010, Greenheart issued an aggregate principal amount of US$25,000,000 convertible notes for gross proceeds of US$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited. Chan became a member of Greenheart's Board and the Board's Chairman. Other officers and directors of Sino became officers and directors of Greenheart.

45. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan options to purchase approximately 6.8 million. The options are exercisable for a five-year term.

46. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which some of Sino's officers and directors have an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

47. As a result of the aforesaid transactions and interests, Sino, Chan, and other officers and directors of Sino, stood to profit handsomely from any inflation in the market price of Greenheart's shares.

48. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

> **Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname**
> *****
> **312,000 hectares now under Greenheart management** Hong Kong, March 1, 2011 – Greenheart Group Limited ("Greenheart" or "the Company")

(HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. ("Vista"), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart's concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.* Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino- Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. *I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner.* This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

About Ty Wilkinson

Mr. Wilkinson has over twenty years of experience in the agricultural and forestry business. He was awarded the prestigious "Farmer and Rancher of the year" award in the USA, in recognition of his work on water conservation, perfecting the commercial use of drip irrigation and maximizing crop yield through the use of technical soil research and analysis. Mr. Wilkinson also has extensive knowledge in sustainable forestry management, forestry planning, infrastructure development, harvest schedules, lumber drying, lumber processing, extensive local knowledge as well as regional business networks. He has been living in Suriname since 2001. [Emphasis added.]

49. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

> We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.* [Emphasis added].

50. In its Annual Report for 2010, which Sino filed on SEDAR on May 10, 2011, Sino's Vice-Chairman stated:

> I am honored to report to you for the first time as Vice Chairman of Sino-Forest and Chief Executive Officer of Greenheart Group [...] Greenheart's strategy is to be Sino-Forest's international growth vehicle for acquiring sustainable and profitable forestry assets located outside China to serve the growing wood deficit within China while at the same time maintaining the ability to manage and operate in other markets around the world. At the end of 2010, Greenheart had three primary assets; a 60% interest in a 184,000 hectare hardwood concession located in western Suriname (Sino-Forest currently owns the remaining 40% minority interest); a commitment to acquire 13,000 hectares of freehold land including 11,000 hectares of softwood radiata pine plantations in New Zealand (which was completed subsequent to year end); and US$78 million in cash. *In the first quarter of 2011, we acquired 60% of Vista Marine Services N.V., which holds certain harvesting rights to a 128,000-hectare concession in eastern Suriname. This acquisition expands Greenheart's land under management in Suriname to approximately 312,000 hectare. We are currently building two large-scale wood processing facilities, which we expect to complete late this year, which will allow us to process logs into lumber and other value-added products such as flooring, decking and special millwork. Greenheart's strategy in Suriname is to continue to expand our concession footprint and be the leader in the sustainable timber industry. We are committed to low-impact harvesting and silviculture methods as prescribed by Suriname's Centre for Agricultural Research ("CELOS"), and we will be working towards Forest Stewardship Council ("FSC") certification in all our operations. The responsible care of people and the environment is our corporate policy but also our state of mind.* [Emphasis added.]

51. The foregoing statements were false or materially misleading when made, for the reasons set out below.

52. Shortly before Greenheart's purported acquisition of Vista Marine Services N.V. ("Vista"), Vista was founded by Ty Wilkinson, an American citizen who formerly resided in Sarasota, Florida. Although Greenheart saw fit to disclose in its March 1, 2011 press release that Mr. Wilkinson, Greenheart's new Suriname CEO, was once named "Farmer and Rancher of the year," Greenheart failed to disclose that the Circuit Court of Sarasota County, Florida, had issued a warrant for Mr. Wilkinson's arrest in October 2009, and that Mr. Wilkinson abandoned residence in the United States at least in part to avoid arrest, and also to avoid paying various debts Wilkinson owes to a former business associate and others.

53. There is no record of Greenheart in the Suriname Trade Register maintained by the Chamber of Commerce in Suriname, nor is there any record of Greenheart with the Suriname Foundation for Forest Management and Production Control.

54. In addition, under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession.

55. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Neither Sino nor Greenheart has disclosed that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous peoples of Suriname.

Jiangxi Forestry Assets

56. On June 11, 2009, Sino issued a press release in which it stated:

> Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders. Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m3) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m3, to the extent permitted under the relevant PRC laws and regulations. ***The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares*** to achieve an estimated average wood fibre yield of approximately 100 m3 per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees. In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.
>
> **Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."** [Emphasis added].

57. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("Zhonggan") for US$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US$309.6 million).

58. However, as was known to Sino, Chan, and Horsley, Sino's plantation acquisitions through Zhonggan are far smaller than Sino has claimed.

59. In August 2011, a supervisor of the Forestry Bureau of Nanchang, the capitol of Jiangxi Province, affirmed that he had never heard of Zhonggan. In that same month, the Jiangxi Forestry Bureau, which has jurisdiction over the Province of Jiangxi, was able to confirm only that Zhonggan had rented the land use rights of 3,333 ha from local farmers.

60. Zhonggan's offices belie the purported scope and nature of Zhonggan's business. During a visit to Zhonggan's offices in August 2011, no personnel were present during business hours, there was no signage outside the office, and there was a CCTV camera and a fingerprint entry machine installed near the office entrance.

61. Zhonggan was formed in January 2008, only 18 months before agreeing to sell to Sino's subsidiary up to 300,000 ha of plantation forest. Moreover, when it was established, Zhonggan was capitalized with a mere ¥5 million.

62. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director

and a 50% shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

Misrepresentations Regarding Related Parties other than Zhonggan

63. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited ("Homix"), which it described as a 48 company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US$7.1 million. That press release stated:

> HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.
>
> [...]
>
> Mr. Allen Chan, Sino-Forest's Chairman & CEO, said, "As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

> Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

64. Sino's 2009 Annual Audited Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Annual Audited Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a party related to Sino.

65. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd.

66. Pursuant to GAAP, Sino was required to provide, among other things, a description of the relationship between the transacting parties when dealing with related parties. GAAP recognizes that detail on related party transactions is crucial.

67. Thus, Sino's failure to disclose that Homix was a related party was a violation of GAAP, and a misrepresentation.

68. Finally, Homix has no patent designs registered with the PRC State Intellectual Property Office, a fact also not disclosed by Sino at the time of the Homix acquisition or subsequently.

Misrepresentations Regarding Sales of Standing Timber

69. Every financial statement and MD&A issued during the Class Period overstates Sino's sales of standing timber to a material degree, and overstates to a material degree Sino's reported revenues and net income for the period in question.

70. Throughout the Class Period, Sino purported to sell "standing timber." As particularized above, such sales did not occur, or did not occur in a manner such that revenue could be recorded pursuant to GAAP.

Misrepresentations Regarding Purchases of Forestry Assets

71. As particularized above, Sino overstated its acquisition of forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in the Impugned Documents in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

72. In addition, during the Class Period, Sino caused statements to be made that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

(a) In a report dated March 15, 2008, filed on SEDAR on March 31, 2008, Sino:

(a) caused to be stated that it had determined the valuation of the Sino forest assets to be US$3.2 billion as at 31 December 2007;

(b) caused tables and figures regarding Yunnan to be published;

(c) caused to be stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and

(d) provided a detailed outline of Sino's Yunnan "holdings" at Appendixes 3 and 5;

(b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009, Sino caused to be stated that:

> "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year;"

provided figures and tables regarding Yunnan, and stated that:

> "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource;"

(c) In a "Final Report" dated April 23, 2010, and filed on SEDAR on April 30, 2010, Sino caused to be stated that:

> "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,"

provided figures and tables regarding Yunnan, and stated that:

> "Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest," stated that "the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha" and that "[a]lmost 51 97% of the broadleaf forest is in Yunnan,"

and provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 4;

(d) In a "Summary Valuation Report" regarding "Valuation of Purchased Forest Crops as at 31 December 2010" and dated May 27, 2011, Sino caused to be published tables and figures regarding Yunnan, and stated that:

> "[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces"

and that:

> "[a]nalysis of [Sino's] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,"

and stated that:

> "[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;"

and

(e) In a press release titled "Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports" and which was "jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports," Sino caused to be reported that the estimated market value of Sino's forest assets on the 754,816 ha to be approximately US$3.1 billion as at December 31, 2010.

73. Statements caused to be made by Sino regarding the value of Sino's forestry "assets" that were misrepresentations were incorporated into the 2007 Annual MD&A, the Amended 2007 Annual MD&A, each of the 2008 Q1, Q2, Q3, Annual and amended Annual MD&As, each of the 2009 Q1, Q2, Q3 and Annual MD&As, and each of the 2010 Q1, Q2 and Q3 MD&As.

Misrepresentations Regarding Sino's Margins and Taxes

74. Sino never disclosed the true source of its elevated profit margins and the true nature of the tax-related risks to which it was exposed, as particularized above. This omission rendered each of the following statements a misrepresentation:

(a) In the 2006 Annual Financial Statements, note 11 [b] "Provision for tax related liabilities" and associated text;

(b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(c) In the AIF dated March 30, 2007, the section "Estimation of the Company's provision for income and related taxes," and associated text;

(d) In the Q1 and Q2 2007 Financial Statements, note 5 "Provision for Tax Related Liabilities," and associated text;

(e) In the Q3 2007 Financial Statements, note 6 "Provision for Tax Related Liabilities," and associated text;

(f) In the 2007 Annual Financial Statements, note 13 [b] "Provision for tax related liabilities," and associated text;

(g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(h) In the AIF dated March 28, 2008, the section "Estimation of the Corporation's provision for income and related taxes," and associated text;

(i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 "Provision for Tax Related Liabilities," and associated text;

(j) In the Q1, Q2 and Q3 2008 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(k) In the 2008 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;

(l) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(m) In the AIF dated March 31, 2009, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;

(n) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 "Provision for Tax Related Liabilities," and associated text;

(o) In the Q1, Q2 and Q3 2009 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(p) In the 2009 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;

(q) In the 2009 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(r) In the AIF dated March 31, 2010, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;

(s) In the Q1 and Q2 2010 Financial Statements, note 14 "Provision for Tax Related Liabilities," and associated text;

(t) In the Q1 and Q2 2010 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(u) In the Q3 2010 Financial Statements, note 14 "Provision and Contingencies for Tax Related Liabilities," and associated text; and

(v) In the Q3 2010 MD&As, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

(w) In the 2010 Annual Financial Statements, note 18 "Provision and Contingencies for Tax Related Liabilities," and associated text;

(x) In the 2010 Annual MD&A, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text; and

(y) In the AIF dated March 31, 2011, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we havd provisioned," and associated text.

75. In every Impugned Document that is a financial statement, the line item "Accounts payable and accrued liabilities" and associated figures on the Consolidated Balance Sheets fails to properly account for Sino's tax accruals and is a misrepresentation.

CEO AND CFO FALSE CERTIFICATIONS

76. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

77. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

THE TRUTH IS REVEALED

78. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

> Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE's default on its investment obligations, the JV never went into operation. TRE just lied.
>
> The foundation of TRE's fraud is a convoluted structure whereby it claims to run most of its revenues through "authorized intermediaries" ("AI"). AIs are supposedly timber trader customers who purportedly pay much of TRE's value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.
>
> The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.
>
> [...]
>
> On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased $2.891 billion in standing timber under master agreements since 2006
>
> [...]
>
> Valuation Because TRE has $2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than $1.00 per share.

79. Muddy Waters also disclosed in its initial report that Sino had failed to disclose various related party transactions, including its dealings with Jiangxi Zhonggan Industrial Development Company Ltd.

80. After Muddy Waters' initial report became public, Sino shares fell to $14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of $18.21). When trading was allowed to resume the next day, Sino's shares fell to a close of $5.23 (a decline of 71.3% from June 1).

81. On June 3, 2011, Sino announced the formation of an "Independent Committee," comprised of William E. Ardell (Chair), James P. Bowland and James M.E. Hyde, to investigate Muddy Waters' allegations and report to Sino's Board in that regard.

82. On June 14, Sino issued is Q1 2011 Financial Statements. Those financial statements contained the following notice:

> **Notice of no auditor review of the condensed interim consolidated financial statements.**
> The accompanying unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have not been reviewed by the Company's external auditors. On June 2, 2011, Muddy Waters, LLC issued a report (the "Report") containing various allegations regarding the Company, its assets, operations and financial results. As a result of such report, on June 2, 2011, the Board of Directors of the Company appointed a committee of independent directors (the "Independent Committee") to thoroughly examine and review the allegations contained in the Report, and report back to the Board of Directors. The Independent Committee has retained independent legal counsel in Canada, Hong Kong and China as well as independent accounting firm Pricewaterhouse Coopers LLP to assist with the examination. The Company's external auditors were initially engaged to conduct a review of the accompanying Interim Financial Statements in accordance with Canadian standards for the auditor review of interim financial statements. The Company's auditors have advised that they are unable to complete a review of these financial statements until the completion of the examination and review by the Independent Committee and the auditors' consideration of the results

> thereof. The Board of Directors and management believe that, based on information currently available to them, the Interim Financial Statements were compiled in accordance with International Financial Reporting Standards ("IFRS") and fairly depict the financial condition and results of operations of the Company. However, in the event that the allegations set forth in the Report prove to be accurate, in whole or in part, the information set forth in the Interim Financial Statements may differ materially and the Interim Financial Statements could be subject to restatement. As a result, readers should exercise caution in reviewing such financial statements. See Note 2.1 of the Interim Financial Statements.

83. That same day, Sino held its Q1 2011 Earnings Call. On that call, Ardell stated that "particular reference was made to a number of the directors that this is an opportunity for them to be in and buying significant amounts of shares to demonstrate strong belief in the company. *And I can assure you that if we had the choice, we certainly would at this stage*" (emphasis added). Ardell thereby confirmed that he had prejudged the outcome of his committee's investigation, and that his committee was not independent.

84. On Saturday June 18 and Sunday June 19, 2011, the *Globe* published an in-depth investigative report on Sino.

85. The June 18 article, titled "Key partner casts doubt on Sino-Forest claim," read, in material part:

> Embattled Sino-Forest Corp., once Canada's biggest publicly-traded timber company, appears to have substantially overstated the size and value of its forestry holdings in China's Yunnan province, according to figures provided by senior forestry officials and a key business partner there.
>
> During two weeks of on-the-ground reporting that included interviews with Chinese government officials, forestry experts, local business operators and brokers, The Globe and Mail uncovered a number of glaring inconsistencies that raise doubts about the company's public statements regarding the value of the assets that lie at the centre of the company's core business of buying and selling Chinese timber rights.
>
> [...]

The Globe's investigation raises particularly hard questions about a key agreement in March, 2007, that Sino-Forest says gave it the right to buy timber rights for up to 200,000 hectares of forest in Yunnan over a 10-year period for between $700-million (U.S.) and $1.4-billion. The trees were to be bought through a series of agreements with an entity called Gengma Dai and Wa Tribes Autonomous Region Forestry Co. Ltd., also known as Gengma Forestry.

The company says it has fulfilled virtually all of the agreement with Gengma and now owns more than 200,000 hectares in Yunnan.

But officials with Gengma Forestry, including the chairman, dispute the company's account of the deal, telling The Globe and Mail that the actual numbers are much smaller.

Xie Hongting, the chairman of Gengma Forestry, said in an interview that the transactions carried out so far by Sino-Forest amounted to less than 14,000 hectares.

Asked how many deals Gengma had conducted with Sino-Forest, Mr. Xie said: "I've told you that we sold them almost 200,000 mu." (Mu is a Chinese unit of land measurement; 15 mu equals one hectare.) Mr. Xie's account corroborates the assertions of senior forestry officials in the province. Speaking on condition of anonymity, these officials challenged the company's statements that it controls more than 200,000 hectares of Yunnan trees, and said they are now investigating.

[...]

While Gengma Forestry officials question Sino-Forestry's account of the 2007 deal, local land brokers said it would be difficult to find 200,000 hectares of quality land leases to complete that agreement.

[...]

Senior forestry officials in the province challenged the company's assertion that it controls about 200,000 hectares of forest in the region. Speaking on condition they not be identified, they said their records showed Sino-Forest manages far less than that and said the Yunnan Forestry Bureau would begin an investigation aimed at determining the company's true holdings. In addition to the questions about Sino-Forest's disclosures on the size of its holdings, forestry officials, as well as local timber brokers who spoke to The Globe raised questions regarding the value Sino-Forest attributes to its Yunnan assets.

"It's very hard for anyone to say what the value of their property is," said one forestry official, adding that forested land in Yunnan needed to be evaluated by a special body jointly appointed by the Forestry Bureau and the Ministry of Finance. Sino-Forest has not requested such an official valuation of its land, he said. "(The valuation) must have two chops (official seals) and two forestry resource evaluation experts and two licensed evaluators... . Even I can't just go there and give it a value."

[...]

86. The June 19 article, titled "On the trail of the truth behind Sino-Forest," stated in part:

The deepening mystery surrounding Canadian timber company Sino-Forest Corp. leads to the regional capital of Kunming in China's Yunnan province and down Huashan West Road – to an address that doesn't exist.

That address, No. 125 - 129 Huashan West Rd., is listed as the office of a forestry company that sold 1,600 hectares of timber in Yunnan province to a Sino-Forest subsidiary in March. But the odd-numbered side of Huashan West Road ends at 81.

Finding the buyer, the Sino-Forest subsidiary, proves almost as elusive. The office is in a white three-storey building with a green Sino-Panel sign on Bai Tai Road on the northern edge of Lincang, the administrative centre of the region's forestry industry. But it's empty.

The curious transactions totaling $6-million and inked on March 7 between a Sino-Forest subsidiary with an empty office and a seller with no address highlight the bigger questions surrounding Sino-Forest's dealings in southern China. Trying to penetrate Sino-Forest's complicated business in Yunnan can be like trying to spot the sun through the thick forests of oak, birch, pine and other timber that carpet the mountains in this sprawling region along China's border with Myanmar.

[...]

Senior forestry bureaucrats also told The Globe and Mail that there's no official valuation of Sino-Forest's properties, since the company has never applied to have an evaluation conducted by the local government. The Yunnan Forestry Bureau has since launched an investigation into the company's claims.

[...]

> Two weeks of travelling by car and plane to visit Sino-Forest offices, properties and partners in Yunnan, Hunan and Beijing – and interviews with forestry officials, industry experts and local residents – led to as many new questions as answers.
>
> In the series of deals inked on March 7, the buyer was named as Sino-Panel (Yunnan) Forestry Co., the local affiliate of Sino-Forest, and the seller was listed as Yunnan Shunxuan Forestry Co. Ltd. of Huashan West Road.
>
> No one on Huashan West Road recalls a forestry company ever having an office in the area. "If there was a company like this on Huashan West Road, I would know about it," said a member of the neighbourhood committee (a hyperlocal and usually omniscient arm of the ruling Communist Party) that is responsible for the street.
>
> At the same time, neighbours say the office of Sino-Panel on Bai Tai Road sat empty until Thursday, June 2 – hours before Muddy Waters released the report that rocked investor confidence in Sino-Forest and sent its share price spiralling downwards. Then a moving van arrived at the long-vacant building and began unloading desks, chairs, power bars and Internet cables. A week later, however, there was still no evidence of anyone working there, other than a squashed cigarette butt and a caulking gun that lay on the dirty tile floor amid the bare workstations.
>
> "We wouldn't have noticed, but (on June 2) my car was blocking the moving van (and had to be moved). Before that, the building was empty," said Wu Jie, manager of the regional office of Fanhua Forestry Investments Development Co., which sits beside a massage parlour and an English training centre across the street from the deserted Sino-Panel building.
>
> [...]

87. In the latter article, the *Globe* also discussed Sino's failure to disclose certain related party transactions.

88. On June 20, 2011, Muddy Waters released a follow-up report, "The Ties that Blind, Part 1: Huaihua Yuda," which provided further detail on Sino's undisclosed transactions with related parties Huaihua Yuda and Sonic Jita.

89. When the market closed on June 20, 2011, Sino's shares traded at $2.73 (a decline of 85% from June 1, 2011).

90. After the close of markets on June 20, 2011, it was revealed that certain entities affiliated with Paulson & Co., which had been Sino's largest shareholder, had sold all of its holdings and thereby realized a loss, on a mark-to-market basis, in excess of $560-million. Only five days earlier, Horsley had sought to reassure investors, saying "I've spoken to [Paulson & Co.] and they are very supportive."

91. The next day, Sino shares closed at $1.99 a decline of $16.22 or 89% from their closing price on June 1, 2011.

92. On July 14, 2011, Fitch Ratings withdrew its ratings of Sino's debt securities, stating:

> Fitch Ratings has withdrawn Sino-Forest Corporation's (Sino-Forest) Foreign Currency Issuer Default Rating and senior unsecured debt rating of 'BB-'. The ratings were on Negative Watch at the point of withdrawal. Fitch has withdrawn the ratings as it is unable to obtain sufficient information to maintain them.
>
> [...]
>
> Since placing Sino-Forest on Negative Watch on 20 June 2011, Fitch had requested from the company a more frequent and regular update of its offshore cash balances, as well as updates on management's progress/intentions with regard to the future onshore/offshore structure of the business. Fitch viewed this information as critical to monitoring the position of Sino-Forest offshore creditors, particularly given that under the current business structure offshore obligors are unable to directly access the company's onshore cash flows. ***Management has informed Fitch that the company is unwilling to provide any further information*** until the Committee of Independent Board Members – which was formed to investigate the allegations made by Muddy Waters LLC – publishes its findings. The company has not provided a date for the publication. ***Fitch does not consider these actions commensurate with being able to maintain the rating for investors.***

Fitch will no longer provide ratings or analytical coverage of this issuer. [Emphasis added.]

93. At the close of trading on August 25, 2011, Sino's shares traded at $4.81 per share. Shortly prior to the commencement of trading on August 26, 2011, the OSC issued a cease-trade order in relation to Sino's securities, and also took the unprecedented step of ordering, without a hearing, that Chan and various other Sino officers resign.

94. In its order, the OSC stated that in part:

[...]

3. Albert Ip ("Ip") is the Senior Vice President Development and Operations North- East and South-West China of Sino-Forest;

4. Alfred C.T. Hung ("Hung") is Vice-President Corporate Planning and Banking of Sino-Forest;

5. George Ho ("Ho") is Vice-President Finance of Sino-Forest;

6. Simon Yeung ("Yeung") is Vice President - Operation within the Operation / Project Management group of Sino-Panel (Asia) Inc., a subsidiary of Sino-Forest ("Yeung");

7. Since 2003, Sino-Forest has raised approximately $2.986 billion from public investment and/or debt securities issues including four public offerings between 2004 and 2009 which approximately raised $1.05 billion;

8. Sino-Forest has over 150 subsidiaries, the majority of which are registered in the British Virgin Islands and Peoples Republic of China ("PRC");

9. Sino-Forest's operations are predominately in the PRC and its management has offices in Hong Kong primarily and also in the PRC and Ontario;

10. Staff of the Commission is conducting an investigation into the activities and business of Sino-Forest and its subsidiaries and their management;

11. The Independent Committee of Sino-Forest has also been conducting an investigation into the activities and business of Sino-Forest and its subsidiaries

and their management. As a result, Sino-Forest has recently suspended Ho, Hung, and Yeung temporarily and curtailed Ip's duties and responsibilities.

12. Sino-Forest, through its subsidiaries, appears to have engaged in significant nonarm's length transactions which may have been contrary to Ontario securities laws and the public interest;

13. Sino-Forest and certain of its officers and directors appear to have misrepresented some of its revenue and/or exaggerated some of its timber holdings by providing information to the public in documents required to be filed or furnished under Ontario securities laws which may have been false or misleading in a material respect contrary to section 122 or 126.2 of the Act and contrary to the public interest;

14. Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the Act and contrary to the public interest...

95. Several hours later, the OSC rescinded its order that Chan and the other Sino officers referenced in the preceding paragraph resign, but maintained its cease-trade order.

96. On August 28, 2011, Sino announced that Chan had resigned "voluntarily" from the positions of Sino's CEO and Board Chairman and as a member of the Sino Board.

(6) the Plaintiff's causes of action

Negligent Misrepresentation

97. As against all Defendants, and on behalf of all Class Members, the Plaintiff pleads negligent misrepresentation. In support of that cause of action, the sole misrepresentation that the Plaintiff pleads is the Representation. The Plaintiff does not plead any other misrepresentation in support of their negligent misrepresentation claim.

98. The Representation is contained in the phrase "[e]xcept where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")." This phrase appears in the every annual and quarterly MD&A that is an Impugned Document. Sino and the Individual Defendants made this statement or caused it to be made.

99. The Representation is also contained in the phrase "[t]he consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared [...] in accordance with Canadian generally accepted accounting principles." This phrase appears in every Audited Annual Financial Statement that is an Impugned Document. Every Interim Financial Statement that is an Impugned Document incorporated by reference that section of the relevant Audited Annual Financial Statement which contained that phrase. Sino and the Individual Defendants made this statement, approved it or caused it to be made.

100. The Representation is also contained in the phrase "[t]he consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles." This phrase appears in every Audited Annual Financial Statement that is an Impugned Document. That statement was made by Sino, Chan and Horsley in the "Management's Report."

101. The Representation is contained in the phrase "[w]e prepare our financial statements in accordance with Canadian GAAP" found in the AIFs filed on March 31, 2009 and 2010. The Representation is also contained in the phrase "[p]rior to January 1, 2011, we have prepared our financial statements in accordance with Canadian GAAP" found in the AIF filed on March 31, 2011. The Impugned Documents that are Management Information Circulars incorporated the most recent AIF, Annual MD&A and Annual Financial Statements by reference and thus the Representation. Sino and the Individual Defendants made these statements, approved it, and caused them to be made.

102. The Representation is further contained in the phrase "[t]he Corporation prepares its financial statements in accordance with Canadian GAAP" found in the Prospectuses. Sino and the Individual Defendants made this statement, approved it, and caused it to be made. The Representation is contained in the phrase "[i]n our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, [years vary between documents] and the results of its operations and its cash flows for the year[s] then ended in accordance with Canadian generally accepted accounting principles," made by E&Y in every Audited Annual Financial Statement that is an Impugned Document.

103. The Representation was untrue: the Impugned Documents violated GAAP by, among other things, overstating to a material degree Sino's revenues, net income and assets, failing to disclose changes in accounting policies, understating Sino's tax accruals, and failing to disclose related party transactions.

104. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities, and all of the Defendants knew at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

105. The Defendants further knew that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

106. By virtue of their purported accounting, financial, and managerial acumen, the Defendants had a duty at common law, informed by the Securities Legislation, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

107. The Defendants or some of them breached that duty by making the Representation as particularized above.

108. The Plaintiff and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino.

109. Alternatively, the Plaintiff and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, Sino's repeated publication of the Representation in the Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiff and Class Members.

Statutory Liability – Secondary Market

110. The Plaintiff intends to deliver a notice of motion seeking, among other things, an order granting leave to bring the statutory causes of action found in Part XXIII.1 of the *SSA*, against all Defendants.

Statutory Liability – Primary Market

111. As against Chan and Horsley who signed the June 2009 and December 2009 Prospectuses, and on behalf of those Class Members who purchased Sino shares in one of the distributions to which those Prospectuses related, the Plaintiff asserts the cause of action set forth in s. 137 of the *SSA*.

112. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

Unjust Enrichment of Chan and Horsley

113. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan and Horsley at artificially inflated prices during the Class Period.

114. Accordingly, Chan and Horsley were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

115. There was no juristic reason for the resulting enrichment.

116. Accordingly, the Class Members who purchased Sino shares from Chan and Horsley during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

Unjust Enrichment of Sino

117. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

118. The securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

119. Sino was enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

120. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

Oppression

121. In the circumstances alleged herein, the Plaintiff and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's best interests and, in turn, in the interests of its securityholders. More specifically, the Plaintiff and the other Class Members had a reasonable expectation that:

(a) Sino and the Individual Defendants would comply with GAAP, and cause Sino to comply with GAAP;

(b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;

(c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;

(d) Sino and the Individual Defendants would not make the misrepresentations particularized above;

(e) Sino stock options would not be backdated or otherwise mispriced; and

(f) the Individual Defendants would adhere to the Code.

122. Such reasonable expectations were not met as:

(a) Sino did not comply with GAAP;

(b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;

(c) Sino's corporate governance procedures and internal controls were inadequate;

(d) the misrepresentations particularized above were made;

(e) stock options were backdated and otherwise mispriced; and

(f) the Individual Defendants did not adhere to the Code

123. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiff and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders. The value of the shareholders' investments was based on, among other things:

(a) the profitability of Sino;

(b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;

(c) Sino's compliance with its disclosure obligations;

(d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and

(e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

124. This oppressive conduct impaired the ability of the Plaintiff and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiff and the other Class Members would not have suffered the damages alleged herein.

(6) general

125. The Plaintiff pleads and relies on:

(a) *The Class Actions Act*, S.S. 2001, c. C-12.01, as amended;

(b) The *Canada Business Corporations Act*, R.S. 1985, c. C-44, as am., including ss. 238 and 241;

(c) *The Pre-Judgment Interest Act*, S.S. 1984-85-85, c. P.22.2, as am., including s. 5(1);

(d) *The Securities Act*, S.S. 1988-89, c. S-42.2, as amended; and

(d) *The Queen's Bench Rules*, including rules 388 and 394.

(7) relief sought

126. The Plaintiff therefore claims, on behalf of himself and the Class:

(a) an order that Sino's affairs have been conducted in a manner that is oppressive, unfairly prejudicial to and which unfairly disregards the interests of Class Members, within the meaning of s. 241;

(b)aggravated and compensatory damages against the Defendants in an amount to be determined at trial;

(c) punitive damages against the Defendants;

(d) prejudgment interest;

(e) costs including the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and

(f) such further and other relief as this Honourable Court deems just.

DATED at Regina, Saskatchewan, on the 1st day of December, 2011.

Delivered By: MERCHANT LAW GROUP LLP,

Address for Service:	100-2401 Saskatchewan Drive Regina, Saskatchewan S4P 4H8,
Lawyer in Charge:	E. F. Anthony Merchant, Q.C. Tel: (306) 359-7777 Fax: (306) 522-3299, Counsel for the Plaintiffs.

H:\Wpdata\Class Action\Statement of Claim.wpd

Tab D

THIS IS EXHIBIT "D" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN JUNE 8, 2012

A Commissioner, etc.

Daniel Holden
Barrister & Solicitor

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

DAVID LEAPARD and IMF FINANCE SA on their own behalf and on behalf of all others similarly situated,

Plaintiffs,

v.

ALLEN T.Y. CHAN, DAVID J. HORSLEY, KAI KIT POON, BANC OF AMERICA SECURITIES LLC, CREDIT SUISSE SECURITIES (USA) LLC, SINO-FOREST CORPORATION, ERNST & YOUNG GLOBAL LIMITED, and ERNST & YOUNG LLP,

Defendants.

INDEX NO. 650258/2012

VERIFIED CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

TABLE OF CONTENTS

Plaintiffs, David Leapard and IMF Finance SA, on behalf of themselves and all others similarly situated (the "Class" or "Class Members"), allege the following upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Plaintiffs' information and belief is based on the investigation of counsel including, inter alia, review and analysis of (i) government and regulatory documents relating to Defendant Sino-Forest Corporation ("Sino-Forest" or the "Company"); (ii) press releases, Company filings and other public statements by Sino-Forest; (iii) reports of securities analysts; and (iv) other publicly available materials. Many of the facts related to Plaintiffs' allegations are known only to Defendants or are exclusively within their custody or control. Plaintiffs believe that substantial additional evidentiary support for the allegations set forth below will be developed after reasonable opportunity for discovery.

I. INTRODUCTION

1. Plaintiffs bring this class action on behalf of (i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

2. Sino-Forest is a Canadian company engaged in the commercial forest plantation business whose principal operations are in the People's Republic of China ("PRC" or "China"). Among Sino-Forest's businesses are the ownership and management of forest plantation trees, sales of standing timber and wood logs, and the manufacture of related wood products. Substantially all of the Company's sales for 2008, 2009 and 2010 were supposedly generated in the PRC. The Company maintains offices in Toronto, Hong Kong and the PRC. Its common

stock is registered in Canada and trades on the Toronto Stock Exchange, and also trades in the United States on the OTC market. Sino-forest's debt securities are also traded in the open market.

3. Sino-Forest portrayed itself as one of the world's largest and most successful forestry companies. According to the Company's Annual Information Form for the year ended December 31, 2010 (the "2010 Annual Form") Sino-Forest "had approximately 788,700 hectares of forest plantations under management which are located primarily in southern and eastern China." Between 2006 and 2010, Sino-Forest's assets (primarily plantation acreage) purportedly grew nearly five-fold from approximately $1.2 billion to over $5.7 billion, while revenues grew from $555 million to $1.9 billion and net income more than tripled from $113 million to $395 million as reflected in the Company's financial statements[1] From 2007 through 2010, the Company's financial statements were audited by Defendant Ernst & Young LLP which certified they had been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and that the audit had been conducted in conformance with Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

4. Sino-Forest's tremendous growth was ostensibly fueled by increasingly large acquisitions of valuable tree plantations and revenues generated from operations relating to that business. In addition, the Company's escalating growth allowed it to raise enormous sums of capital from investors around the world through the sale of debt securities and common stock, including the sale of $600 million in notes which occurred in October 2010 (the "Note Offering") that will come due in 2017 (the "2017 Notes"). The Note Offering was underwritten

[1] Except where otherwise indicated, all amounts in this Complaint are in U.S. dollars.

by Defendants Banc of America Securities LLC and Credit Suisse Securities (USA) LLC. In total, the Company issued *over $1.8 billion* in debt instruments during the Class Period.

5. However, in stark contrast to the investing public's perception of an enormously successful forestry business in the fast growing PRC market, Sino-Forest was, in fact, materially misleading both investors and regulators. Sino-Forest's assets, revenues and income were all materially overstated. In addition, the Company's financial statements and other disclosures were materially misleading because they failed to disclose that many of Sino-Forest's significant business transactions were with unknown or related parties. Further, Sino-Forest had misrepresented and failed to disclose the true terms of certain agreements it had entered into in the PRC for the acquisition of plantation acreage, vastly overstating the amount of timber it had acquired during the Class Period. In many instances, no documentation or inadequate documentation existed to support Sino-Forest's timber holdings and related assets and the valuations attributed to those properties on Sino-Forest's financial statements. Sino-Forest failed to disclose that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual relationships; that its operations were permeated by unsubstantiated and undisclosed related party transactions; and that its financial statements were misleading and not prepared in accordance with the applicable accounting standards.

6. Information regarding Sino-Forest's fraud first came to light on June 2, 2011, when Muddy Waters, a firm that specializes in analyzing Chinese companies whose stock trades in the U.S. and Canada, published a detailed report alleging improper and illegal conduct at the Company. Over the ensuing weeks, there was a flurry of articles, investigations, and news reports about the Company's misconduct, as well as denials by the Company of the allegations published by Muddy Waters. On June 18, 2011, *The Globe and Mail* reported on its own

investigation regarding some of the allegations against Sino-Forest, finding that there were "doubts about the company's public statements regarding the value of [its] assets" and "broader questions about its business practices."

7. Ultimately, in late August 2011, the Ontario Stock Commission ("OSC") confirmed that there was evidence of fraud at Sino-Forest and ordered a halt in trading of Sino-Forest's common stock on the Toronto Stock Exchange, effective August 26th. Reportedly, the OSC accused Sino-Forest of "fraudulently inflating its revenues and exaggerating the extent of its timber holdings."' The OSC also noted that the Company had "engaged in significant non-arms-length transactions." Similarly, trading of Sino-Forest common stock was halted in the U.S. on the OTC Bulletin Board. Two days later it was reported that the Company's CEO, Defendant Chan, had resigned; that three of the Company's vice-presidents were placed on leave; and that another senior vice-president was relieved of most of his duties. Sino-Forest has since not filed any required periodic reports or issued financial statements for the third quarter of 2011. On November 11, 2011, the Company announced that it was also the subject of a criminal investigation by the Royal Canadian Mounted Police with respect to the allegations surrounding its business and finances. Sino-Forest has failed to make the most recent payments due on its outstanding debt, been forced to seek waivers of default from its debt holders and has now belatedly advised the investing public that its historical financial statements and audit reports should not be relied upon.

8. The disclosures relating to Defendants' misconduct caused the trading prices of the Company's stock and its debt securities to decline dramatically, thereby damaging Class Members. Sino-Forest's common stock, which traded as high as $26.64, last traded at $1.38

before trading was halted in the U.S. Moreover, Sino-Forest's debt securities are now priced at a fraction of their original value.

9. The Individual Defendants earned millions of dollars in compensation because of Sino-Forest's artificially inflated stock price. Moreover, their misleading portrayal of the Company's finances allowed Sino-Forest to raise billions of dollars by issuing debt and equity securities to investors. This was critical to the Company's survival since the Company had a negative cash flow -- it was spending more money than it was taking in -- yet was spending enormous sums purportedly to purchase new assets. Sino-Forest's inflated stock price also allowed it to use its shares as currency to acquire other companies and assets.

10. It was only because of Defendants' concealment of Sino-Forest's true financial condition that the Company was able to complete the $600 million Note Offering in October 2010. Investors would not have purchased these notes or would not have purchased them at the prices they did, if the truth about Sino-Forest had been known.

11. Thus, during the Class Period, Defendants, acting in concert with others, made materially false statements and misleading statements and omitted material facts about the true financial condition and business operations of Sino-Forest, causing the prices of Sino-Forest's common stock and Debt Securities to be artificially inflated during the Class Period. With respect to the claims asserted against the Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Ernst & Young Global Limited, and Ernst & Young LLP, which are based on negligence, negligent misrepresentation, gross negligence and breach of fiduciary duty, Plaintiffs specifically disclaim any allegations of fraud or fraudulent intent.

II. PARTIES

A. Plaintiffs

12. Plaintiff David Leapard is a resident of South Carolina and purchased the common stock of Sino-Forest during the Class Period in the OTC market and suffered damages when the price of those shares declined as a result of Defendants' misconduct.

13. Plaintiff IMF Finance SA ("IMF") is an entity with offices in the British Virgin Islands and purchased 2017 Notes pursuant to the October 2010 Note Offering and suffered damages when the price of the 2017 Notes declined as a result of Defendants' misconduct. Plaintiff IMF asserts claims on behalf of purchasers of Sino-Forest debt securities including purchasers of the 2017 Notes.

B. Defendants

14. Defendant Sino-Forest purports to be a commercial forest plantation operator, principally in the PRC but with additional operations in other locations. At all material times, Sino-Forest had its registered office located in Mississauga, Ontario and its common stock traded on the OTC market in the United States using the symbol "SNOFF." As a reporting issuer in Ontario, Canada, Sino-Forest was required to file certain periodic reports regarding its business and operations, including audited financial statements, which were made available to investors. Sino-Forest's common stock and various debt instruments are traded in Canada, the United States and elsewhere.

15. Sino-Forest derives substantial revenue from interstate or international commerce.

16. Defendant Allen T. Y. Chan is a co-founder of Sino-Forest and was the Chairman, Chief Executive Officer and a director of the Company from 1994 until his recent resignation in the wake of the disclosure of the misconduct described in this Complaint. As

Sino-Forest's CEO, Chan certified the accuracy of the Company's securities filings, including its financial statements, during the Class Period. Chan signed each of the Company's Annual Consolidated Financial Statements issued from 2006 through 2010. Chan is a resident of Hong Kong and, on information and belief, is a citizen of the PRC.

17. During the Class Period, Chan received substantial compensation from the Company. For example, for 2008 to 2010, Chan's total compensation was, respectively, $5.0 million, $7.6 million, and $9.3 million. In addition, during the Class Period, while in possession of material adverse information regarding the business and finances of Sino-Forest, Chan sold nearly $3 million worth of Sino-Forest common stock to unsuspecting investors.

18. As of May 1, 1995, shortly after Sino-Forest became a reporting issuer, Chan held 18.3% of Sino-Forest's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011, he held 2.7% of Sino-Forest's common shares.

19. Defendant **David J. Horsley** has been Sino-Forest's Chief Financial Officer ("CFO"), since October 2005. In his position as Sino-Forest's CFO, Horsley was responsible for the Company's accounting, internal controls and financial reporting, including the preparation of the Company's financial statements. Horsley signed and certified the Company's disclosure documents during the Class Period. Horsley resides in Ontario.

20. During the Class Period, Horsley received substantial compensation from Sino-Forest. For 2008 to 2010, Horsley's total compensation was, respectively, $1.7 million, $2.5 million, and $3.1 million. During the Class Period, while in possession of material adverse information concerning the business and finances of Sino-Forest, Horsley sold almost $11 million worth of shares of Sino-Forrest common stock.

21. Defendant **Kai Kit Poon** is a co-founder of Sino-Forest, a member of its Board of Directors and has been President of the Company since 1994. Poon resides in Hong Kong and, on information and belief, is a citizen of the PRC. During the Class Period, while in possession of material adverse information concerning the business and finances of Sino-Forrest, Poon sold almost $30 million worth of shares of Sino-Forest common stock.

22. Defendants Chan, Horsley and Poon are collectively referred to as the **Individual Defendants**. The Individual Defendants and Sino-Forest are collectively referred to as the **Sino-Forest Defendants.**

23. Defendant **Banc of America Securities LLC ("BOA")** is a financial services company which, using the name "BofA Merrill Lynch," acted as one of two "Joint Global Coordinators and Lead Bookrunning Managers" for the Offering. In this capacity, BOA acted as an underwriter for the Offering. BOA operates in and has its principal place of business in New York County, New York. Defendant BOA and Defendant Credit Suisse Securities (USA) LLC are collectively referred to as the **Underwriter Defendants**. This Complaint seeks damages on behalf of the purchasers of the 2017 Notes against any and all Bank of America entities that may be liable for the misconduct described herein.

24. Defendant **Credit Suisse Securities (USA) LLC ("Credit Suisse")** is a financial services company which acted as one of two "Joint Global Coordinators and Lead Bookrunning Managers" for the Note Offering. In this capacity, Credit Suisse acted as an underwriter for this offering. Credit Suisse operates in and has offices in New York County, New York. This Complaint seeks damages on behalf of the purchasers of the 2017 Notes against any and all Credit Suisse entities that may be liable for the misconduct described herein.

25. BOA and Credit Suisse are collectively referred to as the **Underwriter Defendants.** The Underwriter Defendants who are located in New York, NY, offered and sold the 2017 Notes pursuant to a materially false and misleading Offering Memorandum dated October 14, 2010 (the "Offering Memorandum") to certain Class Members in the United States who purportedly satisfied the requirements to be considered a "qualified institutional buyer" pursuant to Rule 144 of the U.S. Securities and Exchange Commission ("SEC"). The Underwriter Defendants also sold certain notes in the offering to foreign investors relying on the exemption set forth in SEC Regulation S.

26. Defendant **Ernst & Young Global Limited** is a UK private company limited by guarantee which operates worldwide and which, through affiliated entities, provides audit, accounting and other services. Defendant **Ernst & Young LLP**, a part of Ernst & Young Global Limited , has offices in Toronto, Canada, has been Sino-Forest's auditor since August 13, 2007 and was also Sino-Forest's auditor from 2000 to 2004. This Complaint seeks damages against any and all Ernst & Young entities that may be liable for the misconduct described herein.

27. Ernst & Young Global Limited and Ernst & Young LLP are collectively referred to as "**E&Y**" or as "**the E&Y Defendants.**" E&Y does business in New York.

28. For Sino-Forest's 2007 through 2010 fiscal years, E&Y provided an "Auditor's Report" addressed directly to Sino-Forest's shareholders, which gave the Company a "clean" audit opinion on its financial statements. At all material times, E&Y knew that its audit opinion was directed to Sino-Forest's shareholders, prospective shareholders and prospective purchasers of Sino-forest's securities, and that investors would and did rely on E&Y's statements relating to Sino-Forest in making their investment decisions. E&Y's opinion informed the Company's investors and the purchasers of its securities that, based on its audit, Sino-Forest's financial

statements were presented in accordance with Canadian GAAP and that it had performed its audit in accordance with applicable auditing standards. E&Y's audit opinion was materially false and misleading and was recklessly or negligently issued to investors, including Plaintiffs and Class Members.

29. The Individual Defendants, as the most senior officers of Sino-Forest, are liable to Plaintiffs and the Class because they knew of, directed and participated in the misconduct described in this Complaint and also assisted and conspired with others involved in the misconduct. Sino-Forest is liable for the misconduct of its employees and agents. Furthermore, the representations made in the financial statements and in the Offering Memorandum were materially inaccurate and inconsistent with the truth such that their falsity would have been discovered with minimal due diligence. Nevertheless, despite the obviously false and misleading nature of these statements, E&Y and the Underwriter Defendants recklessly or negligently facilitated the improper conduct of Sino-Forest and the Individual Defendants; E&Y by certifying the Company's financial statements; and the Underwriter Defendants by failing to perform adequate due diligence and disseminating the misleading Offering Memorandum to investors.

C. Jurisdiction and Venue

30. The Court possesses jurisdiction over this action pursuant to NYCPLR §§ 301 and 302(a).

31. This court has jurisdiction, and venue is proper because, in connection with the Note Offering, Sino-Forest "... irrevocably and unconditionally submits to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in the Borough of Manhattan, New York City over any suit, action or proceeding arising out of or relating to this

Indenture, any Note or any Subsidiary Guarantee." In addition, the Indenture provides that "[a]s long as any of the Notes remain Outstanding, the Company and each of the Subsidiary Guarantors will at all times have an authorized agent in New York City, upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture, any Note or any Subsidiary Guarantee." Finally, as contemplated by the Indenture, "[e]ach of the Notes, the Subsidiary Guarantees and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York."

32. In addition, the Underwriter Defendants are located in New York and all Defendants do substantial business in New York. All Defendants participated in certain transactions and activities in New York relating to the Note Offering. Also, purchases and sales of Sino-Forest common stock occurred on the OTC market in the United States, including New York. Moreover, the trustee for the 2017 Notes is the Law Debenture Trust Company of New York which is located at 400 Madison Avenue, Suite 4D, New York, New York 10017.

III. BACKGROUND

33. Although ostensibly a forestry company, Sino-Forest's purported business was, in many respects, more that of a trader or financial intermediary than of a traditional forestry company. The Company seldom sold wood products to end-user customers. Instead, it claimed that most of its earnings came from buying logs and buying the right to harvest trees and then reselling these logs and rights to harvest trees at higher prices.

34. Sino-Forest's corporate structure is a complex web of dozens of interconnected Canadian, Chinese, Hong Kong, Cayman Islands and British Virgin Islands subsidiaries, most of which are wholly-owned or in which the Company has a majority interest. Sino-Forest's most

recently released corporate organizational chart, attached as Exhibit A, illustrates in part, the complexity.

35. One specific example of this complexity is Sino-Forest's relationship with one of its most important subsidiaries, Greenheart Group Ltd. ("Greenheart"). Sino-Forest's 64 percent interest in Greenheart was acquired using shares of Company stock. Greenheart trades on the Hong Kong Stock Exchange. Greenheart controls most of Sino-Forest's supposedly substantial forestry assets outside of China. But, Sino-Forest also holds a 39.6 percent stake in Greenheart Resources Holdings Ltd. ("GRH"), a subsidiary of Greenheart. GRH, in turn, indirectly owns 100 percent of Greenheart's forest assets and operations in the western part of Suriname, supposedly one of Sino-Forest's principal timber holdings.

36. Sino-Forest's business model is further complicated by the fact that much of its business is done through what it describes as "Authorized Intermediaries" ("AIs"), supposedly independent companies which are largely responsible for the actual sale of forestry products to the users of these products. Despite the critical role that these Authorized Intermediaries play in its business, little is known of the financial relationships with these AIs and Sino-Forest has, with one exception, refused to disclose the identity of these companies.

37. Because Sino-Forest principally operates in China, Sino-Forest's convoluted structure and business practices did not initially arouse investor suspicions. Because of the unusual aspects of doing business in China, which tightly regulates foreign investment, a number of legitimate foreign companies who operate in that country have unusually complex structures. But, unbeknownst to investors, there was little or no business justification for the way Sino-Forest structured itself and its operations. Sino-Forest's structure was not meant to facilitate

compliance with Chinese law, but to make it easier for Defendants to materially mislead investors about the Company's, operations, revenue, earnings and assets.

38. Investors were further assured of the legitimacy of Sino-Forest's finances and operations because of annually issued clean audit opinions from E&Y and by the due diligence purportedly conducted by BOA and Credit Suisse in connection with the Company's offering of the 2017 Notes.

39. The purported steady and impressive growth of Sino-Forest helped fuel a series of capital raising activities by the Company. By making the Company appear to be on a much more economically sound footing than was actually the case, Sino-Forest was able to raise the funds it needed to finance its rapid expansion. Because the Company's cash flow did not cover its operating expenses, the Company would not have been able to continue to operate absent cash infusions from debt and equity investors.

40. During the Class Period, Sino-Forest conducted numerous debt and equity offerings, issuing over $1.8 billion in debt securities to investors and also sold investors hundreds of millions of dollars of common stock. Specifically, the following securities were issued to investors:

- On July 17, 2008, the Company closed an offering of convertible guaranteed senior notes (the "2013 Convertible Notes") for gross proceeds of $300,000,000. On August 6, 2008, the Company issued an additional $45,000,000 of 2013 Convertible Notes pursuant to the exercise of an over-allotment option granted to the underwriters in connection with the offering, increasing the gross proceeds to $345,000,000.

- On June 24, 2009, the Company offered to eligible holders of outstanding Senior Notes due in 2011 (the "2011 Senior Notes") to exchange these notes for up to $300,000,000 of new guaranteed senior notes due 2014 (the "2014 Senior Notes"). On July 27, 2009, the Company completed this exchange offer, issuing an aggregate principal amount of $212,330,000 of 2014 Senior Notes, representing approximately 70.8% of the aggregate principal amount of the 2011 Senior Notes.
- In June 2009, the Company completed a public offering and international private placement of 34,500,000 common shares (including 4,500,000 common shares issued upon the exercise of the underwriters' over-allotment option) for gross proceeds of approximately $339,810,000.
- On December 17, 2009, the Company closed an offering of convertible guaranteed senior notes (the "2016 Convertible Notes") for gross proceeds of $460,000,000.
- In December 2009, the Company completed a public offering of 21,850,000 common shares (including an overallotment exercise) for gross proceeds of approximately $345,318,000.
- In May 2010, Sino-Forest issued 1,990,566 shares of common stock as a $33.3 million payment to acquire 34% of Greenheart Resources.
- In August 2010, the Company issued $2.3 million shares of common stock in partial payment of its acquisition of Mandra Forestry Holdings Limited, a company which supposedly owned the rights to technology relevant to the Company's business. In connection with this acquisition of Mandra, the

Company also exchanged nearly $195 million of Mandra notes for Sino-Forest notes—the Sino-Forest notes had a longer duration and lower interest rate than the Mandra notes for which they were exchanged.

- On October 21, 2010, the Company completed the $600,000,000 Note Offering of the 2017 Notes.

41. Thus, during the Class Period, while Defendants were issuing materially false and misleading financial statements and other reports to investors, Sino-Forest was taking advantage of the illusory growth portrayed to investors through these large debt and equity offerings, which in less than three years, cumulatively totaled over $2.5 billion.

IV. FALSE AND MISLEADING STATEMENTS

42. During the Class Period, Defendants made numerous statements that were materially false and misleading and which had the effect of artificially inflating the value of Sino-Forest's securities. These false statements were contained in the Company's public filings, press releases, reports and other statements to the investing public. In general, during the Class Period, the Company reported steadily increasing holdings of timber assets (mostly in the PRC) achieved through acquisitions and purchases, and increasing revenues and earnings, all of which contributed to the Company's rising stock price and its ability to issue additional debt and equity securities to investors.

A. Misrepresentations and Omissions With Respect to Sino-Forest's Financial Statements

43. Sino-Forest's financial statements, which it published to investors on a quarterly and annual basis via press releases and public filings, consistently portrayed Sino-Forest as a profitable and rapidly expanding company. As set forth in Sino-Forest's 2006 Annual

Consolidated Financial Statements, dated March 19, 2007; its 2007 Annual Consolidated Financial Statements dated March 18, 2008; its 2008 Annual Consolidated Financial Statements dated March 16, 2009; its 2009 Annual Consolidated Financial Statements dated March 16, 2010; and its 2010 Annual Consolidated Financial Statements dated March 15, 2011, the Company's revenue, earnings and assets supposedly grew during the Class Period as follows:

	2006	2007	2008	2009	2010
Assets	$1,207,255,000	$1,837,497,000	$2,603,924,000	$3,963,899,000	$5,729,033,000
Revenue	$555,480,000	$713,866,000	$896,045,000	$1,238,185,000	$1,923,536,000
Net Income	$113,480,000	$152,273,000	$228,593,000	$286,370,000	$395,426,000

44. Each of the annual financial statements, except for the 2006 statements, were accompanied by an audit opinion from E&Y stating that E&Y had conducted annual audits in accordance with Canadian GAAS and that these financial statements were presented in accordance with Canadian GAAP. Defendant Chan signed each annual financial statement.

45. The Company also issued materially false and misleading unaudited "Interim Financial Statements," during the Class Period, which incorporated prior period audited financial statements and similarly overstated the Company's revenue, earnings and assets. The Company's materially false and misleading quarterly financial statements (through 2010) which, like the annual financial statements, showed increasing revenue, earnings and assets, were released on the following dates:

Document	Date of Filing
2007 Q-1 Interim Financial Statements	5/14/2007
2007 Q-2 Interim Financial Statements	8/13/2007
2007 Q-3 Interim Financial Statements	11/12/2007
2008 Q-1 Interim Financial Statements	5/13/2008
2008 Q-2 Interim Financial Statements	8/12/2008
2008 Q-3 Interim Financial Statements	11/13/2008

Document	Date of Filing
2009 Q-1 Interim Financial Statements	5/11/2009
2009 Q-2 Interim Financial Statements	8/10/2009
2009 Q-3 Interim Financial Statements	11/12/2009
2010 Q-1 Interim Financial Statements	5/12/2010
2010 Q-2 Interim Financial Statements	8/10/2010
2010 Q-3 Interim Financial Statements	11/10/2010

46. Sino-Forest's quarterly and annual financial statements (through December 31, 2010) were materially false and misleading because they failed to comply with Canadian GAAP. Specifically, at the time each of these financial statements was issued, they overstated the Company's assets, inflated the reported revenue and earnings and misled investors regarding the Company's then current financial situation and its future prospects. Because, among other things, the Company lacked adequate internal controls to substantiate its financial performance, and its operations were permeated by unsubstantiated and undisclosed related party transactions, these financial statements were not prepared in accordance with the applicable accounting standards. Sino-Forest's quarterly financial statements for the first two quarters of fiscal year 2011 also overstated the Company's assets, revenues and net earnings at the time they were issued and were not presented in accordance with the applicable Canadian accounting standards.

B. Other Misrepresentations and Omissions In Annual And Quarterly Filings

47. In addition to filing false and misleading financial statements, the Company also made numerous other false and misleading statements to investors in other periodic securities filings made pursuant to Canadian disclosure regulations. During the Class Period, the Sino-Forest Defendants repeatedly made statements in Sino-Forest's periodic filings that falsely and misleadingly described the Company as a fast-growing, legitimate business which followed good corporate governance practices.

48. The Company's periodic reports to investors included (in addition to the separately filed financial statements) a "Management Discussion and Analysis" ("MD&A") that Sino-Forest filed each quarter during the Class Period, "Annual Information Forms" ("AIFs") and annual reports. These documents provided narrative explanations of the Company's business, operations and financial performance for the specific period, and of the Company's financial condition and future prospects. Canadian law specifically requires that the MD&A discuss important trends and risks that have affected the Company and that are reasonably likely to affect it in future. The dates of these false and misleading statements are set out in the table below.

Document	Date of Filing
2006 MD&A	3/19/2007
2006 AIF	3/30/2007
2006 Annual Report	5/4/2007
2007 Q-1 MD&A	5/14/2007
2007 Q-2 MD&A	8/13/2007
2007 Q-3 MD&A	11/12/2007
2007 MD&A	3/18/2008
2007 AIF	3/28/2008
2007 Annual Report	5/6/2008
2008 Q-1 MD&A	5/13/2008
2008 Q-2 MD&A	8/12/2008
2008 Q-3 MD&A	11/13/2008
2008 MD&A	3/16/2009
2008 AIF	3/31/2009
2008 Annual Report	5/4/2009
2009 Q-1 MD&A	5/11/2009
2009 Q-2 MD&A	8/10/2009
2009 Q-3 MD&A	11/12/2009
2009 MD&A	3/16/2010

Document	Date of Filing
2009 AIF	3/31/2010
2009 Annual Report	5/11/2010
2010 Q-1 MD&A	5/12/2010
2010 Q-2 MD&A	8/10/2010
2010 Q-3 MD&A	11/10/2010
2010 MD&A	3/15/2011
2010 AIF	3/31/2011
2010 Annual Report	5/10/2011

49. Thus, beginning at least as early as March 19, 2007, the Company's MD&A and annual filings were materially false and misleading with respect to the Company's operations and financial performance because they described the Company as a fast-growing, legitimate business which followed good corporate governance practices, while failing to disclose that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual business relationships, that its operations were permeated by unsubstantiated and undisclosed related party transactions and that the Company's actual financial condition and future prospects were much worse than these public statements indicated.

C. False Certifications

50. Each annual financial statement, AIF and MD&A filing was accompanied by separate certifications signed by Chan and Horsley which asserted the following:

> 1. Review: I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of Sino-Forest Corporation (the "issuer") for the financial year ended December 31...
>
> 2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement

> not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
>
> 3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

51. Similarly, each of the quarterly interim financial statements and quarterly MD&As were accompanied by separate certifications signed by Chan and Horsley which also asserted the following:

> 1. Review: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Sino-Forest Corporation (the "issuer") for the interim period ended....
>
> 2. No misrepresentations: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
>
> 3. Fair presentation: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

52. However, these publicly filed certifications were materially false and misleading because the Company's quarterly and annual financial statements overstated its assets, revenues and earnings, and the narrative statements were materially false and misleading. These statements failed to disclose that the Company lacked adequate internal controls to substantiate its financial performance or verify its assets and contractual business relationships, that the Company and its operations were permeated by unsubstantiated and undisclosed related party

transactions, and that the document being certified contained materially false and misleading information which materially overstated the Company's current financial situation and its future prospects.

D. Misrepresentations and Omissions Relating To Yunnan Forestry Assets

53. On March 23, 2007 Sino-Forest issued a press release announcing that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of $200 million and that the proceeds would be used for the acquisition of standing timber including, pursuant to a new agreement, the purchase of standing timber in China's Yunnan Province. The press release further stated that Sino-Forest-Panel (Asia) Inc. ("Sino-Forest-Panel"), a wholly-owned subsidiary of Sino-Forest, had entered into (on that same day) an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("Gengma Forestry") in Lincang City, Yunnan Province in the PRC. Under that Agreement, Sino-Forest-Panel would acquire approximately 200,000 hectares of non-state owned commercial standing timber in Lincang City and surrounding cities in Yunnan for $700 million to $1.4 billion over a 10-year period.

54. Similar representations regarding the acquisition of these assets were also made in Sino-Forest's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino-Forest discussed its purported Yunnan acquisitions in other filings and public statements. In the Company's 2010 AIF, filed on March 31, 2010, the Company asserted that "[a]s of December 31, 2010, we have acquired approximately 190,300 hectares of plantation trees for US$925.9 million under the terms of the master agreement" which had been entered into in March 2007. It made a similar statement in its 2010 annual report, which was filed on May 10, 2011.

55. However, as subsequently disclosed, Sino-Forest's and Defendants' statements concerning the acquisition of assets in Yunnan Province were materially false and misleading because, among other reasons, Sino-Forest had acquired the rights to far less timber than the Company had claimed and/or the value attributed to the timber assets purportedly owned by Sino-Forest was materially overstated. As a result, the Company's representations relating to its financial results and business were materially misleading as Defendants failed to disclose the true amount of timber acquired from Gengma Forestry, thereby overstating the assets carried on the balance sheet.

E. Misrepresentations and Omissions Relating to the Offering of 2017 Notes

56. On October 14, 2010, Sino-Forest, through the Underwriter Defendants, offered and sold the 2017 Notes. The Underwriter Defendants served as Joint Global Coordinators and Lead Bookrunning Managers. The 2017 Notes were purportedly exempt from registration under the U.S. Securities Act because they were offered, pursuant to SEC Rule 144A, to qualified institutional buyers (including those in the U.S.), and in offshore transactions to investors other than U.S. persons under SEC Regulation S.

57. The 2017 Notes were sold pursuant to the Offering Memorandum, which was materially false and misleading as described below, and which was prepared by the Sino-Forest Defendants and the Underwriter Defendants. The Offering Memorandum specifically incorporates by reference Sino-Forest's misleading 2007, 2008 and 2009 annual financial statements, its unaudited interim financial statements for the six months ended June 30, 2009 and June 30, 2010, and Defendant E&Y's audit reports dated March 13, 2009 and March 16, 2010 (with E&Y's consent). The Offering Memorandum states that the documents incorporated by reference "form [an] integral part of [the] Offering Memorandum."

58. As underwriters of the Note Offering, the Underwriter Defendants had a duty to investors to conduct an adequate due diligence with respect to the representations in the Offering Memorandum. The Underwriter Defendants were reckless or negligent in performing due diligence on the Note Offering by failing, among other things, to determine the legitimacy of the multiple related party transactions at the Company or to ascertain the true value of the assets, properties and business of Sino-Forest, resulting in the issuance of a materially false and misleading Offering Memorandum.

59. The Offering Document was signed by the Underwriter Defendants and contained both Sino-Forest's misleading financial statements and the misleading narrative description of the Company and its future prospects, including the portrayal of the Company as a fast-growing, legitimate business which followed good corporate governance practices with positive future prospects for growth. In particular, the Offering Memorandum cited the Company's competitive strengths including, among others, the following: (i) "Leading commercial forest plantation operator in the PRC with established track record;" (ii) "First mover advantage with strong track record of obtaining and developing commercial tree plantations and ability to leverage our industry foresight;" (iii) "Future growth supported by long-term master agreements at agreed capped prices;" (iv) "Strong research and development capability, with extensive forestry management expertise in the PRC;" and (v) "Diversified revenue and asset base."

60. As described above, the statements in the Offering Document were materially false and misleading because, contrary to the financial results reported in its financial statements, and contrary to the description of Company with major strengths as a forest plantation operator, the Company was engaged in fraudulent practices, resulting in the overstatement of assets, revenues and earnings, and misleading statements about its contractual relationships with certain

parties in the PRC related to the purchase of timber acreage. Thus, at the time of the Note Offering, investors were misled because the Company's actual financial condition and future prospects were much worse than these public statements indicated.

F. Misrepresentations and Omissions Relating to Code of Business Conduct

61. At all material times, Sino-Forest maintained it had in place a Code of Business Conduct (the "Code"), which governed its employees, officers and directors. The full text of the code was posted on the Company's Internet site and available to investors. It stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions." The Code further required that Sino-Forest representatives act in the best interests of shareholders, that corporate opportunities not be used for personal gain, that insiders not trade in Sino-Forest securities based on undisclosed knowledge stemming from their position or employment with Sino-Forest, that the Company's books and records be honest and accurate, that conflicts of interest be avoided, and that any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

62. Nonetheless, as explained in this Complaint, the publicly disclosed Code contained materially false and misleading statements because, as described herein, Sino-Forest's top executives did not actually follow the provisions of the Code.

V. INITIAL DISCLOSURE OF FRAUD AT SINO-FOREST

63. A report published on June 2, 2011 by Muddy Waters (the "Report"), a research firm that specializes in analyzing Chinese companies traded in the United States and Canada, reported that Sino-Forest and its financial statements were permeated by fraud.

64. The Report detailed the extensive investigative effort and resources that Muddy Waters had undertaken to discover the truth about the Company:

> In order to conduct our research, we utilized a team of 10 persons who dedicated most to all of their time over two months to analyzing [Sino-Forest]. The team included professionals who focus on China from the disciplines of accounting, law, finance, and manufacturing. Our team read over 10,000 pages of documents in Chinese pertaining to the company. We deployed professional investigators to five cities. We retained four law firms as outside counsel to assist with our analysis.

65. The Muddy Waters report concluded that the Company was extensively involved in business practices that were "blatantly illegal" and that the Company's financial statements and other reports to investors were permeated by fraud. According to the Report, Sino-Forest's remarkably consistent growth during the Class Period was illusory -- simply the result of "a Ponzi scheme," rather than a real expansion in Sino-Forest's business. According to Muddy Waters, the Company used its supposed growth and profitability to raise money from private lenders and the financial markets. This money, in turn, was used to bolster an appearance of further growth and increased profitability, which in turn opened the door to additional funding from private lenders and the capital markets. According to the Report, however, the capital raised by Sino-Forest was not used to expand the Company's business, but was instead largely siphoned off by insiders in undisclosed related party transactions.

66. At the heart of the misconduct at Sino-Forest, according to Muddy Waters, is the Company's use of AIs. The Report noted that AIs apparently act as both buyers and sellers in Sino-Forest transactions. For example, in one case uncovered by Muddy Waters, an AI purchased logs from Sino-Forest and delivered them to a chipping facility. Once the logs reached the facility they were sold back to Sino-Forest. Sino-Forest then turned around and sold the logs back to the AI who then proceeded to turn the logs into wood chips. The purpose of

these transactions, which were pointless from a business perspective, was to create the appearance of additional revenue for Sino-Forest.

67. The Report also disclosed that Sino-Forest had vastly overstated its forestry assets. In China's Yunnan Province alone the overstatement is potentially hundreds of millions of dollars. As noted above, in March 2007 Sino-Forest publicly announced that it had entered into an agreement to purchase up to 200,000 hectares of trees in Lincang City in Yunnan for $700 million to $1.4 billion, but a review of relevant government documents by Muddy Waters indicated that the actual size of this purchase was about 40,000 hectares.

68. Furthermore, although Sino-Forest generally does not identify the companies from which it purchases forestry assets, Muddy Waters was able to identify many of these companies by means that included careful review of government records. Muddy Waters visited many of these entities, finding that they "generally operated out of apartments while purportedly each doing annual revenue in the hundreds of millions from TRE [Sino-Forest] alone." This discovery supports Muddy Waters' conclusion that a substantial portion of the Company's reported purchases of forestry assets were greatly exaggerated or never occurred at all.

69. The Report also noted that Sino-Forest had engaged in substantial transactions with undisclosed related parties, transactions which are in violation of the applicable accounting rules and which require disclosure of related party transactions. An example is Jiangxi Zhonggan Industrial Development Company Ltd., which was incorporated just months before Sino-Forest entered into an approximately $700 million contract with it in June 2009. The legal representative and President of this company is Sino-Forest Executive Vice President, Lam Hong Chiu. According to Muddy Waters, Zhonggan's 2008 and 2009 audit report shows "numerous large transactions between the Company, TRE, and other parties." Separately, Muddy Waters

identified Huaihua Yuda Wood Company Ltd., as "an undisclosed TRE subsidiary that has been receiving massive amounts of money from TRE's subsidiaries."

70. On publication of the Muddy Waters Report, the price of Sino-Forest's securities dropped dramatically. On June 2, 2011, the Company's shares, which had ended trading at $18.64 on June 1, ended trading on the OTC market at $7.33 and then fell further, to $5.41 on June 3, a price drop of 71% over two days on substantially larger volume than normal. The prices of the Company's debt securities also declined significantly.

VI. SINO-FOREST'S DENIALS AND FURTHER MISLEADING STATEMENTS

71. Soon after publication of the Muddy Waters Report, Defendants began an organized campaign to further mislead investors by falsely claiming that there was no misconduct at the Company. These misleading statements (¶¶ 72-76) continued to prop up the prices of Sino-Forest securities until trading was halted on August 26, 2011.

72. In a June 3, 2011 press release, the Company asserted that "[t]he Board of Directors and management of Sino-Forest wish to state clearly that there is no material change in its business or inaccuracy contained in its corporate reports and filings that needs to be brought to the attention of the market. Further we recommend shareholders take extreme caution in responding to the Muddy Waters report." The release also quoted Chan as saying the following: "let me say clearly that the allegations contained in this report [by Muddy Waters] are inaccurate and unfounded." The release quoted Horsley as saying "I am confident that the [Sino-Forest Board of Directors'] independent committee's examination will find these allegations to be demonstrably wrong."

73. In a June 6, 2011 press release, Sino-Forest further stated that "The Company believes Muddy Waters' report to be inaccurate, spurious and defamatory." The press release

quoted Chan as saying the following: "I stand by our audited financial statements, including the revenue and assets shown therein. All material related party transactions are appropriately disclosed in our financial statements. We do business with the parties identified in the report at arm's length. Those parties are not related or connected to the Company or any of its management."

74. During a June 14 conference call with investors, Chan suggested that the Muddy Waters allegations were entirely inaccurate, accusing Muddy Waters of a "pattern of sloppy diligence and gross inaccuracy."

75. Moreover, even after the release of the Muddy Waters Report, the Sino-Forest Defendants continued their practice of making false and misleading statements about Sino-Forest's financial condition and future prospects. On both June 14, 2011 and August 15, 2011, Sino-Forest filed, respectively, its Interim Financial Statements and its MD&A covering the first quarter. These filings (which investors were later told they should not rely upon) contained material misrepresentations and omissions similar to those made in filings earlier in the Class Period: they falsely portrayed the Company as a fast-growing, legitimate business which followed good corporate governance practices with positive future prospects for growth and they materially overstated the Company's revenue, earnings and assets.

76. The August 15, 2011 MD&A also made the following false statement: "[u]nder the master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has actually acquired 230,200 hectares of plantation trees for $1,193,459,000 as at March 31, 2011." In fact, as the Muddy Waters Report had disclosed, the Company had vastly overstated the value of its holdings in Yunnan under the March 2007 agreement.

VII. CONFIRMATION OF THE FRAUD

77. After publication of the Muddy Waters Report, additional investigations and disclosures evidence that numerous statements by Sino-Forest during the Class Period were materially false and misleading or omitted material information.

A. *The Globe and Mail* Investigation

78. A June 18, 2011 article in the highly respected Globe and Mail, Canada's largest-circulation national newspaper, confirmed that Sino-Forest had provided materially inaccurate information about the Company's holdings in Yunnan, which comprised a substantial portion of the Company's supposed forestry assets. The article stated, in part:

> The Globe's investigation raises particularly hard questions about a key agreement in March, 2007, that Sino-Forest says gave it the right to buy timber rights for up to 200,000 hectares of forest in Yunnan over a 10-year period for between $700-million (U.S.) and $1.4-billion. The trees were to be bought through a series of agreements with an entity called Gengma Dai and Wa Tribes Autonomous Region Forestry Co. Ltd., also known as Gengma Forestry.
>
> The company says it has fulfilled virtually all of the agreement with Gengma and now owns more than 200,000 hectares in Yunnan.
>
> But officials with Gengma Forestry, including the chairman, dispute the company's account of the deal, telling *The Globe and Mail* that the actual numbers are much smaller.

79. *The Globe and Mail* article reported that in an interview with officials involved in the Sino-Forest transactions indicated that it had acquired less than 14,000 hectares. The article went on to say:

> Mr. Xie's account corroborates the assertions of senior forestry officials in the province. Speaking on condition of anonymity, these officials challenged the company's statements that it controls more than 200,000 hectares of Yunnan trees, and said they are now investigating.

80. *The Globe and Mail* further reported:

> In a written response to questions from The Globe, Sino-Forest said it stands by its public statements regarding its Yunnan holdings. The company said it has purchased about 13,300 hectares of 'forestry assets and leased land' directly from Gengma Forestry, and another 180,000 hectares of 'forestry assets only' from other sellers, using Gengma as a purchasing agent.
>
> **'The agreement has not been yet fulfilled as we have not completed the purchase of 200,000 hectares,' the company said.**[2]
>
> **That statement from Sino-Forest appears to contradict its own publicly filed financial reports. In its first quarter 2011 report, the company said that 'under the master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has actually acquired 230,200 hectares of plantation trees for $1,193,459,000 as at March 31, 2011.'**
>
> The company's 2010 annual information form filed with regulators earlier this year said that as of December 31, 2010, Sino-Forest had 'acquired approximately 190,300 hectares of plantation trees for $925.9-million (U.S.) under the terms of the master agreement.'
>
> **The Globe's investigation of the company's dealings and holdings in Yunnan points to inconsistencies in the company's accounting of its timber rights and raises broader questions about its business practices.**

81. In addition, it was reported that:

> As of the end of 2010, the company claimed control of about 800,000 hectares of trees in nine Chinese provinces plus New Zealand. Its operation in Yunnan province, in addition to being its largest, is also the one for which it has made additional disclosures recently in an attempt to defuse the allegations made in the Muddy Waters report.
>
> So far, however, it has disclosed purchase agreements as well as forest and woodland rights certificates for about 7,000 hectares of forest in Yunnan. **The company has not disclosed significant**

[2] Unless otherwise indicated, all emphasis in quotations is added.

> documentation regarding its forestry holdings in other provinces.
>
> To find Gengma Forestry, Sino-Forest's local partner in the so-called 'Yunnan master agreement' – the 2007 deal said to be worth as much as $1.4-billion – you have to duck down an alleyway behind the drugstore on the main street of this nondescript trading city, then up a dusty cement staircase.
>
> On the landing is the litter-strewn office with an open door and a window protected by metal bars. Despite signing a deal with Sino-Forest that should guarantee a windfall, the company has clearly fallen on hard times. 'Our relations with [Sino-Forest] were not totally good. They talked about a lot of things, but in the end it was hard to get money from them,' said Zhang Ling, Gengma Forestry's office manager.

82. Statements of local officials in Yunnan province also contradict the reported size of Sino-Forest's holdings:

> Senior forestry officials in the province challenged the company's assertion that it controls about 200,000 hectares of forest in the region. Speaking on condition they not be identified, they said their records showed Sino-Forest manages far less than that and said the Yunnan Forestry Bureau would begin an investigation aimed at determining the company's true holdings.

83. Not only have the size of the holdings been questioned, but so has the value as reported in *The Globe and Mail*:

> In addition to the questions about Sino-Forest's disclosures on the size of its holdings, forestry officials, as well as local timber brokers who spoke to The Globe raised questions regarding the value Sino-Forest attributes to its Yunnan assets.
>
> 'It's very hard for anyone to say what the value of their property is,' said one forestry official, adding that forested land in Yunnan needed to be evaluated by a special body jointly appointed by the Forestry Bureau and the Ministry of Finance. Sino-Forest has not requested such an official valuation of its land, he said. '(The valuation) must have two chops (official seals) and two forestry resource evaluation experts and two licensed evaluators.... Even I can't just go there and give it a value.'

84. Subsequently, in early September 2011, *The Globe and Mail* reported that "A Globe investigation, based on interviews with people associated with Sino-Forest and an examination of legal and regulatory documents in Hong Kong and mainland China, has uncovered a pattern of questionable deals and disclosures from the company that date back to its earliest days."

B. Investigations and Regulatory Actions

85. On August 26, 2011 the Ontario Stock Commission issued a "Temporary Order" that said the following: "Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the [Ontario Securities] Act and contrary to the public interest."

86. The Commission halted trading in Sino-Forest's stock on the Toronto Stock Exchange effective August 26, 2011 and demanded that several of Sino-Forest's executives resign. Trading was halted in the U.S. on the OTC Bulletin Board at 5:30 p.m. on August 26, 2011.

87. On August 28, *The Globe and Mail* reported that CEO Chan had resigned. The newspaper also reported that "[t]hree Sino-Forest-Forest vice-presidents -- Alfred Hung, George Ho and Simon Yeung -- have been placed on administrative leave. Senior vice-president Albert Ip has been relieved of most of his duties but remains with the Company to assist the internal probe." The newspaper also explained why Chan's departure had occurred: "According to people familiar with the case, Mr. Chan was confronted by company officials in Hong Kong last week after a review of e-mail accounts outside the company's network revealed questionable

transactions and money transfers." Despite this evidence of misconduct, Chan remains with the Company, having been granted the title "Founding Chairman Emeritus."

88. In late August Standard & Poor's Ratings Services announced that it was withdrawing its ratings on the Company's debt because "[r]ecent developments point towards a higher likelihood that allegations of fraud at the company will be substantiated."

89. As a result of the suspension in the trading of Sino-Forest's common stock and disclosure of the suspected fraud, the shares are now virtually worthless and the value of its Debt Securities, including the 2017 Notes have declined substantially. On November 11, 2011, it was announced that the Royal Canadian Mounted Police had commenced a criminal investigation.

90. Subsequently, on January 10, 2012, Sino-Forest announced that investors should no longer rely upon its historical financial statements and related audit reports. The Company stated that there was "no assurance" that it would be able to release third quarter financial results or audited financial statements for its 2011 fiscal year. The Company further disclosed in the January 10, 2012 announcement that it was still unable to explain or resolve outstanding issues, relating to its financial results and business relationships, including matters raised by documents identified by its auditor E&Y and the OSC.

VIII. MOTIVATION FOR FRAUD

91. The Sino-Forest Defendants had ample motive to commit fraud: the exaggerated revenue, earnings and assets allowed the Company to continue to raise substantial funds from lenders and investors, inflated the Company's stock price and provided a personal financial windfall to the Individual Defendants who sold highly inflated stock to unsuspecting investors.

92. In addition to the billions of dollars raised by Sino-Forest during the Class Period (described above), Company insiders also benefited directly by the inflated value of Sino-

Forest's stock because of their substantial stock holdings and because part of their compensation was in the form of stock options. Documents filed by the Company revealed that the Individual Defendants have sold over $44 million of Company stock since 2006.

Defendants' Sales Of Shares During Class Period

Defendant	Net Shares Sold	Value $Can	Value $U.S. (on 11/15/11 $Can 1 =$US 0.98494)
Chan	182,000.00	$3,003,200.20	$2,957,970
Horsley	531,431.00	$11,157,962.93	$10,989,900
Poon	3,037,900	$30,054,387.32	$29,601,800
TOTAL	3,751,331	$44,215,550.45	$43,549,670

IX. CLASS ALLEGATIONS

93. Plaintiffs bring this action on their own behalf and, pursuant to Article 9 of the New York Civil Practice Law and Rules ("CPLR"), as a class action on behalf of themselves and all persons or entities who purchased (i) Sino-Forest's common stock during the Class Period on the OTC market who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased Debt Securities issued by Sino-Forest other than in Canada and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of Sino-Forest during any portion of the Class Period, members of the immediate families of the foregoing persons and the legal representatives, heirs, successors or assigns of such persons and any entity in which any Defendant has or had a controlling interest. The Class specifically excludes any investor who purchased Sino-Forest securities on the Toronto Stock Exchange or in Canada.

94. The claims of Plaintiffs and the members of the Class have a common origin and share a common basis. The claims of all Class Members originate from the same improper conduct and arise from securities purchases entered into on the basis of the same materially

misleading statements and omissions by Defendants during the Class Period. If brought and prosecuted individually, each Class Member would necessarily be required to prove their respective claims upon the same facts, upon the same legal theories and would be seeking the same or similar relief, resulting in duplication and waste of judicial resources.

95. The members of the Class are so numerous that joinder of all members is impracticable. Although all Class Members cannot be identified without discovery, Plaintiff believes that there are many thousands of class members. Sino-Forest has over 246 million shares outstanding which actively traded on the OTC market (as well as in Canada on the Toronto Stock Exchange) and there are approximately $1.8 billion in Debt Securities outstanding including, approximately, $600 million in 2017 Notes.

96. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. Whether Defendants made materially false and misleading statements or omissions;

b. Whether Defendants engaged in any acts that operated as a fraud or deceit, or negligently misrepresented the Company's financial condition to the Class;

c. Whether Defendants breached their fiduciary duties to Plaintiffs and the class or were negligent in the performance of their duties;

d. Whether Defendants' acts proximately caused injury to the Class or irreparably harmed the Class, and if so, the appropriate relief to which the Class is entitled; and,

e. Whether Defendants' acts constitute violations of law for which the Class is entitled to recover damages or other relief.

97. The prosecution of separate actions by individual members of the Class would also create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible rights and standards of conduct for the parties involved in this case. The prosecution of separate actions by individual members of the Class would also create a risk of adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of other members of the Class or substantially impair or impede their ability to protect their interests.

98. Plaintiffs have engaged counsel experienced in complex class litigation and will fairly and adequately represent the interests of the Class. Plaintiffs' interests are co-extensive with and not antagonistic to those of the absent members of the Class.

99. The members of the Class cannot reasonably be expected to litigate this matter individually. Whether litigated individually or as a class, the causes of action asserted in this Complaint involve complex issues of law and will likely require extensive and costly factual discovery, especially if this case proceeds to trial. The costs of successfully prosecuting such litigation will likely be beyond the resources of most members of the Class.

X. APPLICATION OF THE FRAUD ON THE MARKET PRESUMPTION

100. During the Class Period, Sino-Forest was a high profile Company which regularly provided purportedly accurate information to investors about the Company's operations. The Company was followed by numerous securities analysts. The securities at issue, Sino-Forest common stock and debt securities, were actively traded on efficient markets and publicly disclosed information about the Company was incorporated in the price of these securities within a reasonable amount of time.

A. Common Stock

101. During the Class Period, Sino-Forest common stock was traded on the OTC market in the United States, which is an open, well-developed and efficient market. Sino-Forest common stock was traded on the Toronto Stock Exchange, an open, well developed and efficient market. There was a substantial volume of trading in both the United States and Canada and the price of the shares traded in the United States was affected in the same way as the price of shares traded in Canada.

102. The OTC market has no fixed location but investors throughout the United States, including in New York County, New York, can purchase OTC securities through registered brokers. The principal regulator of the OTC market is the Financial Industry Regulatory Authority which has its principal offices in New York, NY and Washington, DC.

B. 2017 Notes and Other Debt Securities

103. According to the Company, the 2017 Notes "offering was made on a private placement basis in Canada, the United States and internationally pursuant to available exemptions, through a syndicate of initial purchasers." The indenture agreement which governs the 2017 Notes provided that the notes are governed by New York law.

104. The 2017 Notes were initially purchased by the Underwriter Defendants. In the purchase agreement between the Underwriter Defendants and Sino-Forest, Banc of America Securities LLC listed its address as One Bryant Park, New York, NY 10036 and Credit Suisse Securities (USA) LLC listed its address as Eleven Madison Avenue New York, NY 10010. During the Class Period and after their issuance there was an efficient market for the 2017 Notes.

105. The 2017 Notes could only be legally sold to non-U.S. persons and to U.S. persons who were qualified institutional buyers. There is an open and well developed market for

such securities which are issued by large and well known issuers such as Sino-Forest and, specifically, there was an active and well-developed market for the 2017 Notes and Sino-Forest's other Debt Securities during the Class Period. Class Members were able to purchase 2017 Notes and other Debt Securities in the OTC market.

106. Accordingly, Class Members who purchased Sino-Forest common stock or 2017 Notes, and other Debt Securities in the secondary market are entitled to a presumption of reliance on the accuracy of the prices paid.

XI. CAUSES OF ACTION

COUNT ONE
AGAINST SINO-FOREST AND THE INDIVIDUAL DEFENDANTS FOR FRAUD

107. Plaintiffs repeat and reallege each of the allegations set forth in above. This claim is asserted against Sino-Forest and the Individual Defendants for common law fraud.

108. As set forth herein, Sino-Forest and the Individual Defendants knowingly or recklessly engaged and participated in a continuous course and scheme of fraudulent conduct to disseminate materially false information about Sino-Forest's financial condition or failed to disclose material information with the purpose of inflating the prices of Sino-Forest's common stock, the 2017 Notes and Sino-Forest's other debt securities. As intended by the Sino-Forest Defendants, Plaintiffs and Class Members reasonably relied on these false and misleading statements and failures to disclose and suffered substantial damages as a result.

109. As a direct and proximate result of Sino-Forest and the Individual Defendants' fraud, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. Sino-Forest and the Individual Defendants are jointly and severally liable to the Class for common law fraud.

COUNT TWO
AGAINST SINO-FOREST AND THE INDIVIDUAL DEFENDANTS FOR CIVIL CONSPIRACY TO DEFRAUD

110. Plaintiffs repeat and reallege each of the allegations set above. This claim is asserted against Sino-Forest and the Individual Defendants for civil conspiracy to commit fraud.

111. In furtherance of a scheme to defraud investors, the Sino-Forest Defendants corruptly agreed to combine their respective skills, expertise, resources, and reputations, thereby causing injury to Plaintiffs and the Class.

112. As set forth in detail above, one or more of the conspirators made false representations of material facts, with scienter, and Plaintiffs' and Class Members justifiably relied upon these misrepresentations and were injured as a result.

113. As a direct and proximate consequence of the foregoing, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. Because Sino-Forest and the Individual Defendants conspired amongst themselves and with others to carry out this fraudulent scheme, the Sino-Forest Defendants are jointly and severally liable both for their own knowledge and conduct and for the knowledge and conduct of their co-conspirators in furtherance of the fraud.

COUNT THREE
AGAINST SINO-FOREST AND THE INDIVIDUAL DEFENDANTS FOR AIDING AND ABETTING FRAUD

114. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against Sino-Forest and the Individual Defendants for aiding and abetting common law fraud. The Sino-Forest Defendants were aware of the fraudulent scheme that is the subject of this Complaint and each of these Defendants provided substantial assistance to the perpetrators of this scheme.

115. As a direct and proximate result of the Sino-Forest Defendants' aiding and abetting of the fraud, Plaintiffs and the Class have suffered economic losses in an amount to be determined at trial. Sino-Forest and the Individual Defendants are jointly and severally liable to the Class for aiding and abetting common law fraud.

COUNT FOUR
AGAINST SINO-FOREST FOR UNJUST ENRICHMENT

116. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against Sino-Forest for unjust enrichment.

117. In connection with the fraudulent scheme set out in this Complaint Defendant Sino-Forest received payment for the sale of the 2017 Notes. Defendant Sino-Forest would not have been able to sell the 2017 Notes or would only have been able to sell these notes at a lower price had the true facts about Sino-Forest's business and financial condition been known. Consequently, Sino-Forest unjustly received money from the purchasers of its securities and it would be unjust to allow Sino-Forest to keep this improperly earned money and should be required to repay it.

COUNT FIVE
AGAINST E&Y FOR BREACH OF FIDUCIARY DUTY

118. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against the E&Y Defendants for breach of fiduciary duties. Plaintiffs specifically disclaim any allegation of fraud or fraudulent intent of E&Y with respect to this count.

119. The E&Y Defendants had a fiduciary relationship to Plaintiffs and Class Members in that the E&Y Defendants owed Plaintiffs and Class Members a duty of ordinary and reasonable care and good faith which arose from the relationships between the E&Y Defendants

and the Plaintiffs and Class Members who were the intended users of the financial statements certified by the E&Y Defendants. The E&Y Defendants breached these fiduciary duties by certifying materially false and misleading financial statements, having known of the material misstatements or omissions, or having failed to do reasonable due diligence which would have discovered the false and misleading nature of these financial statements.

120. The E&Y Defendants breached their fiduciary duties to Plaintiffs by failing to perform their audits of Sino-Forest's final statements in accordance with Canadian GAAS by, *inter alia*, failing to obtain competent evidentiary material in support of the Company's representations in its financial statements and E&Y's audit opinion.

121. As a direct and proximate result of the E&Y Defendants' breach of fiduciary duty, Plaintiffs and the Class have suffered economic losses in an amount to be determined according to proof at trial. The E&Y Defendants are jointly and severally liable to the Class for breach of fiduciary duty.

COUNT SIX
AGAINST E&Y FOR NEGLIGENT MISREPRESENTATION

122. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against the E&Y Defendants for negligent misrepresentation. Plaintiffs specifically exclude any allegations of fraud or fraudulent intent of E&Y with respect to this count.

123. The E&Y Defendants had a special relationship of trust and confidence with Plaintiffs and Class Members because of their status as outside auditors of Sino-Forest that gave rise to a duty to exercise due care in the performance of their duties. These Defendants knew or were reckless in not knowing that Plaintiffs and Class Members were relying on them to exercise reasonable care in the performance of their duties.

124. As set forth herein, the E&Y Defendants negligently made false and misleading statements that inflated the price of Sino-Forest's securities, including by negligently failing to disclose material information they were obligated to disclose. The E&Y defendants negligently misrepresented to Plaintiffs and Class Members that they had performed audits of Sino-Forest's financial Statements in accordance with Canadian GAAS and that the Company's financial statement were properly presented in accordance with Canadian GAAP.

125. Plaintiffs and Class Members reasonably relied on these false and misleading statements and failures to disclose and suffered substantial damages as a result. The E&Y Defendants were at least negligent in making such statements, including because they failed to conduct appropriate due diligence before making such statements by, *inter alia*, failing to obtain competent evidentiary material in support of the Company's representations in its financial statements and E&Y audit opinion.

126. As a direct and proximate result of the E&Y Defendants' negligent misrepresentations, Plaintiffs and the Class have suffered economic losses in an amount to be determined according to proof at trial. The E&Y Defendants are jointly and severally liable to the Class for negligent misrepresentation.

COUNT SEVEN
AGAINST E&Y FOR GROSS NEGLIGENCE

127. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against the E&Y Defendants for gross negligence. Plaintiffs specifically exclude any allegations of fraud or fraudulent intent of E&Y with respect to this count.

128. The E&Y Defendants had a special relationship with Plaintiffs and Class Members because of their status as outside auditors of Sino-Forest, a relationship that gave rise

to a duty to exercise due care in the performance of the E&Y Defendants' duties. The E&Y Defendants knew or were reckless in not knowing that Class Members were relying on them to exercise reasonable diligence in the performance of their duties. The E&Y Defendants were grossly negligent in the performance of their duties, including by failing to conduct adequate due diligence. The E&Y Defendants breached their finding changes to Plaintiffs by failing to perform their audits of Sino-Forest's final statements in accordance with Canadian GAAS by, *inter alia*, failing to obtain competent evidentiary material in support of the Company's representations in its financial statements and E&Y audit opinion.

129. As a direct and proximate result of the E&Y Defendants' gross negligence, Plaintiffs and the Class have suffered economic losses in an amount to be determined by proof at trial. The E&Y Defendants are jointly and severally liable to the Class for gross negligence.

COUNT EIGHT
AGAINST E&Y FOR NEGLIGENCE

130. Plaintiffs repeat and reallege each of the allegations set forth above. This claim is asserted against the E&Y Defendants for negligence. Plaintiffs specifically exclude any allegations of fraud or fraudulent intent of E&Y with respect to this count.

131. The E&Y Defendants had a special relationship with Class Members because of their status as independent auditor of Sino-Forest, a relationship that gave rise to a duty to exercise due care in the performance of the E&Y Defendants' duties. The E&Y Defendants knew or were reckless in not knowing that Plaintiffs and Class Members were relying on the E&Y Defendants to exercise reasonable diligence in the performance of their duties. The E&Y Defendants were negligent in the performance of their duties; specifically the E&Y Defendants breached their duties to Plaintiffs by failing to perform their audits of Sino-Forest's final

statements in accordance with Canadian GAAS, including by failing to conduct adequate due diligence by, *inter alia*, failing to obtain competent evidentiary material in support of the Company's representations in its financial statements and E&Y audit opinion.

132. As a direct and proximate result of the E&Y Defendants' negligence, Plaintiffs and the Class have suffered economic losses in an amount to be determined by proof at trial. The E&Y Defendants are jointly and severally liable to the Class for negligence.

COUNT NINE
AGAINST THE UNDERWRITER DEFENDANTS FOR NEGLIGENT MISREPRESENTATION

133. Plaintiff IMF repeats and realleges each of the allegations set forth above. This claim is asserted against the Underwriter Defendants for negligent misrepresentation on behalf of all Class Members who purchased the 2017 Notes on the Offering. Plaintiff IMF specifically excludes any allegations of fraud or fraudulent intent of Underwriter Defendants with respect to this count.

134. The Underwriter Defendants had a special relationship with IMF and those Class Members who purchased the 2017 Notes from the Underwriter Defendants because of their status as underwriters, which gave rise to a duty to exercise due care in the performance of their duties. The Underwriter Defendants knew or were reckless in not knowing that each Class Member who purchased the 2017 Notes was relying on them to exercise reasonable care in the performance of their duties.

135. As set forth herein, the Underwriter Defendants negligently made false and misleading statements that inflated the price of the 2017 Notes, including by negligently failing to disclose material information they were obligated to disclose. Plaintiff IMF and Class Members reasonably relied on these false and misleading statements and failures to disclose and

suffered substantial damages as a result. The Underwriter Defendants were at least negligent in making such statements, including because they failed to conduct appropriate due diligence before making such statements.

136. As a direct and proximate result of the Underwriter Defendants' negligent misrepresentation, Plaintiffs and the members of the Class have suffered economic losses in an amount to be determined by proof at trial. The Underwriter Defendants are jointly and severally liable to the Class for negligent misrepresentation.

COUNT TEN
AGAINST THE UNDERWRITER DEFENDANTS FOR GROSS NEGLIGENCE

137. Plaintiff IMF repeats and realleges each of the allegations set above. This claim is asserted against the Underwriter Defendants for negligent misrepresentation on behalf of all Class Members who purchased the 2017 Notes on the Offering. Plaintiffs specifically exclude any allegations of fraud or fraudulent intent of the Underwriter Defendants with respect to this count.

138. The Underwriter Defendants had a special relationship with Plaintiff IMF and Class Members because of their status as underwriters that gave rise to a duty to exercise due care in the performance of their duties. These Defendants knew or were reckless in not knowing that Class Members were relying on them to exercise reasonable diligence in the performance of their duties. These Defendants were grossly negligent in the performance of their duties, including by failing to conduct adequate due diligence.

139. As a direct and proximate result of the Underwriter Defendants' gross negligence, Plaintiff IMF and the Class have suffered economic losses in an amount to be determined by

proof at trial. The Underwriter Defendants are jointly and severally liable to Plaintiff IMF and the Class for gross negligence.

COUNT ELEVEN
AGAINST THE UNDERWRITER DEFENDANTS FOR NEGLIGENCE

140. Plaintiff IMF repeats and realleges each of the allegations set forth above. This claim is asserted against the Underwriter Defendants for negligence on behalf of Plaintiff IMF and all Class Members who purchased the 2017 Notes on the Offering. Plaintiff specifically excludes any allegations of fraud or fraudulent intent of the Underwriter Defendants with respect to this count.

141. The Underwriter Defendants had a special relationship with Class Members who purchased the 2017 Notes from them because of their status as underwriters that gave rise to a duty to exercise due care in the performance of their duties. The Underwriter Defendants knew or were reckless in not knowing that Plaintiff IMF and Class Members were relying on them to exercise reasonable diligence in the performance of their duties. The Underwriter Defendants were negligent in the performance of their duties, including by failing to conduct due diligence.

142. As a direct and proximate result of the Underwriter Defendants' negligence, Plaintiff IMF and the Class have suffered economic losses in an amount to be determined at trial. The Underwriter Defendants are jointly and severally liable to Plaintiff IMF and the Class for negligence.

XII. PRAYER FOR RELIEF AND JURY DEMAND

WHEREFORE, Plaintiffs and the Class hereby demands a trial by jury, and seek a judgment:

A. Awarding Plaintiffs and the Class all compensatory damages they suffered, including lost profits and consequential and incidental damages, as a result of the wrongful conduct of the Defendants, in an amount to be determined at trial;

B. Awarding Plaintiffs and the Class damages arising from Defendants' unjust enrichment;

C. Awarding Plaintiffs and the Class punitive damages in an amount to be determined at trial;

D. Awarding Plaintiffs and the Class pre-judgment and post-judgment interest;

E. Awarding Plaintiffs and the Class their costs, expert fees, expenses and attorneys' fees incurred in connection with this action to the maximum extent permitted by law;

F. Awarding Plaintiffs and the Class such other and further relief as the Court finds just and proper.

Dated: January 27, 2012

Respectfully submitted,

COHEN MILSTEIN SELLERS & TOLL PLLC

Richard S. Speirs
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-and-

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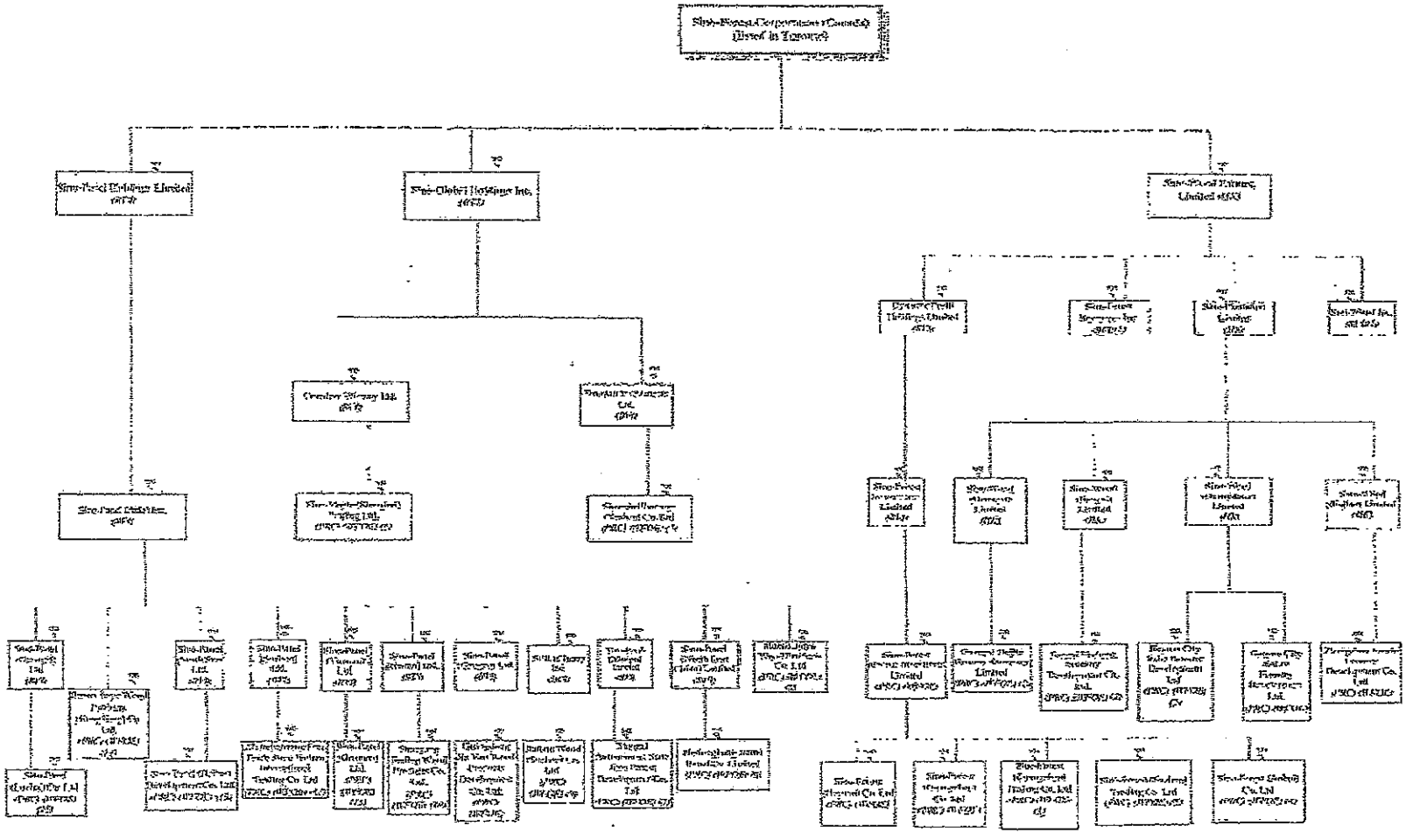
Facsimile: (202) 408-4699

Attorneys for Plaintiff and the Proposed Class

Exhibit A (Sino-Forest Organizational Chart)



SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

DAVID LEAPARD and IMF FINANCE SA on their own behalf and on behalf of all others similarly situated, Plaintiffs, v. ALLEN T.Y. CHAN, DAVID J. HORSLEY, KAI KIT POON, BANC OF AMERICA SECURITIES LLC, CREDIT SUISSE SECURITIES (USA) LLC, SINO-FOREST CORPORATION, ERNST & YOUNG GLOBAL LIMITED, and ERNST & YOUNG LLP, Defendants.	)	INDEX NO. VERIFICATION

STATE OF NEW YORK)
CITY OF NEW YORK)
COUNTY OF NEW YORK)

Kenneth M. Rehns, being duly sworn, states that he is one of the attorneys for Plaintiffs in this action and that the foregoing complaint is true to his own knowledge, except as to matters therein stated on information and belief and as to those matters he believes to be true; that the ground of his belief as to all matters not stated upon his knowledge are upon review of publicly available securities filings, media and newspaper articles and information contained on the Internet; and that the reason why the verification is not made by Plaintiffs David Leapard and IMF Finance SA is that these Plaintiffs are not in the county where Plaintiff's attorney has his office.

Kenneth M. Rehns

Notary Public

Sworn before me this 27th day of January, 2012

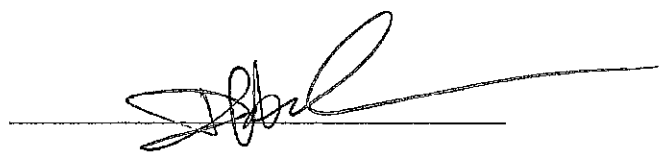
JESSE J. LEE
Notary Public, State of New York
No. 01LE6167868
Qualified in New York County
Commission Expires June 4, 2015

Tab E

THIS IS EXHIBIT "E" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN JUNE 8, 2012



A Commissioner, etc.

Daniel Holden
Barrister & Solicitor

Sino-Forest Corporation

Sino-Forest Announces that Approximately 72% of Noteholders have signed Support Agreement

TORONTO, CANADA – June 8, 2012 – Sino-Forest Corporation ("Sino-Forest" or the "Company") announced today that holders of approximately 72% of the aggregate principal amount of the Company's outstanding notes have agreed to be parties to the restructuring support agreement (the "Support Agreement") entered into by, among others, the Company and an ad hoc committee of its noteholders (the "Ad Hoc Committee") on March 30, 2012, which provides for the material terms of a transaction (the "Transaction") which would involve either a sale of the Company to a third party or a restructuring under which the noteholders would acquire substantially all of the assets of the Company, including the shares of all of its direct subsidiaries which own, directly or indirectly, all of the business operations of the Company.

On March 30, 2012, the Company announced that it had reached agreement with the Ad Hoc Committee on the material terms of the Transaction. On March 30, 2012, the members of the Ad Hoc Committee, who hold approximately 40% of the aggregate principal amount of the Company's 5% Convertible Senior Notes due 2013, 10.25% Guaranteed Senior Notes due 2014, 4.25% Convertible Senior Notes due 2016 and 6.25% Guaranteed Senior Notes due 2017 (collectively, the "Notes" and holders of Notes, the "Noteholders") executed the Support Agreement in which they agreed to support and vote for the Transaction. As announced on March 30, 2012, the Company continued to solicit additional Noteholder support for the Transaction and all Noteholders who wished to become "Consenting Noteholders" and participate in the Early Consent Consideration (as defined in the Support Agreement) were invited and permitted to do so until the early consent deadline of May 15, 2012.

Noteholders holding in aggregate approximately 72% of the principal amount of the Notes, and representing over 66.67% of the principal amount of each of the four series of Notes, have now agreed to be parties to the Support Agreement.

Inquiries

All inquiries regarding the Company's proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") should be directed to the Monitor via email at: sfc@fticonsulting.com, or telephone: (416) 649-8094. Information about the CCAA proceedings, including copies of all court orders and the Monitor's reports, are available at the Monitor's website http://cfcanada.fticonsulting.com/sfc.

FOR OTHER INQUIRIES PLEASE CONTACT:
BRUNSWICK GROUP LIMITED
Tel: + 1 646 625 7452

FOR MEDIA INQUIRIES PLEASE CONTACT:
BRUNSWICK GROUP LIMITED
Email: sinoforest@brunswickgroup.com

New York Stan Neve Tel: +1 212 333 3810	Hong Kong Tim Payne Cindy Leggett-Flynn Tel: +852 3512 5000

IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

AFFIDAVIT OF ELIZABETH FIMIO
(Sworn June 8, 2012)

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek J. Bell (LSUC #43420J)
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Lawyers for the Applicant

Tab 2

Court of Appeal File Number: M41654/ M41655/ M41656
Superior Court File No. CV-12-9667-00CL

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

AFFIDAVIT OF ELIZABETH FIMIO
(Sworn September 10, 2012)

I, **ELIZABETH FIMIO**, of the City of Burlington, in the Regional Municipality of Halton, **AFFIRM:**

1. I am an assistant at Bennett Jones LLP, counsel for Sino-Forest Corporation, and as such, have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.

2. Attached as Exhibit "**A**" is a copy of the Stay Extension Order of the Honourable Justice Morawetz dated May 31, 2012.

3. Attached as Exhibit "**B**" is a copy of the Notice of Motion (Motion Regarding the Status of Shareholder Claims and Related Indemnity Claims under the CCAA) filed by Sino-Forest Corporation in the within application on July 8, 2012.

4. Attached as Exhibit "**C**" is a copy of the Plan Filing and Meeting Order and Endorsement of the Honourable Justice Morawetz dated August 31, 2012.

5. Each of the moving parties served their respective Notices of Motion for leave to appeal the Equity Claims Order on August 16, 2012. A copy of the covering emails from BDO Limited, Ernst & Young LLP and the underwriters named in the class actions are attached as Exhibit "**D**".

AFFIRMED BEFORE ME at the City of Toronto, in the Province of Ontario this 10th day of September, 2012

Elizabeth Fimio

Tab A

THIS IS EXHIBIT "A" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN SEPTEMBER 10, 2012

A Commissioner, etc.

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	THURSDAY, THE 31st
	)	
JUSTICE MORAWETZ	)	DAY OF MAY, 2012

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

ORDER
(Stay Extension)

THIS MOTION, made by Sino-Forest Corporation ("SFC") for the relief set out in SFC's notice of motion dated May 25, 2012 was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of W. Judson Martin sworn May 25, 2012 (the "Martin Affidavit") and the Exhibits thereto and the third report of FTI Consulting Canada Inc. in its capacity as monitor (the "Monitor") dated May 25, 2012 (the "Third Report") and on hearing submissions of counsel for SFC, the Monitor, the board of directors of SFC, the Ad Hoc Noteholders and those other parties present,

SERVICE

1. THIS COURT ORDERS that the time for the service of the Notice of Motion, the Third Report and the Motion Record is hereby abridged so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Martin Affidavit.

EXTENSION OF THE STAY PERIOD

3. THIS COURT ORDERS that the Stay Period (as defined in the Initial Order) be and is hereby extended to September 28, 2012.

FOREIGN PROCEEDINGS

4. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

5. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

MAY 31 2012

IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

ORDER

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Lawyers for the Applicant

Tab B

THIS IS EXHIBIT "B" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN SEPTEMBER 10, 2012

A Commissioner, etc.

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT IN THE MATTER OF SINO-FOREST CORPORATION

NOTICE OF MOTION

(Motion Regarding the Status of Shareholder Claims and Related Indemnity Claims under the CCAA)

The applicant, Sino-Forest Corporation ("SFC"), will make a motion to the Honourable Mr. Justice Morawetz of the Commercial List court on Friday, June 15th, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order that the claims against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including, without limitation, the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule "A" (collectively, the "Shareholder Claims") are "equity claims" as defined in section 2 of the *Companies' Creditors Arrangement Act* (the "CCAA"), being claims in respect of monetary losses resulting from the ownership, purchase or sale of an equity interest, being shares in SFC;

2. An order that any indemnification claims against SFC related to or arising from the Shareholder Claims, including, without limitation, by or on behalf of any of the other defendants to the proceedings listed in Schedule "A" (the "Related Indemnity Claims"), are "equity claims" under the CCAA, being claims for contribution or indemnity in respect of a claim that is an equity claim;

3. A direction that the order is without prejudice to SFC's right to apply for a similar order with respect to (i) any claims in the Statement of Claim that are in respect of Securities other than shares and (ii) any indemnification claims against SFC related thereto; and

4. Such further and other relief as counsel may request and this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

BACKGROUND

1. On March 30, 2012, this Honourable Court made an Initial Order granting a stay of proceedings in relation to SFC and its business and property and appointing FTI Consulting Canada Inc. as the Monitor in the CCAA proceedings;

2. Also on March 30, 2012, this Honourable Court made the Sale Process Order approving the sale process procedures attached thereto and authorizing and directing SFC, the Monitor and Houlihan Lokey to carry out the sale process;

3. At the commencement of these proceedings, SFC advised that it was very important for these proceedings to be successfully completed as soon as possible in order to, among

other things, (i) enable the business operated in the People's Republic of China (the "PRC") to be separated from SFC and put under new ownership; (ii) enable the restructured business to participate in the Q4 sale season in the PRC market, and (iii) maintain the confidence of stakeholders in the PRC (including local and national governmental bodies, PRC lenders and other stakeholders) that the business in the PRC can be successfully separated from SFC and operate in the ordinary course in the near future. As summarized by the Monitor in paragraph 21 of its Report dated March 30, 2012, "In summary, Sino-Forest's state of affairs is such that it cannot maintain a status quo for much longer."

4. To that end, and consistent with the Support Agreement that SFC has negotiated with the ad hoc committee of noteholders, SFC intends to file a plan of compromise or arrangement (the "Plan") under the CCAA by no later than August 27, 2012, based on the deadlines set out in the Support Agreement and the commercial reality that SFC must complete its restructuring as soon as possible;

5. Noteholders holding in excess of $1,296,000 and approximately 72% of the total debt of approximately $1.8 billion of SFC's noteholder debt have executed written support agreements to support the plan outlined in the announced SFC CCAA plan of March 30, 2012. Accordingly, there is significant support for SFC to emerge from CCAA to maximize value for all stakeholders and ensure certainty with the overall business of SFC and its subsidiaries;

6. On May 14, 2012, this Honourable Court issued a Claims Procedure Order which established June 20, 2012 as the Claims Bar Date;

7. By Statement of Claim (as defined below), the class action plaintiffs have made significant Shareholder Claims against SFC and other defendants, and certain of these defendants have stated in these proceedings that they have significant, related indemnity claims against SFC in respect of the Shareholder Claims made against them, and have not confirmed that these claims are not "equity claims";

8. In light of the need to complete these restructuring proceedings as soon as possible, and with a view to having a meeting of creditors in August, 2012, it is necessary to have the legal status of these Shareholder Claims against SFC and Related Indemnity Claims confirmed as "equity claims" as soon as possible in order to ensure that the CCAA proceedings advance in an efficient and effective manner so as to best ensure the business and operations of SFC are protected under the current circumstances;

SHAREHOLDER CLAIMS

9. By Fresh as Amended Statement of Claim dated April 26, 2012 (the "Statement of Claim"), the Trustees of the Labourers' Pension Fund of Central and Eastern Canada, the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde Ap-Fonden, David Grant and Robert Wong have asserted various claims against SFC, certain of its current and former officers and directors, Ernst & Young LLP ("E&Y"), BDO Limited ("BDO"), and SFC's underwriters (collectively, the "Underwriters");

10. The Statement of Claim purports to advance claims on behalf of: (i) all persons "who purchased [SFC's] Securities in the secondary market from March 19, 2007 to and including June 2, 2011"; and (ii) all persons who purchased SFC shares and notes in

various offerings from 2009 to 2010. The term "Securities" used in the Statement of Claim refers to SFC shares and SFC notes;

11. The Statement of Claim seeks damages in the amount of approximately $9.2 billion against SFC and the other defendants;

12. The Statement of Claim states on several occasions that the damages suffered relate to purchasing Securities "at inflated prices during the Class Period" and that absent the alleged misconduct, sales of such Securities "would have occurred at prices that reflected the true value" of the Securities. It is further alleged that "the price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents";

13. Similar Shareholder class actions have also been commenced in other jurisdictions in Canada and the United States, asserting the same or substantially similar allegations with respect to SFC shares;

14. As such, the Shareholder Claims in these actions are "equity claims" as defined in the CCAA, being claims asserting a monetary loss from the ownership, purchase or sale of an equity interest in a debtor, SFC;

RELATED INDEMNITY CLAIMS

15. In connection with the Statement of Claim, E&Y has asserted that it has contractual claims of indemnification against SFC in respect of the claims against it for all relevant years in respect of its annual audits, the prospectuses and the note offerings. It has stated

that it has "statutory and common law claims of contribution and/or indemnity against Sino-Forest and its subsidiaries for all relevant years";

16. In connection with the Statement of Claim, BDO has asserted that it has claims of indemnification against SFC, including contractual rights of indemnity in respect of the claims against it in the Statement of Claim in each of the engagement letters signed in relation to BDO's audit reports;

17. In connection with the Statement of Claim, the Underwriters have asserted that certain agreements with SFC and certain of its subsidiaries contain indemnity provisions in connection with "an array of matters that could arise from the Offerings" and that these provisions are applicable to support claims for indemnification in respect of the claims against the Underwriters in the Statement of Claim;

18. The foregoing are only examples of the indemnification claims which have been advanced to date by certain parties;

19. As the Related Indemnity Claims are claims for contribution or indemnity in respect of the Shareholder Claims, the Related Indemnification Claims are "equity claims" under section 2 of the CCAA;

MISCELLANEOUS

20. It is just and convenient and in the interests of all creditors and interested parties, and this restructuring proceeding overall, that the order sought herein be granted;

21. The making of the order sought will assist the Company to proceed with its restructuring in an efficient and effective manner;

22. The making of the order sought will assist in the efficient administration of the CCAA proceedings and with matters related to the CCAA plan;

23. The ad hoc committee of noteholders support the motion;

24. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court; and

25. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the affidavit of Elizabeth Fimio sworn June 8, 2012;

2. the Motion Records and Factums filed by E&Y, BDO and the Underwriters in connection with the May 8, 2012 scope of stay motion in this proceeding; and

3. such further or other material as counsel may advise and this Honourable Court deems just.

June 8, 2012

BENNETT JONES LLP
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M5X 1A4

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Lawyers for the Applicant

TO: THE SERVICE LIST

SCHEDULE A

1. *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP)

2. *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No: 200-06-000132-111)

3. *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011)

4. *David Leapard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012)

IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF SINO-FOREST CORPORATION.

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

NOTICE OF MOTION

(Motion Re the Status of Shareholder Claims and Related Indemnity Claims under the CCAA)

BENNETT JONES LLP
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TAB C

THIS IS EXHIBIT "C" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN SEPTEMBER 10, 2012

A Commissioner, etc.

Court File No. CV-12-9667-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	FRIDAY, THE 31ST DAY
	)	
JUSTICE MORAWETZ	)	OF ~~SEPTEMBER~~ AUGUST, 2012

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

PLAN FILING AND MEETING ORDER

THIS MOTION, made by Sino-Forest Corporation (the "**Applicant**" or "**SFC**") for an order, *inter alia*, (a) accepting the filing of the Plan, (b) authorizing the classification of creditors for purposes of voting on the Plan, (c) authorizing and directing the Applicant to call, hold and conduct a meeting of Affected Creditors to consider and vote on a resolution to approve the Plan, (d) authorizing and directing the mailing and distribution of the Meeting Materials, (e) approving the procedures to be followed with respect to the meeting of Affected Creditors, (f) setting a date for the hearing of the Applicant's motion for Court approval of the Plan and (g) amending the Claims Procedure Order to call for monetary Claims of the Ontario Securities Commission, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion, the affidavit of W. Judson Martin sworn on August 14, 2012, the affidavit of Audra Hawkins sworn on August 15, 2012, the affidavit of Elizabeth Fimio sworn on August 27, 2012 and the Seventh Report of FTI Consulting Canada Inc. (the "**Monitor**") dated August 17, 2012 (the "**Monitor's Seventh Report**"), and on hearing the submissions of counsel for the Monitor, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed;

AND FURTHER TO the endorsement of this Honourable Court made August 31, 2012 (the "**Endorsement**");

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Applicant's Motion Record and the Monitor's Seventh Report is hereby abridged and validated such that this Motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

MONITOR'S ROLE

2. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under (i) the CCAA, (ii) the Initial Order, (iii) the Order of this Court dated April 20, 2012 expanding the powers of the Monitor and (iv) the Claims Procedure Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Meeting Order.

3. THIS COURT ORDERS that: (i) in carrying out the terms of this Meeting Order, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Order of this Court dated April 20, 2012 expanding the powers of the Monitor, or as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Meeting Order, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of the Applicant and any information provided by the Applicant without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

4. THIS COURT ORDERS that the Monitor and the Applicant, with the consent of the Monitor, are hereby authorized to retain such agents as they deem to be advisable to assist them in connection with calling and conducting the Meeting, including with respect to the distribution of Meeting Materials, the identification of the applicable Ordinary Affected Creditors and Noteholders, and the solicitation of proxies from Persons entitled to vote at the Meeting.

DEFINITIONS

5. THIS COURT ORDERS that any capitalized terms used herein but not otherwise defined herein have the meanings ascribed thereto in the Plan.

6. THIS COURT ORDERS that for the purposes of this Meeting Order, in addition to the terms defined elsewhere in this Meeting Order or in the Plan, the following terms shall have the following meanings:

(a) "**Affected Creditor**" means a Person with an Affected Creditor Claim, but only with respect to and to the extent of such Affected Creditor Claim;

(b) "**Affected Creditor Claim**" means any Ordinary Affected Creditor Claim or Noteholder Claim;

(c) "**Beneficial Noteholder**" means a beneficial owner of any Notes as at the Voting Record Date (or, if applicable, an investment advisor, manager or representative with voting discretion over the Notes owned by such beneficial owners), regardless of whether such beneficial owner is a Registered Noteholder or an Unregistered Noteholder;

(d) "**DTC**" means The Depository Trust Company, or any successor thereof;

(e) "**Equity Claim**" means a Claim that meets the definition of "equity claim" in section 2(1) of the CCAA and, for greater certainty, includes any claim that has been determined to be an Equity Claim by the Court in these proceedings;

(f) "**Equity Claimant**" means any Person having an Equity Claim, but only with respect to and to the extent of such Equity Claim;

(g) "**Equity Claims Order**" means the Order of this Court dated July 27, 2012, in respect of Shareholder Claims and Related Indemnity Claims against SFC, as such terms are defined therein;

(h) "**Information Circular**" means the information circular in respect of the Plan and the Meeting substantially in the form filed by the Applicant prior to the date hereof, as the same may be amended, supplemented or restated from time to time;

(i) "**Instructions to Ordinary Affected Creditors**" means the instructions substantially in the form attached as Schedule "C" hereto;

(j) "**Instructions to Participant Holders**" means the instructions substantially in the form attached as Schedule "B" hereto;

(k) "**Instructions to Registered Noteholders**" means the instructions substantially in the form attached as Schedule "D" hereto;

(l) "**Instructions to Unregistered Noteholders**" means the instructions substantially in the form attached as Schedule "E" hereto;

(m) "**Mailing Date**" means the date to be selected by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders) on which the Monitor shall make the mailings contemplated by paragraphs 18 and 20 of this Meeting Order, which date shall be within twenty (20) days of the date of this Meeting Order (unless extended with the consent of the Applicant and counsel to the Initial Consenting Noteholders);

(n) "**Meeting**" means the meeting of Affected Creditors, and any extension or adjournment thereof, that is called and conducted in accordance with this Meeting Order for the purpose of considering and voting on the Plan;

(o) "**Meeting Date**" means the date and time for the Meeting to be selected by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), which date shall be within thirty (30) days of the Mailing Date (unless extended with the consent of the Applicant and counsel to the Initial Consenting Noteholders);

(p) "**Meeting Materials**" means the Noteholder Meeting Materials and the Ordinary Affected Creditor Meeting Materials;

(q) "**Meeting Order**" means this Order, as it may be amended by any further Order of the Court;

(r) "**Noteholder Claim**" means any Claim by a Beneficial Noteholder (or a Trustee or other representative on such Beneficial Noteholder's behalf) in respect of or in relation to Notes, including all principal, Accrued Interest and any amounts payable pursuant to the Notes or the Note Indentures;

(s) "**Noteholder**" means, as at the Voting Record Date, any Registered Noteholder, Unregistered Noteholder, Participant Holder or Beneficial Noteholder, as the context requires, in such capacity;

(t) "**Noteholder Meeting Materials**" means copies of:

(i) the Notice to Affected Creditors;

(ii) the Plan;

(iii) the Information Circular;

(iv) the Meeting Order and Endorsement;

(v) a blank form of the Noteholders' Proxy;

(vi) the Instructions to Registered Noteholders; and

(vii) the Instructions to Unregistered Noteholders;

(u) "**Noteholders' Proxy**" means a proxy substantially in the form of Schedule "F", to be submitted to the Monitor by any Beneficial Noteholder that wishes to vote by proxy at the Meeting;

(v) "**Notes**" means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes;

(w) "**Notice to Affected Creditors**" means the notice to Affected Creditors substantially in the form attached as Schedule "A" hereto;

(x) "**Ordinary Affected Creditor**" means a Person with an Ordinary Affected Creditor Claim;

(y) "**Ordinary Affected Creditor Claim**" means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims);

(z) "**Ordinary Affected Creditor Meeting Materials**" means copies of:

(i) the Notice to Affected Creditors;

(ii) the Plan;

(iii) the Information Circular;

(iv) the Meeting Order and Endorsement;

(v) a blank form of the Ordinary Affected Creditors' Proxy; and

(vi) the Instructions to Ordinary Affected Creditors;

(aa) "**Ordinary Affected Creditors' Proxy**" means a proxy substantially in the form attached as Schedule "G" hereto, to be submitted to the Monitor by any Ordinary Affected Creditor who wishes to vote by proxy at the Meeting;

(bb) "**Participant Holder**" means a Person whose name appears on any of the Participant Holders Lists as at the Voting Record Date but who is not a Beneficial Noteholder;

(cc) "**Participant Holders Lists**" means the lists of DTC participant holders of Notes as at the Voting Record Date to be provided to the Monitor by DTC or any similar depository or trust company with respect to each series of Notes in accordance with paragraph 23 of this Meeting Order;

(dd) "**Plan**" means the plan of compromise and reorganization proposed by the Applicant as described in the Martin Affidavit and attached as Exhibit "B" to the

affidavit of Elizabeth Fimio, as such plan of compromise and reorganization may be amended from time to time in accordance with its terms;

(ee) "**Plan Supplement**" means the supplement(s) to the Plan, which shall contain draft copies of the Litigation Trust Agreement, relevant documents concerning Newco (including the terms of the Newco Shares and the Newco Notes) and such other documents as the Applicant and the Monitor may consider appropriate or necessary for purposes of the Meeting and voting on the Plan;

(ff) "**Proof of Claim**" means the "Proof of Claim" referred to in the Claims Procedure Order, substantially in the form attached to the Claims Procedure Order;

(gg) "**Registered Noteholder**" means a Noteholder who is the legal owner or holder of one or more Notes and whose name appears on any Registered Noteholder List;

(hh) "**Registered Noteholder List**" means each list of Registered Noteholders as at the Voting Record Date provided by the Trustees to the Monitor in accordance with paragraph 21 of this Meeting Order;

(ii) "**Required Majority**" means a majority in number of Affected Creditors with Voting Claims, and two-thirds in value of the Voting Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting;

(jj) "**Sanction Hearing Date**" means the date to be selected by the Monitor for the Sanction Hearing (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), which date shall be within seven (7) days of the Meeting Date (or such other date on or after the Meeting Date as may be set by the Monitor or the Court);

(kk) "**Shareholder Claims**" has the meaning ascribed thereto in the endorsement of this Court dated July 27, 2012 in these proceedings;

(ll) "**Unregistered Noteholder**" means a Noteholder whose name does not appear on any Registered Noteholder List;

(mm) "**Unresolved Claim**" means an Affected Creditor Claim in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order but that, as at any applicable time, has not been (i) determined to be a Voting Claim or (ii) finally disallowed;

(nn) "**Voting Claim**" means an Affected Creditor Claim to the extent that such Affected Creditor Claim has been accepted by the Monitor solely for purpose of voting on the Plan (which acceptance for the purpose of voting shall have no effect on whether such Claim is a Proven Claim for purposes of the Plan), in each case in accordance with the provisions of the Claims Procedure Order or any other Order, as applicable;

(oo) "**Voting Record Date**" means the date of this Meeting Order; and

(pp) "**Website**" means the website maintained by the Monitor in respect of the CCAA proceedings pursuant to the Initial Order at the following web address: http://cfcanada.fticonsulting.com/sfc/.

7. THIS COURT ORDERS that all references to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 P.M. on such Business Day unless otherwise indicated herein.

8. THIS COURT ORDERS that all references to the word "including" shall mean "including without limitation".

9. THIS COURT ORDERS that, unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders.

THE PLAN

10. THIS COURT ORDERS that the Plan is hereby accepted for filing, and the Applicant is hereby authorized and directed to call and hold a meeting of Affected Creditors to vote on the Plan in the manner set forth herein.

11. THIS COURT ORDERS that the Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

12. THIS COURT ORDERS that the Applicant shall serve and file the Plan Supplement, and the Monitor shall post the Plan Supplement on the Website, no later than seven (7) days prior to the Meeting. Thereafter, the Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan Supplement, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

FORMS OF DOCUMENTS

13. THIS COURT ORDERS that the forms of Information Circular, Notice to Affected Creditors, Ordinary Affected Creditors' Proxy, Noteholders' Proxy, Instructions to Ordinary Affected Creditors, Instructions to Registered Noteholders, Instructions to Unregistered Noteholders and Instructions to Participant Holders are hereby approved. The Applicant, with the consent of the Monitor, may (x) make any changes to such materials as are necessary or desirable to conform the content thereof to the terms of the Plan or this Meeting Order, and (y) at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement any of such materials, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

VOTING BY CREDITORS

14. THIS COURT ORDERS that, the Affected Creditors shall constitute a single class, the "**Affected Creditors Class**", for the purposes of considering and voting on the Plan.

15. [Intentionally deleted]

16. [Intentionally deleted]

NOTICE TO ORDINARY AFFECTED CREDITORS

17. THIS COURT ORDERS that the Monitor shall, no later than three (3) Business Days following the date of this Meeting Order, post an electronic copy of the Notice to Affected Creditors, the Plan and the Information Circular (in the form provided by the Applicant as at the date of this Meeting Order) on the Website.

18. THIS COURT ORDERS that the Monitor shall, on the Mailing Date, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to each Ordinary Affected Creditor with a Voting Claim and/or an Unresolved Claim at the address set out in such Ordinary Affected Creditor's Proof of Claim (or in any other written notice that has been received by the Monitor in advance of such date regarding a change of address for an Ordinary Affected Creditor).

NOTICE TO NOTEHOLDERS

19. THIS COURT ORDERS that, no later than three (3) Business Days following the date of this Meeting Order, the Monitor shall post an electronic copy of the Notice to Affected Creditors, the Plan and the Information Circular (in the form provided by the Applicant as at the date of this Meeting Order) on the Website.

20. THIS COURT ORDERS that the Monitor shall, on the Mailing Date, deliver the Noteholder Meeting Materials by courier, personal delivery or email to the Trustees and DTC.

21. THIS COURT ORDERS that, no later than four (4) Business Days following the date of this Meeting Order, each of the Trustees shall provide to the Applicant and the Monitor a Registered Noteholder List for each series of Notes in respect of which such Trustee acts as trustee, each of which Registered Noteholder Lists shall list the Registered Noteholders of the applicable series of Notes as at the Voting Record Date and their respective addresses, telephone numbers, fax numbers and email addresses, to the extent available.

22. THIS COURT ORDERS that, on the later of (i) the Mailing Date and (ii) the date upon which the Monitor receives a Registered Noteholder List from any Trustee as provided for in paragraph 21, the Monitor shall send the Noteholder Meeting Materials to each Person listed on the Registered Noteholder List.

23. THIS COURT ORDERS that: (i) no later than four (4) Business Days following the date of this Meeting Order, DTC shall provide to the Applicant and the Monitor a Participant Holders List in respect of the Notes; and (ii) as soon as practicable following the date of this Meeting Order and in any event within four (4) Business Days of receiving notice from the Monitor of this Meeting Order, any other Registered Noteholder (if any) who holds Notes on behalf of one

or more Participant Holders shall provide to the Applicant and the Monitor a Participant Holders List in respect of the Notes. In each case the Participant Holder List so provided shall list the Participant Holders as at the Voting Record Date and their respective addresses and telephone numbers, fax numbers and email addresses, to the extent available.

24. THIS COURT ORDERS that, upon receipt by the Monitor of the Participant Holders Lists, the Monitor shall contact each Participant Holder listed thereon to determine the number of copies of the Noteholder Meeting Materials such Participant Holder requires in order to provide one copy of the Noteholder Meeting Materials to each of its customers or principals who are Unregistered Noteholders as at the Voting Record Date, and each Participant Holder shall provide the Monitor with a response as to the number of copies of the Noteholder Meeting Materials required within two (2) Business Days of being so contacted by the Monitor.

25. THIS COURT ORDERS that on the later of (i) the Mailing Date, and (ii) the date upon which the Monitor receives the information referred to in paragraph 24, the Monitor shall deliver by courier, personal delivery or email to such Participant Holder a copy of the Instructions to Participant Holders together with that number of copies of the Noteholder Meeting Materials required by such Participant Holder for distribution to the Unregistered Noteholders that are its customers or principals.

26. THIS COURT ORDERS that, within five (5) Business Days of any Participant Holder's receipt of the Noteholder Meeting Materials from the Monitor pursuant to paragraph 25, such Participant Holder shall: (i) complete and sign the applicable section of the Noteholders' Proxy relating to Participant Holders for each Unregistered Noteholder that has an account (directly or through an agent or custodian) with such Participant Holder; and (ii) deliver by courier or personal delivery to each such Unregistered Noteholder the Noteholders' Proxy as so completed and signed together with one copy of the Noteholder Meeting Materials. Each Participant Holder shall take any other action reasonably required to enable any Unregistered Noteholder that has an account (directly or through an agent or custodian) with such Participant Holder to provide a Noteholders' Proxy to the Monitor with respect to the Notes owned by or held for the benefit of such Unregistered Noteholder.

27. THIS COURT ORDERS that where: (i) a Participant Holder or its agent has a standard practice for distribution of meeting materials to Unregistered Noteholders and for the gathering of information and proxies or voting instructions from Unregistered Noteholders; (ii) the Participant Holder has discussed such standard practice in advance with the Applicant, the Monitor and counsel to the Initial Consenting Noteholders; and (iii) such standard practice is acceptable to the Applicant, the Monitor and counsel to the Initial Consenting Noteholders, such Participant Holder or its agent may, in lieu of following the procedure set out in paragraph 26 above, follow such standard practice provided that all applicable proxies or voting instructions are received by the Monitor no later than 5:00 P.M. on the third Business Day before the Meeting.

NOTICE, SERVICE AND DELIVERY

28. THIS COURT ORDERS that the Monitor's fulfillment of the notice, delivery and Website posting requirements set out in this Meeting Order shall constitute good and sufficient notice, service and delivery thereof on all Persons who may be entitled to receive notice, service or delivery thereof or who may wish to be present or vote (in person or by proxy) at the Meeting, and that no other form of notice, service or delivery need be given or made on such Persons and no other document or material need be served on such Persons.

CONDUCT OF MEETING AND DELIVERY OF PROXIES

29. THIS COURT ORDERS that the Applicant is hereby authorized and directed to call the Meeting and to hold and conduct the Meeting on the Meeting Date at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, for the purpose of seeking approval of the Plan by the Affected Creditors with Voting Claims at the Meeting in the manner set forth herein. In the event that the Meeting Date is extended after the Mailing Date, the Monitor shall post notice of the extension of the Meeting Date on the Website and provide notice of the extension of the Meeting Date to the service list.

30. THIS COURT ORDERS that Greg Watson or another representative of the Monitor, designated by the Monitor, shall preside as the chair of the Meeting (the "**Chair**") and, subject to

this Meeting Order or any further Order of the Court, shall decide all matters relating to the conduct of the Meeting.

31. THIS COURT ORDERS that the Monitor may appoint scrutineers for the supervision and tabulation of the attendance at, quorum at and votes cast at the Meeting (the "**Scrutineers**"). A person designated by the Monitor shall act as secretary of the Meeting (the "**Secretary**").

32. THIS COURT ORDERS that the quorum required at the Meeting shall be one Affected Creditor with a Voting Claim present at the Meeting (in person or by proxy).

33. THIS COURT ORDERS that if the requisite quorum is not present at the Meeting, or if the Meeting is postponed by the vote of a majority in value of Voting Claims of the Affected Creditors present at the Meeting (in person or by proxy), then the Meeting shall be adjourned by the Chair to a later date, time and place as designated by the Chair. The Chair shall be entitled to adjourn and further adjourn the Meeting at the Meeting or at any adjourned Meeting. Any adjournment or adjournments described in this paragraph 33 shall be for a period of not more than thirty (30) days in total unless otherwise agreed to by the Applicant, the Monitor and counsel to the Initial Consenting Noteholders. In the event of any adjournment described in this paragraph 33, no Person shall be required to deliver any notice of the adjournment of the Meeting or adjourned Meeting, provided that the Monitor shall: (i) announce the adjournment at the Meeting or adjourned Meeting, as applicable; (ii) post notice of the adjournment at the originally designated time and location of the Meeting or adjourned Meeting, as applicable; (iii) forthwith post notice of the adjournment on the Website; and (iv) provide notice of the adjournment to the service list forthwith. Any Ordinary Affected Creditor Proxies and Noteholder Proxies validly delivered in connection with the Meeting shall be accepted as proxies in respect of any adjourned Meeting.

34. THIS COURT ORDERS that the only Persons entitled to attend and speak at the Meeting are: (i) the Affected Creditors entitled to vote at the Meeting (or, if applicable, any Person holding a valid Ordinary Creditors' Proxy or Noteholders' Proxy on behalf of one or more such Affected Creditors) and any such Affected Creditor's or valid proxyholder's legal counsel and financial advisors; (ii) the Chair, the Scrutineers and the Secretary; (iii) one or more representatives of the Monitor and the Monitor's legal counsel; (iv) one or more representatives

of the current board of directors and/or senior management of Applicant, as selected by the Applicant, and the Applicant's legal counsel and financial advisors; (v) counsel to the Directors and Officers; (vi) one or more representatives of the Initial Consenting Noteholders and the Initial Consenting Noteholders' legal counsel and financial advisors; and (vii) the Trustees and their respective legal counsel. Any other person may be admitted to the Meeting on invitation of the Chair.

35. THIS COURT ORDERS that the Monitor may, with the consent of the Applicant, waive in writing the time limits imposed on Affected Creditors as set out in this Meeting Order (including the schedules hereto), generally or in individual circumstances, if the Monitor deems it advisable to do so.

ASSIGNMENT OF AFFECTED CLAIMS PRIOR TO THE MEETING

36. THIS COURT ORDERS that, subject to any restrictions contained in Applicable Laws, an Ordinary Affected Creditor may transfer or assign the whole of its Ordinary Affected Creditor Claim prior to the Meeting (or any adjournment thereof), provided that neither the Applicant nor the Monitor shall be obliged to deal with any transferee or assignee thereof as an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim, including allowing such transferee or assignee to attend or vote at the Meeting, unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Applicant and the Monitor, which receipt and acknowledgment must have occurred on or before 5 p.m. (Toronto time) on the date that is seven (7) days prior to the date of the Meeting (or any adjournment thereof), failing which the original transferor shall have all applicable rights as the "Ordinary Affected Creditor" with respect to such Ordinary Affected Creditor Claim as if no transfer of the Ordinary Affected Creditor Claim had occurred. If such receipt and acknowledgment by the Applicant and the Monitor have occurred on or before 5 p.m. (Toronto time) on the date that is seven (7) days prior to the date of the Meeting (or any adjournment thereof): (i) the transferor of the applicable Ordinary Affected Creditor Claim shall no longer constitute an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim; and (ii) the transferee or assignee of the applicable Ordinary Affected Creditor Claim shall, for all purposes in accordance with this Meeting Order, constitute

an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim and shall be bound by any and all notices previously given to the transferor or assignor in respect thereof and shall be bound by any Ordinary Creditors' Proxy duly submitted to the Monitor in accordance with this Meeting Order. For greater certainty, the Applicant and the Monitor shall not recognize partial transfers or assignments of Ordinary Affected Creditor Claims.

37. THIS COURT ORDERS that only those Beneficial Noteholders that have beneficial ownership of one or more Notes as at the Voting Record Date shall be entitled to vote at the Meeting (whether in person or by proxy). Nothing in this Meeting Order restricts the Beneficial Noteholders from transferring or assigning such Notes prior to or after the Voting Record Date, provided that if such transfer or assignment occurs after the Voting Record Date, only the original Beneficial Noteholder of such Notes as at the Voting Record Date (and not any transferee) shall be treated as a Beneficial Noteholder for purposes of this Meeting Order and the Meeting.

VOTING PROCEDURE

38. THIS COURT ORDERS that at the Meeting, the Chair shall direct a vote, by written ballot, on a resolution to approve the Plan and any amendments thereto.

39. THIS COURT ORDERS that, subject to paragraph 49, the only Persons entitled to vote at the Meeting (whether in person or by proxy) are: (i) Beneficial Noteholders with Voting Claims that have beneficial ownership of one or more Notes as at the Voting Record Date (or any such Beneficial Noteholder's validly appointed holder of its Noteholders' Proxy); and (ii) Ordinary Affected Creditors with Voting Claims as at the Voting Record Date (which, for greater certainty, includes any transferee of an Ordinary Affected Creditor Claim that is a Voting Claim, provided that such transferee has been recognized as an Ordinary Affected Creditor in respect of such transferred Ordinary Affected Creditor Claim in accordance with paragraph 36) (or any such Ordinary Affected Creditor's validly appointed holder of its Ordinary Affected Creditors' Proxy).

40. THIS COURT ORDERS that each Ordinary Affected Creditor with a Voting Claim shall be entitled to one vote as a member of the Affected Creditors Class, which vote shall have a value equal to the dollar value of such Ordinary Affected Creditor's Voting Claim.

41. THIS COURT ORDERS that each Beneficial Noteholder with a Voting Claim shall be entitled to one vote as a member of the Affected Creditors' Class, which vote shall have a value equal to the principal and Accrued Interest owing under the Notes owned by such Beneficial Noteholder as at the Voting Record Date. For greater certainty, with respect to voting by Beneficial Noteholders, only the Beneficial Noteholders, and not Registered Noteholders or Participant Holders (unless any such Registered Noteholder or Participant Noteholder is itself a Beneficial Noteholder), shall be entitled to vote on the Plan as provided for in this Meeting Order.

42. THIS COURT ORDERS that for the purpose of calculating the two-thirds majority in value of Voting Claims, the aggregate amount of Voting Claims held by all Affected Creditors that vote in favour of the Plan (in person or by proxy) shall be divided by the aggregate amount of all Voting Claims held by all Affected Creditors that vote on the Plan (in person or by proxy). For the purpose of calculating a majority in number of Affected Creditors voting on the Plan, (i) each Ordinary Affected Creditor that votes on the Plan (in person or by proxy) shall only be counted once, without duplication; and (ii) each individual Beneficial Noteholder that votes on the Plan (in person or by proxy) shall only be counted once, without duplication, even if that Beneficial Noteholder holds Notes through more than one Registered Noteholder or Participant Holder.

43. THIS COURT ORDERS that, for purposes of tabulating the votes cast on any matter that may come before the Meeting, the Chair shall be entitled to rely on any vote cast by a holder of an Ordinary Affected Creditors' Proxy and/or a Noteholders' Proxy that has been duly submitted to the Monitor in the manner set forth in this Meeting Order.

44. THIS COURT ORDERS that any Ordinary Affected Creditor or Beneficial Noteholder that is entitled to vote at the Meeting and that wishes to vote at the Meeting in person must: (i) duly complete and sign an Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable; (ii) identify itself in the Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable, as the

Person with the power to attend and vote at the Meeting on behalf of such Ordinary Affected Creditor or Beneficial Noteholder, as the case may be; and (iii) deliver such Ordinary Affected Creditors' Proxy or Noteholders' Proxy, as the case may be, to the Monitor so that it is received on or before 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof), and such delivery must be made in accordance with the instructions accompanying such Ordinary Affected Creditors' Proxy or Noteholders' Proxy.

45. THIS COURT ORDERS that any Ordinary Affected Creditor or Beneficial Noteholder that is entitled to vote at the Meeting and that wishes to appoint a nominee to vote on its behalf at the Meeting must: (i) duly complete and sign an Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable; (ii) identify its desired nominee in the Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable, as the Person with the power to attend and vote at the Meeting on behalf of such Ordinary Affected Creditor or Beneficial Noteholder, as the case may be; and (iii) deliver such Ordinary Affected Creditors' Proxy or Noteholders' Proxy, as the case may be, to the Monitor so that it is received on or before 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof), and such delivery must be made in accordance with the instructions accompanying such Ordinary Affected Creditors' Proxy or Noteholders' Proxy.

46. THIS COURT ORDERS that, in order to be effective, any Noteholders' Proxy must clearly state the name and contain the signature of the applicable Participant Holder, the applicable account number or numbers of the account or accounts maintained by the applicable Beneficial Noteholder with such Participant Holder, and the principal amount of Notes (excluding any pre-or post-filing interest) that such Beneficial Noteholder holds in each such account or accounts. Where a Beneficial Noteholder holds Notes through more than one Participant Holder, its Noteholders' Proxy is required to be executed by only one of those Participant Holders, provided that the Beneficial Noteholder shall provide the information required in its Noteholders' Proxy with respect to its Notes held with all Participant Holders to allow the Monitor to verify the aggregate amount of Notes held by such Beneficial Noteholder for the purposes of voting on the Plan.

47. THIS COURT ORDERS that notwithstanding anything in paragraphs 44, 45 or 46 or any minor error or omission in any Ordinary Affected Creditors' Proxy or Noteholders' Proxy

that is submitted to the Monitor, the Chair shall have the discretion to accept for voting purposes any Ordinary Affected Creditors' Proxy or Noteholders' Proxy submitted to the Monitor in accordance with the Meeting Order.

48. THIS COURT ORDERS that if there is any dispute as to the principal amount or number of Notes held by any Beneficial Noteholder, the Monitor will request the Participant Holder, if any, who maintains book entry records or other records evidencing such Beneficial Noteholder's ownership of Notes, to confirm with the Monitor the information provided by such Beneficial Noteholder. If any such dispute is not resolved by such Beneficial Noteholder and the Monitor by the date of the Meeting (or any adjournment thereof), the Monitor shall tabulate the vote for or against the Plan in respect of the disputed principal amount of such Beneficial Noteholder's Notes separately. If: (i) any such dispute remains unresolved as of the date of the Sanction Hearing; and (ii) the approval or non-approval of the Plan would be affected by the votes cast in respect of such disputed principal amount of Notes, then such result shall be reported to the Court at the Sanction Hearing and, if necessary, the Monitor may make a request to the Court for directions.

VOTING OF UNRESOLVED CLAIMS

49. THIS COURT ORDERS that notwithstanding anything to the contrary herein or in the Plan, each Affected Creditor with an Unresolved Claim as at the Voting Record Date shall be entitled to attend the Meeting and shall be entitled to one vote at the Meeting in respect of such Unresolved Claim. Any vote cast in respect of an Unresolved Claim shall be dealt with in accordance with paragraph 50, unless and until (and then only to the extent that) such Unresolved Claim is ultimately determined to be: (i) a Voting Claim, in which case such vote shall have the dollar value attributable to such Voting Claim; or (ii) disallowed, in which case such vote shall not be counted for any purpose.

50. THIS COURT ORDERS that the Monitor shall keep a separate record of votes cast by Affected Creditors with Unresolved Claims and shall report to the Court with respect thereto at the Sanction Hearing. If approval or non-approval of the Plan by Affected Creditors would be altered by the votes cast in respect of Unresolved Claims: (i) such result shall be reported to the Court as soon as reasonably practicable after the Meeting; (ii) if a deferral of the Sanction

Hearing is deemed to be necessary or advisable by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), the Monitor shall request an appropriate deferral of the Sanction Hearing; and (iii) the Monitor may make a request to the Court for directions.

51. THIS COURT ORDERS that each of the Third Party Defendants shall be entitled to one vote as a member of the Affected Creditors Class in respect of any Class Action Indemnity Claim that it has properly filed in respect of the Indemnified Noteholder Class Action Claims, provided that the aggregate value of all such Class Action Indemnity Claims shall, for voting purposes, be deemed to be limited to the amount of the Indemnified Noteholder Class Action Limit in the event that such Indemnified Noteholder Class Action Limit is in place at the time of voting. The Monitor shall keep a separate record of votes cast by the Third Party Defendants in respect of such Class Action Indemnity Claims, and the Monitor shall report to the Court with respect thereto at the Sanction Hearing, including as to whether or not a vote in favour of the Plan or against the Plan by the Third Party Defendants would have had any effect on the approval of the Plan by the Required Majority.

52. THIS COURT ORDERS that the Applicant and the Monitor shall have the right to seek the assistance of the Court at any time in valuing any Unresolved Claim if required to ascertain the result of any vote on the Plan.

53. THIS COURT ORDERS that, pursuant to the Order of this Court dated July 27, 2012 in these proceedings, any Claims that have been properly filed by any of the Third Party Defendants against the Applicant in respect of defence costs incurred or to be incurred by the Third Party Defendants in connection with defending themselves against the Shareholder Claims ("**Defence Costs Claims**") shall be treated as Unresolved Claims for purposes of this Meeting Order and voting at the Meeting.

PERSONS NOT ENTITLED TO VOTE

54. THIS COURT ORDERS that, for greater certainty, the following Persons, in such capacity, shall have no right to, and shall not, vote at the Meeting: Unaffected Creditors; Noteholder Class Action Claimants; Equity Claimants; any Person with a D&O Claim; any

Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of the Indemnified Noteholder Class Action Claims); any Person with a Subsidiary Intercompany Claim; and any other Person asserting Claims against the Applicant whose Claims do not constitute Affected Creditor Claims on the Voting Record Date.

CLAIMS OF THE ONTARIO SECURITIES COMMISSION

55. THIS COURT ORDERS that the Ontario Securities Commission (the "**OSC**") shall (i) advise the Applicant and the Monitor as to whether it will pursue any rights or claims against the Applicant or the Directors or Officers that have or could give rise to a monetary administrative or other monetary penalty or claim ("**OSC Monetary Claims**") on or prior to September 13, 2012, which date shall serve in effect as a claims bar date for purposes of any OSC Monetary Claims that may be asserted by the OSC as against the Applicant or any Director or Officer, and (ii) with respect to any OSC Monetary Claims that the OSC may so assert, shall in each case specify the quantum of each such OSC Monetary Claim.

56. THIS COURT ORDERS that, in the event that the Applicant and the Monitor are advised of any OSC Monetary Claims pursuant to and in accordance with paragraph 55, the Monitor shall within three (3) Business Days of being so advised, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to the OSC (or to counsel for the OSC as appears on the service list).

RESTRUCTURING CLAIMS

57. THIS COURT ORDERS that the Monitor shall, no later than three (3) Business Days following the receipt of a Proof of Claim from any Person asserting a Restructuring Claim, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to such Person at the address set out in any such Proof of Claim.

APPROVAL OF THE PLAN

58. THIS COURT ORDERS that the Plan must receive an affirmative vote of the Required Majority in order to be approved by the Affected Creditors.

59. THIS COURT ORDERS that the result of any vote at the Meeting shall be binding on all Affected Creditors, regardless of whether such Affected Creditor was present at or voted at the Meeting.

PLAN SANCTION

60. THIS COURT ORDERS that the Monitor shall report to the Court the results of any votes taken at the Meeting as soon as reasonably practicable after the Meeting (or any adjournment thereof). If the Plan is approved by the Required Majority, the Applicant may apply to the Court at 10:00 A.M. on the Sanction Hearing Date for the Sanction Order (the "**Sanction Hearing**").

61. THIS COURT ORDERS that service of this Meeting Order by the Monitor or the Applicant to the parties on the service list shall constitute good and sufficient service of notice of the Sanction Hearing on all Persons entitled to receive such service and no other form of notice or service need be made and no other materials need be served in respect of the Sanction Hearing, except that any party shall also serve the service list with any additional materials that it intends to use in support of the Sanction Hearing.

62. THIS COURT ORDERS that any Person who wishes to oppose the Sanction Hearing shall serve on the Applicant, the Monitor and the service list a notice setting out the basis for such opposition and a copy of the materials to be used to oppose the Sanction Hearing at least four (4) days before the date set for the Sanction Hearing.

MISCELLANEOUS

63. THIS COURT ORDERS that nothing in this Meeting Order (including the acceptance or determination of any Claim, or any part thereof, as a Voting Claim in accordance with this Meeting Order) has the effect of determining Proven Claims for purposes of the Plan.

64. THIS COURT ORDERS that, for the purposes of this Meeting Order (including the calculation of the Required Majority), all Affected Creditor Claims shall be deemed to be denominated in Canadian dollars and any Affected Creditor Claims denominated in a foreign currency shall be deemed to be converted to Canadian dollars using the Reuters closing rate on

the Filing Date (as found at http://www.reuters.com/finance/currencies), without prejudice to a different exchange rate being proposed in the Plan.

65. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 4 - 2012

PER / PAR:

SCHEDULE "A"

NOTICE TO AFFECTED CREDITORS OF SINO-FOREST CORPORATION

NOTICE IS HEREBY GIVEN that a plan of compromise and reorganization (as amended from time to time, the "**Plan**") has been filed with the Ontario Superior Court of Justice (Commercial List) (the "**Court**") in respect of Sino-Forest Corporation (the "**Applicant**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

A copy of the Plan is set out as a schedule to the information circular dated ● (the "**Circular**") for the Meeting (as defined below).

NOTICE IS ALSO HEREBY GIVEN that a meeting of Affected Creditors (the "**Meeting**") will be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, for the purpose of considering and, if thought advisable, passing, with or without variation, a resolution to approve the Plan (the full text of which resolution is set out as a schedule to the Circular) and to transact such other business as may properly come before the Meeting (or any adjournment thereof). The Meeting is being held pursuant to the Order of the Court made on ● (the "**Meeting Order**") and the endorsement of the Court made on August 31, 2012 (the "**Endorsement**"). Copies of the Meeting Order and the Endorsement are set out as schedules to the Circular. Capitalized terms used but not otherwise defined in this notice have the meaning ascribed to them in the Meeting Order.

The Plan must receive an affirmative vote of the Required Majority in order to be approved by the Affected Creditors. The Required Majority is a majority in number of Affected Creditors with Voting Claims, and two-thirds in value of the Voting Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting. The Plan must also be sanctioned by a final order of the Court (the "**Sanction Order**") pursuant to the CCAA. Notice is also hereby given that, if the Plan is approved by the Required Majority at the Meeting, the Sanction Order will be sought in an application before the Court at 10:00 a.m. on ●, 2012 (or such other date after the Meeting as may be set by the Court), to seek approval of the Plan. If the Plan is approved by the Requisite Majority and sanctioned by the Court, then,

subject to the satisfaction or waiver of the conditions to implementation of the Plan, all Persons referred to in the Plan (including the Affected Creditors) will receive the treatment set out in the Plan.

AMENDMENTS TO THE PLAN

The Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendment, restatement and/or supplement to all Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall provide notice to the service list of any such amendment, restatement and/or supplement and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendment, restatement and/or supplement on the Website forthwith and in any event prior to the Sanction Hearing.

COMPLETION OF PROXIES

Any Affected Creditor who is entitled to vote at the Meeting and that wishes to vote at the Meeting must complete, sign and return the applicable form of proxy enclosed in the Circular in the return envelope provided or by fax at the fax number below or by email in PDF format at the email address below. In order to be effective, a proxy must be deposited with the Monitor, at the address, fax or email below, at any time prior to 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof).

The Monitor's contact information for the purpose of filing forms of proxy and for obtaining any additional information or materials related to the Meeting is:

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com

Fax: (416) 649-8101

This notice is given by the Monitor pursuant to the Meeting Order.

You can also view copies of documents relating to this process on the following website http://cfcanada.fticonsulting.com/sfc/.

Dated at Toronto, Ontario this ● day of ●, 2012.

SCHEDULE "B"

INSTRUCTIONS TO PARTICIPANT HOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: PARTICIPANT HOLDERS OF SINO-FOREST CORPORATION'S:

(i) **US$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);**

(ii) **US$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);**

(iii) **US$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4);** and

(iv) **US$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),**

(collectively, the "**Notes**")

Re: **Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")**

According to the records of The Depository Trust Company ("**DTC**") or the applicable note indenture trustee, you are the holder or custodian (the "**Participant Holder**") on behalf of an unregistered holder of one or more of the Notes (an "**Unregistered Noteholder**"). You (or your agent) are required by paragraph 26 of the enclosed Court Order (the "**Meeting Order**") to complete and sign the applicable part of an enclosed Noteholders' Proxy (the box on page 2) for each Unregistered Noteholder for whom you act as Participant Holder and to mail it directly to each such applicable Unregistered Noteholder **within five (5) Business Days**.

We enclose Noteholder Meeting Materials to be forwarded by you or your agent (together with an appropriately completed and signed Noteholders' Proxy) to each of the Unregistered Noteholders recorded in your account records or book entry records. We enclose one additional copy of these materials for your use. **THE MATERIALS ARE TIME SENSITIVE AND MUST BE FORWARDED TO EACH OF THE UNREGISTERED NOTEHOLDERS TOGETHER WITH THE NOTEHOLDERS' PROXY COMPLETED BY YOU FOR THAT UNREGISTERED NOTEHOLDER WITHOUT DELAY.**

THE TOTAL AMOUNT OF ALL NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM.

The Noteholders' Proxy is to be completed and signed by you or your agent and by the Unregistered Noteholder and is to be provided by the Unregistered Noteholder directly to Sino-Forest's Monitor, FTI Consulting Canada Inc., in the enclosed envelope or by facsimile transmission or email.

PLEASE INSTRUCT UNREGISTERED NOTEHOLDERS TO DELIVER THEIR PROXIES DIRECTLY TO FTI CONSULTING CANADA INC. IN ACCORDANCE WITH THE INSTRUCTIONS TO UNREGISTERED NOTEHOLDERS. PROXIES MUST BE RECEIVED BY FTI CONSULTING CANADA INC. PRIOR TO THE DEADLINE OF 5:00 P.M. ON THE THIRD BUSINESS DAY BEFORE THE MEETING (OR ANY ADJOURNMENT THEREOF).

Before sending the Noteholders' Proxy and the other materials to an Unregistered Noteholder, please:

1. insert in the Noteholders' Proxy in the appropriate spaces (in the box on page 2) the name of the applicable Unregistered Noteholder, your organization's name as Participant Holder, the applicable account number and the principal amount of the Notes held in such account; and

2. sign the Noteholders' Proxy as Participant Holder where indicated.

We request that you provide any assistance that an Unregistered Noteholder may require in completing its Noteholders' Proxy. You are required by the Meeting Order to complete and forward such Noteholders' Proxies and the other materials to the applicable Unregistered Noteholders as specified in these instructions.

If you have a standard practice for distribution of meeting materials to Unregistered Noteholders and for the gathering of information and proxies or voting instructions from Unregistered Noteholders that differs from the process described above, **please contact the Monitor immediately** to determine whether you are able to use such standard practice as an alternative to the process described above.

If you have any questions regarding your obligations or the process, or require additional copies of any materials, please contact the Monitor at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website http://cfcanada.fticonsulting.com/sfc/.

SCHEDULE "C"

INSTRUCTIONS TO ORDINARY AFFECTED CREDITORS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: ORDINARY AFFECTED CREDITORS OF SINO-FOREST CORPORATION

Re: Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;
2. the Plan proposed in respect of Sino-Forest Corporation;
3. an Information Circular in respect of Sino-Forest Corporation and the Plan;
4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the "**Meeting Order**");
5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the "**Endorsement**"); and
6. blank form of Ordinary Affected Creditors' Proxy, completion instructions and a return envelope.

The purpose of these materials is to enable you to consider the Plan and vote to accept or reject the resolution to approve the Plan at the Meeting of Affected Creditors of Sino-Forest Corporation to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the "**Meeting**").

PROXIES

Ordinary Affected Creditors who wish to vote at the Meeting must complete the enclosed Ordinary Affected Creditors' Proxy and provide it to the Monitor, using the enclosed envelope, or by sending it to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting (or any adjournment thereof). Any Ordinary Affected Creditor must provide the Ordinary Affected Creditors' Proxy to the Monitor by this deadline to vote at the Meeting of Affected Creditors.

FURTHER INFORMATION

If you have any questions regarding the process or any of the enclosed forms, please contact FTI Consulting Canada Inc. at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website http://cfcanada.fticonsulting.com/sfc/.

SCHEDULE "D"

INSTRUCTIONS TO REGISTERED NOTEHOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: REGISTERED HOLDERS OF SINO-FOREST CORPORATION'S:

(i) **US$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);**

(ii) **US$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);**

(iii) **US$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4);** and

(iv) **US$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),**

(collectively, the "Notes")

Re: **Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")**

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;

2. the Plan proposed in respect of Sino-Forest Corporation;

3. an Information Circular with respect to Sino-Forest Corporation and the Plan;

4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the "**Meeting Order**");

5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the "**Endorsement**"); and

6. blank form of Noteholders' Proxy, completion instructions and return envelope.

The purpose of these materials is to provide you with the documents required for dissemination to Beneficial Noteholders to enable Beneficial Noteholders to consider the Plan and to cast their vote to accept or reject the resolution to approve the Plan at the meeting of the Affected Creditors to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the "**Meeting**").

IF YOU HOLD NOTES FOR ANOTHER PERSON PROXIES ARE TO BE FILED ONLY BY BENEFICIAL NOTEHOLDERS. IF YOU ARE A TRUST COMPANY, DEPOSITORY, A BROKER, A BOOK ENTRY SYSTEM, AN AGENT, A CUSTODIAN OR ANY OTHER ENTITY WHICH HOLDS NOTES FOR ANOTHER PERSON, PLEASE IMMEDIATELY CONTACT FTI CONSULTING CANADA INC. (THE "MONITOR") AT THE ADDRESS BELOW TO SO ADVISE IT. THE MONITOR WILL THEN SEND YOU THE MATERIALS SET OUT IN SCHEDULE "B" OF THE MEETING ORDER WHICH HAVE BEEN PREPARED TO ADDRESS YOUR SITUATION.

CLAIM

THE TOTAL AMOUNT OF ALL NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM.

IF YOU ARE A BENEFICIAL NOTEHOLDER

If you are a Beneficial Noteholder (*i.e.*, you own Notes beneficially yourself and do not hold such Notes for the benefit of another person) and you wish to vote at the Meeting, you must

complete the enclosed Noteholders' Proxy and provide it to the Monitor using the enclosed envelope, or by sending it to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof. Beneficial Noteholder must provide the Noteholders' Proxy to the Monitor by this deadline in order to vote at the Meeting of Affected Creditors.

FURTHER INFORMATION

If you have any questions regarding the process or any of the enclosed forms, please contact FTI Consulting Canada Inc. at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website http://cfcanada.fticonsulting.com/sfc/.

SCHEDULE "E"

INSTRUCTIONS TO UNREGISTERED NOTEHOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: UNREGISTERED HOLDERS OF SINO-FOREST CORPORATION'S:

(i) **US$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);**

(ii) **US$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);**

(iii) **US$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4);** and

(iv) **US$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),**

(collectively, the "**Notes**")

Re: **Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")**

You are considered an Unregistered Noteholder if your Notes are shown by the books and records of the applicable indenture trustee to be held by your broker, DTC or another similar holder (a "**Participant Holder**") on your behalf. If your Notes are held by a Participant Holder, these instructions apply to you.

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;

2. the Plan proposed in respect of Sino-Forest Corporation;

3. an Information Circular with respect to Sino-Forest and the Plan;

4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the "**Meeting Order**"), 2012;

5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the "**Endorsement**"); and

6. blank form of Noteholders' Proxy, completion instructions and return envelope.

The purpose of these materials is to provide you with the documents required to enable you to consider the Plan and to cast your vote to accept or reject the resolution to approve the Plan at the meeting of the Affected Creditors to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the "**Meeting**").

CLAIM

THE TOTAL AMOUNT OF ALL THE NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE, YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM. **HOWEVER IF YOU WISH TO VOTE ON THE PLAN, YOU MUST COMPLETE THE ENCLOSED NOTEHOLDERS' PROXY IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN AND RETURN IT TO THE MONITOR PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE THIRD BUSINESS DAY BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

PROXY

The box on page 2 of your proxy should have been completed and signed by your Participant Holder to indicate the principal amount of Notes held by the Participant Holder on your behalf as at the Voting Record Date of ●. If it has not been completed and signed, please contact your Participant Holder immediately to arrange for it to be completed and signed. You must complete your portion of the enclosed Noteholders' Proxy (including paragraph 1 of the proxy) and

provide it to FTI Consulting Canada Inc. (the "**Monitor**"), using the enclosed envelope, or by sending to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof. You must provide the completed proxy to the Monitor by this deadline if you wish to cast your vote at the Meeting of Affected Creditors.

YOU SHOULD NOT SEND THE PROXY TO YOUR PARTICIPANT HOLDER. YOUR PROXY SHOULD BE SENT DIRECTLY TO FTI CONSULTING CANADA INC. IN THE ENVELOPE PROVIDED OR BY FACSIMILE OR EMAIL.

If you have any questions regarding your obligations or the process, or require additional copies of any materials please contact the Monitor at the following address:

The Monitor
FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website http://cfcanada.fticonsulting.com/sfc/.

SCHEDULE "F"

NOTEHOLDERS' PROXY

For Use by Beneficial Owners of Sino-Forest Corporation's Notes

MEETING OF AFFECTED CREDITORS OF SINO-FOREST CORPORATION

to be held pursuant to an Order of the Ontario Superior Court of Justice (the "**Meeting Order**")
in connection with the Plan of Compromise and Reorganization (the "**Plan**")
under the *Companies' Creditors Arrangement Act* (Canada) in respect of
Sino-Forest Corporation ("**Sino-Forest**")
on ●, 2012 at 10:00 a.m.
(or such other date as may be set and announced in accordance with the Meeting Order)
at:
Bennett Jones LLP, 3400 One First Canadian Place
Toronto, Ontario

and at any adjournment thereof.

Before completing this Proxy, please read carefully the instructions accompanying this Proxy for information respecting the proper completion and return of this Proxy.

THIS PROXY MUST BE COMPLETED AND SIGNED BY THE PARTICIPANT HOLDER AND THE UNREGISTERED NOTEHOLDER AND MUST BE PROVIDED TO THE MONITOR, FTI CONSULTING CANADA INC., PRIOR TO 5:00 P.M. TORONTO TIME ON THE THIRD BUSINESS DAY BEFORE THE MEETING (OR ANY ADJOURNMENT THEREOF).

TO BE COMPLETED AND SIGNED BY THE PARTICIPANT HOLDER PRIOR TO SENDING THIS PROXY TO THE BENEFICIAL OWNER OF NOTES

Name of Unregistered Noteholder
(Client or Principal for whom Notes are held):

_____

Name of Participant Holder for this Unregistered
Noteholder's Notes: _____

Account Number: _____

Principal Amount of Notes
Held for this Unregistered Noteholder by series: _____

Participant Holder Signature: _____

(Print Name of Contact at Participant Holder)

Phone Number of Participant Holder: By:

_____ _____

(Signature of authorized signing officer of Participant Holder)

Email Address of Participant Holder:

_____

REMAINDER OF PROXY TO BE COMPLETED BY BENEFICIAL OWNER

THE UNDERSIGNED UNREGISTERED NOTEHOLDER hereby revokes all proxies previously given and nominates, constitutes and appoints _____ or, if no person is named, Robert J. Chadwick of Goodmans LLP (or his designee), as nominee of the Unregistered Noteholder, with power of substitution, to attend on behalf of and act for the Unregistered Noteholder at the Meeting of Affected Creditors of Sino-Forest Corporation to be held in connection with the Plan and at any and all adjournments thereof, and to vote the Unregistered Noteholder's claims in respect of the Notes beneficially owned by it as follows:

A. (mark one only)

☐ VOTE FOR approval of the Plan; or

☐ VOTE AGAINST approval of the Plan;

- and -

B. vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Unregistered Noteholder with respect to any amendments or variations to the Plan and to any other matters that may come before the Meeting of the Affected Creditors of Sino-Forest Corporation or any adjournment thereof.

If you do not indicate your vote in part "A" above and Robert J. Chadwick of Goodmans LLP (or his designee) is your nominee, he will vote this proxy FOR approval of the Plan.

Please provide below: (i) the Name of each Participant Holder through which the Unregistered Noteholder holds Notes; (ii) the Unregistered Noteholder's account number with each such Participant Noteholder; and (iii) the principal amount of all Notes held on behalf of the Unregistered Noteholder by each Participant Holder.

NAME AND PHONE # OF PARTICIPANT HOLDER (Please list all Participants Holders through which you hold Notes)	ACCOUNT NUMBER	PRINCIPAL AMOUNT OF NOTES AND SERIES (Please identify the series of Notes)

(If additional space is required, please attach a separate page)

The Unregistered Noteholder hereby authorizes FTI Consulting Canada Inc. to contact any Participant Holder named above to confirm that the information set out above conforms to the information contained in the records of the Participant Holder.

DATED this _____ day of _____, 2012.

	(Print Name of Unregistered Noteholder)
	(Signature of Unregistered Noteholder or, if the Unregistered Noteholder is a corporation, signature of an authorized signing officer of the corporation and such officer's title)
	Phone Number of Unregistered Noteholder

INSTRUCTIONS FOR COMPLETION OF PROXY

1. Each Unregistered Noteholder has the right to appoint a person (who need not be a Noteholder) to attend, act and vote for and on the Unregistered Noteholder's behalf and such right may be exercised by inserting in the space in paragraph 1 the name of the person to be appointed. An individual Unregistered Noteholder wishing to attend and vote in person at the Meeting of Affected Creditors of Sino-Forest Corporation should insert the Unregistered Noteholder's own name in the space provided. **If no name has been inserted in the space provided, the Unregistered Noteholder will be deemed to have appointed Robert J. Chadwick of Goodmans LLP (or his designee) as the Unregistered Noteholder's proxyholder.**

2. **If Robert J. Chadwick of Goodmans LLP (or his designee) is appointed or deemed to be appointed as proxyholder and the Unregistered Noteholder fails to indicate on this Proxy a vote for or against the approval of the Plan, this Proxy will be voted FOR approval of the Plan.**

3. The Unregistered Noteholder should insert the principal amount of each series of Notes owned by the Unregistered Noteholder, specifying in each case the applicable Participant Holder and the series of Notes, in the space provided on page 4.

4. If this Proxy is not dated in the space provided, it will be deemed to bear the date on which it is received by the Monitor.

5. This Proxy must be signed by the Beneficial Owner of the applicable Notes or by his or her attorney duly authorized in writing or, if the Unregistered Noteholder is a corporation, by a duly authorized officer or attorney of the corporation specifying the title of such officer or attorney.

6. The Participant Holder must complete and sign the applicable portion of the Proxy (in the box on page 2) PRIOR to sending the Proxy to the Beneficial Owner.

7. Valid proxies bearing or deemed to bear a later date will revoke this Proxy. If more than one valid proxy for the same Unregistered Noteholder and bearing or deemed to bear the same date are received with conflicting instructions, such proxies will be treated as disputed proxies and will not be counted.

8. This Proxy must be received by the Monitor by no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof, at the address set out below:

FTI Consulting Canada Inc., the Court-appointed Monitor of Sino-Forest Corporation

TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

SCHEDULE "G"

ORDINARY AFFECTED CREDITORS' PROXY

For Use by Ordinary Affected Creditors of Sino-Forest Corporation

MEETING OF AFFECTED CREDITORS OF SINO-FOREST CORPORATION

to be held pursuant to an Order of the Ontario Superior Court of Justice (the "**Meeting Order**")
in connection with the Plan of Compromise and Reorganization (the "**Plan**")
under the *Companies' Creditors Arrangement Act* (Canada) in respect of
Sino-Forest Corporation ("**Sino-Forest**")

on ●, 2012 at 10:00 a.m.
(or such other date as may be set and announced in accordance with the Meeting Order)
at:
Bennett Jones LLP, 3400 One First Canadian Place
Toronto, Ontario

and at any adjournment thereof.

Before completing this Proxy, please read carefully the instructions accompanying this Proxy for information respecting the proper completion and return of this Proxy.

IN ORDER TO VOTE ON THE PLAN, THIS PROXY MUST BE COMPLETED AND SIGNED BY THE ORDINARY AFFECTED CREDITOR AND PROVIDED TO THE MONITOR, FTI CONSULTING CANADA INC., PRIOR TO 5:00 P.M. TORONTO TIME ON THE THIRD BUSINESS DAY BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

THE UNDERSIGNED ORDINARY AFFECTED CREDITOR hereby revokes all proxies previously given and nominates, constitutes and appoints _____ or, if no person is named, **[insert representative of the Monitor]** (or his/her designee), as nominee of the Ordinary Affected Creditor, with power of substitution, to attend on behalf of and act for the Ordinary Affected Creditor at the Meeting of Affected Creditors of Sino-Forest Corporation to be held in connection with the Plan and at any and all adjournments thereof, and to vote the Ordinary Affected Creditor's Claim as follows:

A. (mark one only)

☐ VOTE FOR approval of the Plan; or

☐ VOTE AGAINST approval of the Plan;

- and -

B. vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Ordinary Affected Creditor with respect to any amendments or variations to the Plan and to any other matters that may come before the Meeting of the Affected Creditors of Sino-Forest Corporation or any adjournment thereof.

If you do not indicate your vote in part "A" above and **[insert representative of the Monitor]** or his/her designee is your nominee, and he/she will vote this proxy FOR approval of the Plan.

Dated this _____ day of _____, 2012.

	(Print Name of Ordinary Affected Creditor)
	(Signature of Ordinary Affected Creditor or, if the Voting Affected Creditor is a corporation, signature of an authorized signing officer of the corporation and such officer's name and title)
	Phone Number of Ordinary Affected Creditor

INSTRUCTIONS FOR COMPLETION OF PROXY

1. Each Ordinary Affected Creditor has the right to appoint a person (who need not be a Ordinary Affected Creditor) to attend, act and vote for and on the Ordinary Affected Creditor's behalf and such right may be exercised by inserting in the space provided the name of the person to be appointed. An individual Ordinary Affected Creditor wishing to attend and vote in person at the Meeting of Affected Creditors of Sino-Forest Corporation should insert the Ordinary Affected Creditor's own name in the space provided. **If no name has been inserted in the space provided, the Ordinary Affected Creditor will be deemed to have appointed [insert representative of Monitor] (or his/her designee) as the Ordinary Affected Creditor's proxyholder.**

2. **If [insert representative of Monitor] (or his/her designee) is appointed or deemed to be appointed as proxyholder and the Ordinary Affected Creditor fails to indicate on this Proxy a vote for or against the approval of the Plan, this Proxy will be voted FOR approval of the Plan.**

3. If this Proxy is not dated in the space provided, it will be deemed to bear the date on which it is received by the Monitor.

4. This Proxy must be signed by the Ordinary Affected Creditor or by the Ordinary Affected Creditor's attorney duly authorized in writing or, if the Ordinary Affected Creditor is a corporation, by a duly authorized officer or attorney of the corporation specifying the title of such officer or attorney.

5. Valid proxies bearing or deemed to bear a later date will revoke this Proxy. If more than one valid proxy for the same Ordinary Affected Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such proxies will be treated as disputed proxies and will not be counted.

6. This Proxy must be received by the Monitor by no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof, at the address set out below:

FTI Consulting Canada Inc., the Court-appointed Monitor of Sino-Forest Corporation

TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

\6103439

TOR_LAW\ 7988452\3

Court File No.: CV-12-9667-00CL

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

(PROCEEDING COMMENCED IN TORONTO)

PLAN FILING AND MEETING ORDER

BENNETT JONES LLP
Barristers and Solicitors
One First Canadian Place
Suite 3400, P.O. Box 150
Toronto ON
M5X 1A4

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
DerekJ. Bell (LSUC #43420J)
Raj Sahni (LSUC#42942U)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 5011
COURT FILE NO.: CV-12-9667-00CL
DATE: 20120831

SUPERIOR COURT OF JUSTICE – ONTARIO
(COMMERCIAL LIST)

RE: IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION, Applicant

BEFORE: MORAWETZ J.

COUNSEL: Jennifer Stam, for the Monitor

HEARD: AUGUST 31, 2012

ENDORSEMENT

[1] The parties have reached agreement that the requested relief should focus on the issues relating to Plan Filing and a Meeting Order. This will result in a modified order from that originally contemplated.

[2] The Meeting Order is being made on the basis that there has been no determination of (a) the test for approval of the Plan, including (i) the jurisdiction to approve the Plan in its current form; (ii) whether the Plan complies with the CCAA; and (iii) whether any aspect or term of the Plan is fair and reasonable, (b) the validity or quantum of any claims; and (c) the classification of creditors for voting purposes.

[3] Further, nothing in the Order should be interpreted as preventing or restricting or otherwise limiting the ability of any party to oppose a motion for sanction of the Plan.

[4] Monitor's counsel to attend on Tuesday, September 4, 2012 with a form of Order for my review.

MORAWETZ J.

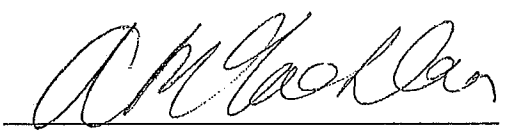
Date: August 31, 2012

TAB D

THIS IS EXHIBIT "D" TO

THE AFFIDAVIT OF ELIZABETH FIMIO

SWORN SEPTEMBER 10, 2012



A Commissioner, etc.

From: Laura McKinstray [LMcKinstray@agmlawyers.com] on behalf of Peter Greene [PGreene@agmlawyers.com]

Sent: 16 August 2012 1:48 PM

To: atardif@MCCARTHY.CA; agray@torys.com; ajowett@applebyglobal.com; awillins@applebyglobal.com; anthony.bocchino@lawdeb.com; tmerchant@merchantlaw.com; bzarnett@goodmans.ca; bernard.gravel@lrmm.com; boneill@goodmans.ca; bruno.floriani@lrmm.com; cdescours@goodmans.ca; clegendre@MCCARTHY.CA; charles.wright@siskinds.com; Clifton.Prophet@Gowlings.com; coneill@fasken.com; curtis.tuggle@thompsonhine.com; dbish@torys.com; David.Gadsden@bakermckenzie.com; david.m.kerr@bnymellon.com; Derek Bell; derrick.tay@gowlings.com; diane.winters@justice.gc.ca; dimitri.lascaris@siskinds.com; ESellers@osler.com; edward.xu@hk.kwm.com; esimpson@applebyglobal.com; ecole@millerthomson.com; ggrove@osler.com; george.bragg@bnymellon.com; grace.lau@bnymellon.com; greg.watson@fticonsulting.com; Harvey@chaitons.com; helena.huang@kingandwood.com; hcraig@osc.gov.on.ca; hyung.ahn@linklaters.com; irving.apar@thompsonhine.com; jgrout@tgf.ca; jane.dietrich@fmc-law.com; jason.mcmurtrie@gowlings.com; jennifer.stam@gowlings.com; jodi.porepa@fticonsulting.com; jfabello@torys.com; john.pirie@bakermckenzie.com; jon.gray@linklaters.com; Jonathan Bell; jbida@kmlaw.ca; jptak@kmlaw.ca; jmarin@millerthomson.com; ken.rosenberg@paliareroland.com; Kevin Zych; kbaert@kmlaw.ca; kplunkett@tgf.ca; llowenstein@osler.com; marelize.coetzee@bnymellon.com; mcolloff@emmetmarvin.com; mpoplaw@MCCARTHY.CA; Max.Starnino@paliareroland.com; mkaplan@cohenmilstein.com; melvin.sng@linklaters.com; neil.rabinovitch@fmc-law.com; pgriffin@litigate.com; posborne@litigate.com; pwardle@wdblaw.ca; Raj Sahni; rspeirs@cohenmilstein.com; rchadwick@goodmans.ca; Rob Staley; samantha.kim@linklaters.com; sbomhof@torys.com; Sean Zweig; sbieber@wdblaw.ca; sramirez@cohenmilstein.com; stoll@cohenmilstein.com; sbrotman@fasken.com; tata.sun@kingandwood.com; tin.chung@bnymellon.com; yesenia.batista@thompsonhine.com; sroy@litigate.com; lfuerst@litigate.com

Cc: Ken Dekker; Michelle E. Booth

Subject: Re: Sino-Forest Corporation

Attachments: Notice of Motion for leave to appeal.pdf

Attached please find Notice of Motion for leave to appeal on behalf of BDO Limited, which is served on you pursuant to the *Rules of Civil Procedure*.

Yours truly,

Peter R. Greene

Affleck Greene McMurtry LLP

Peter R. Greene
pgreene@agmlawyers.com
Direct: 416.360.8767
Tel: 416.360.2800
Fax: 416.360.5960
www.agmlawyers.com

Affleck Greene McMurtry LLP · 365 Bay Street, Suite 200 · Toronto, Ontario M5H 2V1

From: Janet Larocque [JLarocque@litigate.com] on behalf of Peter Griffin [pgriffin@litigate.com]
Sent: 16 August 2012 11:02 AM
To: atardif@MCCARTHY.CA; agray@torys.com; ajowett@applebyglobal.com; awillins@applebyglobal.com; anthony.bocchino@lawdeb.com; tmerchant@merchantlaw.com; bzarnett@goodmans.ca; bernard.gravel@lrmm.com; boneill@goodmans.ca; bruno.floriani@lrmm.com; cdescours@goodmans.ca; clegendre@MCCARTHY.CA; charles.wright@siskinds.com; Clifton.Prophet@Gowlings.com; coneill@fasken.com; curtis.tuggle@thompsonhine.com; dbish@torys.com; David.Gadsden@bakermckenzie.com; david.m.kerr@bnymellon.com; Derek Bell; derrick.tay@gowlings.com; diane.winters@justice.gc.ca; dimitri.lascaris@siskinds.com; ESellers@osler.com; edward.xu@hk.kwm.com; esimpson@applebyglobal.com; ecole@millerthomson.com; ggrove@osler.com; george.bragg@bnymellon.com; grace.lau@bnymellon.com; greg.watson@fticonsulting.com; Harvey@chaitons.com; helena.huang@kingandwood.com; hcraig@osc.gov.on.ca; hyung.ahn@linklaters.com; irving.apar@thompsonhine.com; jgrout@tgf.ca; jane.dietrich@fmc-law.com; jason.mcmurtrie@gowlings.com; jennifer.stam@gowlings.com; jodi.porepa@fticonsulting.com; jfabello@torys.com; john.pirie@bakermckenzie.com; jon.gray@linklaters.com; Jonathan Bell; jbida@kmlaw.ca; jptak@kmlaw.ca; jmarin@millerthomson.com; kdekker@agmlawyers.com; ken.rosenberg@paliareroland.com; Kevin Zych; kbaert@kmlaw.ca; kplunkett@tgf.ca; llowenstein@osler.com; Linda Fuerst; marelize.coetzee@bnymellon.com; mcolloff@emmetmarvin.com; mpoplaw@MCCARTHY.CA; Max.Starnino@paliareroland.com; mkaplan@cohenmilstein.com; melvin.sng@linklaters.com; mbooth@agmlawyers.com; neil.rabinovitch@fmc-law.com; pgreene@agmlawyers.com; pgriffin@litigate.com; posborne@litigate.com; pwardle@wdblaw.ca; Raj Sahni; rspeirs@cohenmilstein.com; rchadwick@goodmans.ca; Rob Staley; samantha.kim@linklaters.com; sbomhof@torys.com; Sean Zweig; Shara N. Roy; sbieber@wdblaw.ca; sramirez@cohenmilstein.com; stoll@cohenmilstein.com; sbrotman@fasken.com; tata.sun@kingandwood.com; tin.chung@bnymellon.com; yesenia.batista@thompsonhine.com
Subject: Sino-Forest Corporation
Attachments: Notice of Motion for Leave to Appeal_2383551.pdf

Attached please find Notice of Motion for leave to appeal, served pursuant to the *Rules of Civil Procedure*.

Peter Griffin.

Janet Larocque
Assistant to Peter Griffin
Lenczner Slaght
2600-130 Adelaide Street West
Toronto, Ontario M5H 3P5
Tel: (416) 865-9500 ext. 227 Fax: (416) 865-3558 (Direct)
JLarocque@litigate.com www.litigate.com

From:	Bojovich, Marian [MBojovich@torys.com]
Sent:	16 August 2012 12:43 PM
To:	'Alain Tardif'; 'Andrew Jowett'; 'Andrew Willins'; 'Anthony Bocchino Jr.'; 'Anthony Merchant'; 'Benjamin Zarnett'; 'Bernard Gravel'; Bish, David; 'Brendan O'Neill'; 'Bruno Floriani'; 'Caroline Descours'; 'Celine Legendre'; 'Charles Wright'; 'Clifton Prophet'; 'Conor O'Neill'; 'Curtis Tuggle'; 'David Gadsden'; 'David Kerr'; Derek Bell; 'Derrick Tay'; 'Diane Winters'; 'Dimitri Lascaris'; 'Edward Sellers'; 'Edward Xu'; 'Eliot Simpson'; 'Emily Cole'; Fabello, John; 'Geoffrey Grove'; 'George Bragg'; 'Grace Lau'; Gray, Andrew; 'Greg Watson'; 'Harvey Chaiton'; 'Helena Huang'; 'Hugh Craig'; 'Hyung Ahn'; 'Irving Apar'; 'James Grout'; Jane Dietrich; 'Jason McMurtrie'; 'Jennifer Stam'; 'Jodi Porepa'; 'John Pirie'; 'Jon Gray'; Jonathan Bell; 'Jonathan Bida'; 'Jonathan Ptak'; 'Joseph Marin'; 'Ken Rosenberg'; 'Kenneth Dekker'; Kevin Zych; 'Kirk Baert'; Kyle Plunkett; 'Larry Lowenstein'; 'Linda Fuerst'; 'Marelize Coetzee'; 'Margery Colloff'; 'Mason Poplaw'; 'Massimo Starnino'; 'Matthew Kaplan'; 'Melvin Sng'; 'Michelle Booth'; Neil Rabinovitch; 'Peter Greene'; 'Peter Griffin'; 'Peter Osborne'; 'Peter Wardle'; Raj Sahni; 'Richard Speirs'; 'Robert Chadwick'; Rob Staley; 'Samantha Kim'; Sean Zweig; 'Shara Roy'; 'Simon Bieber'; Slavens, Adam; Stefanie Ramirez; 'Steven Toll'; 'Stuart Brotman'; 'Tata Sun'; 'Tin Wan Chung'; 'Yesenia Batista'
Cc:	Fabello, John; Bish, David; Gray, Andrew; Slavens, Adam
Subject:	Sino-Forest Corporation
Attachments:	Factum - August 16, 2012.pdf; Brief of Authorities - August 16, 2012.pdf; August 16, 2012 letter to Service List.pdf

We represent the Underwriters named in Class Actions (the "Underwriters") in this matter.

In connection with the Underwriters' motion seeking leave to appeal from the order of Mr. Justice Morawetz, dated July 27, 2012, please find attached hereto copies of the Underwriters' Motion Record, Compendium of Evidence, Factum and Brief of Authorities, which are served upon you in accordance with the *Rules of Civil Procedure*.

Due to their size, the above materials will be transmitted in a total of 7 separate emails (including this email) as follows:

1. Factum and Brief of Authorities
2. Motion Record Volume 1
3. Motion Record Volume 2
4. Motion Record Volume 3
5. Motion Record Volume 4
6. Motion Record Volume 5
7. Compendium of Evidence

EMAIL 1 OF 7

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IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

Court File No. CV-12-9667-00CL; Court File No. M41654/ M41655/ M41656

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

AFFIDAVIT OF ELIZABETH FIMIO
(Sworn September 10, 2012)

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Lawyers for the Applicant

Tab 3

Court of Appeal File Numbers: C56118 / C56115 / C56125
Superior Court File No. CV-12-9667-00CL

COURT OF APPEAL FOR ONTARIO

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

RESPONDENT'S CERTIFICATE

The respondent confirms the appellant's certificate, except for the following:

ADDITIONS

1. The Affidavit of Elizabeth Fimio, sworn June 8, 2012, and Exhibits B, C, D & E attached thereto, are required for the appeal.

2. The Affidavit of Elizabeth Fimio, sworn September 10, 2012, and Exhibits A & B attached thereto, are required for the appeal.

November 6, 2012

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TO: SERVICE LIST

COURT OF APPEAL FOR ONTARIO

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IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION

Court of Appeal File Numbers: C56118 / C56115 / C56125
Superior Court File No. CV-12-9667-00CL

COURT OF APPEAL FOR ONTARIO

COMPENDIUM OF THE RESPONDENTS, SINO-FOREST CORPORATION

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