

Tab 7

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 OF SINO-FOREST CORPORATION**

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*

AFFIDAVIT OF DANIEL SIMARD
(Sworn January 18, 2013)

I, Daniel Simard, of the City of Montréal, in the Province of Québec, MAKE OATH AND SAY:

1. I am the Chief Executive Officer and serve as a non-voting ex-officio member of the Board of Directors and Committees of Comité syndical national de retraite Bâtirente Inc. (“Bâtirente”) and as such I have personal knowledge of the matters to which I depose in this affidavit.

2. I respectfully submit this affidavit in support of Bâtirente’s and the other Objectors’¹ objections to the proposed settlement between the plaintiffs (“Ontario Plaintiffs”) in the *Labourers’ Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, Court file No. 11-CV-431153CP (“Class Action”) and Ernst & Young LLP and its related entities (“E&Y”) (the “E&Y Settlement”).

3. I also respectfully submit this affidavit in support of the motion by Bâtirente under Rule 10.03 of the *Rules of Civil Procedure* for relief from the binding effect of a Representation Order and a Settlement Approval Order in the event this Court appoints the Ontario Plaintiffs as representatives of all Securities Claimants and grants the proposed Settlement Approval Order.

Grounds for Objection to the E&Y Settlement

4. The grounds for Bâtirente’s objections are as follows:

- a) it was improper for the Ontario Plaintiffs to have traded away the opt out rights of class members in this Class Action, or to have rendered such opt out rights illusory, by agreeing to provide a full and final release under

¹ Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Gestion Férique and Montrusco Bolton Investments Inc.

Article 11.1 (“Release”) of the Plan of Compromise and Reorganization (“Plan”) of the claims of Securities Claimants (as defined in Schedule A of the proposed order) against E&Y in this *Companies’ Creditors Arrangement Act* (“CCAA”) proceeding, in return for what the Ontario Plaintiffs’ counsel believe to be a “substantial premium” amount to be paid by E&Y into the proposed Settlement Trust;

- b) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement and any release of Securities Claimants’ claims against E&Y, in this CCAA proceeding, under the present circumstances;
- c) it is improper for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, any settlement of class members’ claims against E&Y in this Class Action without either (a) excluding the persons who opted out in response to the Pöyry notice if the Pöyry opt out procedure is found to have been proper, or (b) providing for certification, notice, and opt out rights to Securities Claimants in connection with this settlement – and in either case assuring that any such opt outs are not illusory by virtue of any Releases as described above;
- d) it is improper and belated for the Ontario Plaintiffs to seek, and it would be improper for the Court to approve, the requested representation order in connection with the Release and settlement described above;
- e) it is improper for the Ontario Plaintiffs to present, and it would be improper for the Court to consider and approve, the E&Y Settlement in

instalments, particularly in the absence of any plan for distributing any funds deposited in the proposed Settlement Trust. In the absence of a distribution plan, the Objectors cannot evaluate the sufficiency of the E&Y settlement consideration; and

- f) the Objectors reserve the right to supplement these grounds in response to further information emerging in these proceedings.

Attached hereto and marked as Exhibit "A" is the Notice of Objection of Bâtirente dated January 17, 2013.

5. Bâtirente is a non-profit organization, created in 1987. Bâtirente was initiated by the Confederation of National Trade Unions ("CSN") to establish and promote a workplace retirement system for CSN-affiliated unions and other organizations. Most of Bâtirente's board members are elected from representatives of participating groups or appointed by the CSN executive committee.

6. More than 26,000 workers participate in a Bâtirente retirement plan and Bâtirente funds have total assets of approximately \$1.1 billion (non-audited) as at December 31, 2012.

7. Bâtirente, through the funds it manages, owned 11,875 common shares of Sino-Forest Corporation ("Sino-Forest") on June 2, 2011, and accordingly suffered substantial losses after the market in Sino-Forest shares collapsed after public issuance on that day of a securities analyst's report alleging that the company's assets and operations were permeated by fraud.

8. On September 26, 2011, Bâtirente, together with Northwest & Ethical Investments L.P. (“NEI”), issued a proposed class proceeding against Sino-Forest, certain officers and directors, the underwriters, the auditors, and other experts (No. CV-11-43582600-CP, the “NEI Action”). Kim Orr Barristers P.C. (“Kim Orr”) was Bâtirente’s counsel in the NEI Action and continues to be its outside counsel in these proceedings.

9. A number of other class proceedings were commenced against Sino-Forest. The plaintiffs in the various Ontario actions moved for carriage. On January 6, 2012, Justice Perell granted carriage to the plaintiffs in the *Labourers’ Pension Fund of Central and Eastern Canada v. Sino-Forest Corporation*, No. 11-CV-431153CP (the “Class Action”) and stayed the competing actions, including the NEI Action. In his reasons, Justice Perell explicitly noted that Bâtirente, NEI, and other institutional investors were “prime candidates to opt out of the class proceeding” if they were not selected as representative plaintiffs to pursue compensation, if they did not wish to proceed under the Class Action. Attached hereto and marked as Exhibit “B” are excerpts of the decision of Justice Perell granting carriage to the Class Action.

10. NEI’s and Bâtirente’s decisions not to seek leave to appeal the carriage decision was based in part on our understanding that we would be given the opportunity to opt out of the Class Action at an appropriate time, if we deemed it appropriate to do so.

11. Bâtirente has previously served as a representative plaintiff in a class action, and I am well aware that representative plaintiffs have a fundamental duty to represent the class and absent class members fairly and adequately and to act in their best interests. I also noted that the Ontario Plaintiffs in the Class Action confirmed that they had the same understanding of their duties during the carriage motion.

12. In my view, the Ontario Plaintiffs and Class Counsel have violated their duties to class members by acceding to a settlement with E&Y in which class members' opt out rights will be negated and/or rendered illusory.

13. Bâtirente remained interested in the Class Action after losing the carriage motion, and communicated occasionally with Kim Orr about the status of the litigation, while understanding that as an absent class member its interests were being represented by the Ontario Plaintiffs and Class Counsel in the Class Action.

14. On March 20, 2012, Class Counsel announced that they had reached a settlement with Pöyry (Beijing) Consulting Company Limited ("Pöyry"). Pöyry would provide certain cooperation to Class Counsel in the action but would not provide any monetary consideration to the class. The Pöyry settlement contemplated a normal procedure for certification of a settlement class, a settlement approval hearing, and opt out rights for class members that wished to exclude themselves.

15. Ten days later, Sino-Forest entered into *CCAA* proceedings, on March 30, 2012. The Class Action was stayed. In due course, the Ontario Plaintiffs applied for, and the *CCAA* court ordered, a partial lifting of the stay of proceedings to allow the Pöyry settlement to proceed in the Class Action under the *Class Proceedings Act*. Attached hereto and marked as Exhibit "C" is the Order of Justice Morawetz, dated May 8, 2012 and entered May 11, 2012, lifting the stay as to Pöyry.

16. In the meantime, and apparently in view of the fact that a class had not been certified yet in the Class Action, the Ontario Plaintiffs filed a motion in the *CCAA* proceedings on April 13, 2012, seeking a representation order under Rule 10 of the Ontario *Rules of Civil Procedure*. The proposed representation order specifically

provided that class members could opt out of the representation, and included a form of opt out letter that class members could submit for that purpose. However, for reasons that are unclear, the motion was adjourned *sine die* without being decided. Attached hereto and marked as Exhibits "D" and "E" are the Draft Representation Order of the Ad Hoc Committee of Purchasers of the Applicant's Securities dated April 13, 2012 and the Endorsement of the Honourable Mr. Justice Morawetz dated August 31, 2012 and October 9, 2012, respectively.

17. The proposed Pöyry settlement continued to move forward, however. After notice was sent out to the class, and after a hearing on September 21, 2012, Justice Perell entered an order certifying the proceeding "as a class proceeding, for purposes of settlement only," allowing opt outs, providing that opt outs "may no longer participate in any continuation or settlement of the within action," approving the settlement, entering a bar order, and setting an opt out deadline (later defined as January 15, 2013). Attached hereto and marked as Exhibits "F" and "G" are, respectively, a true copy of the Reasons for Decision of Justice Perell in the Class Action, dated September 25, 2012, and a copy of his Order, entered October 30, 2012.

18. We became aware that Class Counsel, acting for the Ontario Plaintiffs and other investors named the "Ad Hoc Committee of Purchasers of the Applicant's Securities," were participating in mediations among parties in the CCAA proceeding, including defendants in the Class Action. Bâtirente did not see any reason to participate in or object to those discussions.

19. I am informed by counsel that the version of the Plan distributed on November 28, 2012 – i.e., immediately before the E&Y Settlement was announced – explicitly

provided that claims against third-party defendants, including E&Y, were not affected by the Plan:

7.5 Equity Class Action Claims Against the Third Party Defendants

Notwithstanding anything to the contrary in this Plan, any Class Action Claim against the Third Party Defendants that relates to the purchase, sale or ownership of Existing Shares or Equity Interests: (a) is unaffected by this Plan; (b) is not discharged, released, cancelled or barred pursuant to this Plan; (c) shall be permitted to continue as against the Third Party Defendants; (d) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for any such Class Action Claim that relates to any liability of the Third Party Defendants for any alleged liability of SFC); and (e) does not constitute an Equity Claim or an Affected Claim under this Plan.²

There was no indication prior to December 3, 2012, that any parties had any different intention.

20. Class Counsel and E&Y announced on December 3, 2012, that they had reached a proposed settlement, one of the terms of which apparently envisioned entry of full and final releases in favour of E&Y in the *CCAA* proceedings and/or settlement proceedings in the Class Action, the effect of which would be to negate the opt out rights of class members. This was a complete surprise to us at Bâtirente, in that nothing in the *CCAA* or Class Action proceedings portended such an attempt, and it was and is our understanding that opt out rights cannot be abrogated under these circumstances.

21. Bâtirente is especially concerned that E&Y, which should have acted as a gatekeeper guarding against abuse and fraud by participants in Canada's capital markets, allowed the Sino-Forest fraud to develop under its watch, and is now misusing a *CCAA*

² Amended Plan of Compromise and Reorganization dated November 28, 2012, Responding Motion Record of the Objectors, Tab ____.

proceeding in which it is only a third-party defendant in order to obtain a global Release from civil liability without providing injured investors the right to litigate their claims individually against E&Y after opting out of class litigation.

22. I respectfully refer and subscribe to the Affidavit of Eric J. Adelson, of Invesco, Ltd., another Objector represented by Kim Orr, with respect to our view of the E&Y Settlement.

23. I understand there is a risk that a class member's failure to opt out of the Pöyry settlement might be interpreted as depriving the class member of any opt out right with respect to the action or any additional settlements in the future. In view of that risk, and in order to preserve our rights as against Pöyry and the other parties in the *CCAA* proceeding and the Class Action, Bâtirente submitted an opt out form on January 15, 2013.

24. In order to avoid the possibility that Bâtirente might be excluded both from participating in the E&Y and/or other third-party defendant settlements, and from being able to prosecute claims against those defendants outside the Class Action, Bâtirente included a condition on the opt-out form:

This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Comité Syndical National de Retraite Bâtirente Inc. Otherwise, this opt out right would be wholly illusory.

Attached hereto and marked as Exhibit "H" is a real and true copy of Bâtirente's opt out form (without trading records).

25. My understanding of opt out rights is that Bâtirente, by opting out, would not be able to participate in the Class Action, but that we were preserving our rights to pursue our own claims against the defendants in the Class Action, including Pöyry and E&Y (among others). The E&Y Settlement, and the framework that may allow other defendants to avail themselves of this procedure, would deprive Bâtirente of those rights.

Order Requested

26. Bâtirente respectfully requests that this Court dismiss the motion to approve the E&Y Settlement.

27. In the alternative, Bâtirente respectfully requests that relief from the binding effect of the Settlement Approval Order be granted to Bâtirente and the other Objectors represented by Kim Orr.

SWORN before me at the City of)
Montréal, in the Province of Québec,)
this 18th day of January, 2013.)
)
)
)
)
)
)
)
)
)
)

Pierre Boies

A. Commissioner for taking affidavits.
2013-01-18

Daniel Simard

DANIEL SIMARD



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

Superior Court File No.: CV-10-414302CP

THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, et al.

- and -
SINO-FOREST CORPORATION, et al.

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF DANIEL SIMARD

KIM ORR BARRISTERS P.C.

19 Mercer Street, 4th Floor
Toronto, Ontario M5V 1H2

James C. Orr (LSUC #23180M)

Won J. Kim (LSUC #32918H)

Megan B. McPhee (LSUC #48351G)

Michael C. Spencer (LSUC #59637F)

Tel: (416) 596-1414

Fax: (416) 598-0601

Lawyers for Invesco Canada Ltd., Northwest &
Ethical Investments L.P., Comité Syndical
National de Retraite Bâtirente Inc., Matrix Asset
Management Inc., Gestion Férique and
Montrusco Bolton Investments Inc.

Tab A

This opt-out is submitted on condition that, and is intended to be effective only to the extent that, any defendant in this proceeding does not receive an order in this proceeding, which order becomes final, releasing any claim against such defendant, which includes a claim asserted on an opt-out basis by Comité Syndical National de Retraite Bâtirente Inc. Otherwise, this opt out right would be wholly illusory.

SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked
No Later Than
January 15, 2013

THIS FORM IS NOT A REGISTRATION FORM OR A CLAIM FORM.
THIS FORM EXCLUDES YOU FROM PARTICIPATION IN THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT.
DO NOT USE THIS FORM IF YOU WANT TO REMAIN IN THE CLASS.

Last Name: COMITÉ SYNDICAL NATIONAL DE
First Name:

Current Address: RETRAITE BÂTIRENTE INC.
203-2175 BOUL DE MAISONNEUVE E

City: MONTREAL Prov./State: QC Postal Code/Zip Code: H2K 4S3

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work)

514-525-5065

Telephone Number (Home)

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 87250

You must also accompany your Opt-Out form with brokerage statements, or other transaction records, listing all of your purchases of Sino-Forest common shares between March 19, 2007 to June 2, 2011, inclusive (the "Class Period").

Identification of person signing this Opt Out Form (please check):

I represent that I purchased Sino-Forest Corporation ("Sino-Forest") securities and am the above identified Class Member. I am signing this Form to EXCLUDE myself from the participation in the Sino-Forest Class Action Settlement Agreement reached between the Class and Pöyry (Beijing) Consulting Company Limited ("Pöyry (Beijing)"), the Settling Defendant.

Purpose for Opting Out (check only one):

My current intention is to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings.

I am opting out of the class action for a reason other than to begin individual litigation against Pöyry (Beijing) in relation to the matters alleged in the Proceedings. I am opting out for the following reason(s):

I UNDERSTAND THAT BY OPTING OUT I WILL NEVER BE ELIGIBLE TO RECEIVE BENEFITS OBTAINED BY WAY OF THE PÖYRY (BEIJING) SETTLEMENT AGREEMENT AND WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGEMENT WITH OR AGAINST ANY OF THE REMAINING DEFENDANTS.

Signature: 

Date Signed: 01/11/2013

Please mail your Opt Out Form to:
Sino-Forest Class Action
PO Box 3355
London, ON N6A 4K3



Tab B

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 OF SINO-FOREST CORPORATION**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**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

**ANSWERS ON WRITTEN EXAMINATION
ON AFFIDAVITS OF CHARLES M. WRIGHT**

The answers to the Questions on Written Examination on Affidavits of Charles M. Wright, dated January 25, 2013, posed by Gestion Férique, Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Montrusco Bolton Investments Inc., Invesco Canada Ltd. and Northwest & Ethical Investments L.P. (the “Objectors”) are:

1. **Question: “Provide a copy of the opinion referred to in paragraph 106 of your affidavit;”**

Answer: Refused. As noted at paragraph 106 of the Affidavit of Charles M. Wright, sworn January 10, 2013, the opinion was provided to Class Counsel on a confidential and without prejudice basis (“Within the settlement context and on a privileged basis, Ernst & Young has provided Class Counsel with the opinion of an auditing expert . . .”).

2. **Question: “Provide a copy of the insurance policies referred to in paragraph 87(d) of your affidavit;”**

Answer: Refused. The insurance policies were provided to Class Counsel on the following conditions: (1) the policies are only to be shared with plaintiffs’ counsel in this proceedings, Kessler Topaz Meltzer & Check, LLP and, to the extent necessary to obtain instructions, with the named representative plaintiffs; (2) these policies shall not to be made public or filed with the court, except with the consent of Ernst & Young LLP (“E&Y”) or as required by order of the court; and (3) should such an order be sought or should Class Counsel become aware that these policies might otherwise be made public, Class Counsel will provide E&Y with sufficient notice so that it might seek any confidentiality, sealing and/or other orders.

3. **Question: "If a copy of the insurance policies described in #2 is not within your possession and control, describe the coverage amount, available coverage (if different), and any other terms and/or conditions of the policies that may affect availability and/or coverage in this situation;"**

Answer: Refused. See answer to 2, above. In addition, Class Counsel has already disclosed the amount of E&Y's coverage to the Objectors on a without prejudice and confidential basis. Finally, E&Y has advised Class Counsel that it consents to the *in camera* inspection of the policies by Justice Morawetz, should His Honour be inclined to conduct such an inspection.

4. **Question: "Provide a copy of the transcripts of the cross examination of Sino-Forest's CEO as referred to at paragraph 49(h) of your affidavit;"**

Answer: See attached.

5. **Question: "Provide copies of any notices of objection that were withdrawn and any accompanying correspondence or records of conversation between Class Counsel and the persons who submitted and subsequently withdrew their notices of objection as referred to at paragraphs 11-13 of your supplemental affidavit;"**

Answer: As of today's date, the following objections have been withdrawn: 2288625 Ontario Inc., Alain Vallee, Andrea Sullivan, Archie Sullivan, Augen Resources Strategy Fund, Brian Gore, Brunhilde and Rudolf Huber, Caldwell Institutional Equity Pool, Caldwell Meisels Canada Fund, Chang Teng, Chendreshkumar Amin, Chi Faz Chan/Bi Fang Lei, Cindy Mai, Clarence Moreau, Daniel Liu, David Cristina, David Pike, Eric Lee, Francis Wing Keung Leung, Gene Manion, Grace Nosal, Grant A. Bears, Gundy Inc., Helmuth Slisarenko, Huifang Fan, James William Alsop, Jeannie Mai, John Jeglum, Julianna Bears, Lao Fan, Lena Maria Goveas, Lorraine Dahl, Michael Poon, Reginald McDonald, Richard Dahl, Richard Laskowski, Siu Hung Mai, Suzanne Rochon, Tammy Warren, Walter Nosal, Wei Chun Sun and/or Rebecca S,J, Tsang, William Rankin, and Xiaotong Ji. Copies of those objection forms are attached. Communications between

class members, including any objectors, and Class Counsel are privileged and will not be produced. However, Class Counsel will provide copies of correspondence confirming the withdrawal by the above persons of their objections to Justice Morawetz for an *in camera* inspection, should Justice Morawetz be inclined to conduct such an inspection. With respect to the December 31, 2012 memorandum from Siskinds LLP which is attached as Exhibit "E" to the Affidavit of Eric Adelson (the "Siskinds Memorandum"), the Siskinds Memorandum was not disseminated by Class Counsel to objectors *per se*. Rather, the Siskinds Memorandum was sent to twenty-five recipients, including five law firms and 12 institutions which Class Counsel believe to be class members. The Siskinds Memorandum was sent to such recipients in large part in order to respond to various assertions made by Kim Orr LLP ("Kim Orr") in two memoranda which Kim Orr and/or its clients disseminated or caused to be disseminated to investors whose identities are unknown to Class Counsel (the "Kim Orr Memoranda"). One of the two Kim Orr Memoranda is dated December 14, 2012 and states on its face that it was authored by Won J. Kim and Megan McPhee. The identity of the person or persons to whom that memorandum was addressed is unknown to Class Counsel. That memorandum is described in question 16 posed to Eric Adelson and question 8 posed to Tanya Jemec. The second of the Kim Orr Memoranda states on its face that it was authored by Won J. Kim, is dated December 17, 2012, and is addressed simply to "Investors." That memorandum is described in question 11 posed to Eric Adelson and question 1 posed to Tanya Jemec.

6. **Question: "Identify and provide copies of any documents constituting, reflecting, referred to in, or underlying the evidentiary proffer provided by Pöyry (Beijing) Consulting Company Limited ("Pöyry") to the Ontario Plaintiffs and other Defendants in the Class Action;"**

Answer: Refused. Pursuant to sections 3.4(1) and (11), 6.3 and 8.3 of the Settlement Agreement with Pöyry, the requested information may not be furnished to the Objectors or their counsel without the consent of Pöyry, which consent has not been given.

7. **Question: "Identify and provide any verbal and/or documentary information and technical assistance that was provided to the Ontario Plaintiffs and Class Counsel as consideration for agreeing to settle all claims against Pöyry, including any information and cooperation provided under Articles 3.4(2)-3.4(6) of the Pöyry Settlement Agreement;"**

Answer: Refused. See 6.

8. **Question: "Describe any consideration or any arrangement entered into with Paulson & Co. Inc., Davis Selected Advisers LP, and/or any current or former Sino-Forest security holder, as referred to in paragraph 75 of your affidavit, in connection with securing the support or non-opposition of any such current or former Sino-Forest security holder to the E&Y Settlement;"**

Answer: Davis Selected Advisers LP is a client of Siskinds LLP. Paulson & Co. Inc. is a class member. Communications with both are privileged and will not be produced. Notwithstanding the forgoing, there is no "consideration or any arrangement" "securing the support or non-opposition of any such current or former Sino-Forest security holder to the E&Y Settlement."

9. **Question: "If arrangements or consideration of any kind pursuant to #8 have in fact been entered into or agreed to, provide copies of any documentation or correspondence evidencing such agreement and/or consideration in exchange for supporting or not opposing the E&Y Settlement;"**

Answer: See 8.

10. **Question:** "Provide copies of correspondence and/or other documentation evidencing the support or non-opposition of Paulson & Co. Inc., Davis Selected Advisers LP, , [sic] and/or any current or former Sino-Forest security holder to the E&Y Settlement, as referred to in paragraph 75 of your affidavit;"

Answer: Refused. Davis Selected Advisers LP is a client of Siskinds LLP. Paulson & Co. Inc. is a class member. Communications with both are privileged and will not be produced.

11. **Question:** "Provide a copy of the list of holders of Sino-Forest securities as of June 2, 2011, delivered to Class Counsel as referred to at page 2 of the Order of Justice Morawetz dated December 21, 2012;"

Answer: Refused. This list is not relevant to this motion.

Sino-Forest Corporation, et al.

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.
Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**ANSWERS ON WRITTEN EXAMINATION
ON AFFIDAVITS OF CHARLES M. WRIGHT**

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Lawyers for the Plaintiffs

Tab 2

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 OF SINO-FOREST CORPORATION**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
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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*

**SUPPLEMENTARY ANSWERS ON WRITTEN EXAMINATION
ON AFFIDAVITS OF CHARLES M. WRIGHT**

The following supplements the answers provided on January 29, 2013 to the Questions on Written Examination on Affidavits of Charles M. Wright, dated January 25, 2013, posed by Gestion Férique, Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Montrusco Bolton Investments Inc., Invesco Canada Ltd. and Northwest & Ethical Investments L.P. (the "Objectors"):

6. **Question: "Identify and provide copies of any documents constituting, reflecting, referred to in, or underlying the evidentiary proffer provided by Pöyry (Beijing) Consulting Company Limited ("Pöyry") to the Ontario Plaintiffs and other Defendants in the Class Action;"**

Supplementary Answer: I previously refused to answer this question as the Settlement Agreement with Pöyry prevented disclosure of any documents or information relating to the evidentiary proffer that Pöyry provided to Class Counsel. We had requested Pöyry's consent to provide a summary of the evidentiary proffer to the Objectors' counsel on a confidential basis, but Pöyry refused.

Pöyry has since altered its position in that it has elected to make disclosure to the Objectors' counsel of the substance of the proffer. Accordingly, as a summary of the proffer is now part of the record, it is necessary and appropriate to include Ernst & Young's response to the factual assertions set out in Pöyry's disclosure. Attached is that response, which lays out some of the arguments advanced by Ernst & Young at the mediation.

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.
Plaintiffs

Sino-Forest Corporation, et al.

and

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the Class Proceedings Act, 1992

Proceeding commenced at Toronto

**SUPPLEMENTARY ANSWERS ON WRITTEN
EXAMINATION ON AFFIDAVITS OF
CHARLES M. WRIGHT**

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Lawyers for the Plaintiffs

Supplementary answer Pöyry

Pöyry (Beijing) Consulting Company Limited and various related entities ("Pöyry") provided asset valuation, forestry and management consultancy and other services to SFC in connection with SFC's timber assets during the relevant period. Pöyry also provided similar services to SFC subsidiary Greenheart. Pöyry valuation reports were filed annually on SEDAR.

Pöyry asserts that it raised concerns with SFC starting in 2007 regarding the quality and sufficiency of SFC's data concerning the physical composition (fibre, species, age) of SFC's forestry holdings. These concerns do not appear to have extended to location or ownership. To remedy the stated lack of data, Pöyry proposed to SFC that it purchase from Pöyry an expensive and elaborate in-house forest inventory capacity program (FMIS).

Pöyry states that it raised those concerns at a meeting with SFC and Ernst & Young in early 2010, immediately following the issuance of the financial statements for the year-ended December 31, 2009.

Ernst & Young participated in a conference call that included Pöyry personnel on April 9, 2010. The purpose of the conference call was to discuss valuation issues raised by the adoption of International Financial Reporting Standards (IFRS), to take place effective January 1, 2011. For example, on March 25, 2010, David Horsley distributed an email to proposed attendees approximately two weeks in advance of the call, and stated that "the purpose of the meeting/call will be to discuss Pöyry valuation for IFRS purposes as well as a discussion around the quarterly process of having Pöyry the valuation and the FIMS system." The minutes of the meeting on April 9, 2010 (authored by Pöyry) reflect that the purpose of the conference call and the content of the discussion revolved around the new IFRS standards. Under IFRS, unlike GAAP, biological assets are presented in the financial statements at fair value (not cost based) and therefore it was possible that in the future the plantation valuation in Pöyry reports would be used to record the carrying amount of the timber assets at fair value for IFRS based financial reporting by Sino-Forest. The context of the discussion was whether possible changes were required for future Pöyry reports to be used for IFRS purposes.

It was not suggested during the April 9, 2010 conference call, nor do the Minutes reflect any suggestion, that Pöyry's previously issued valuation reports, which Ernst & Young had relied upon for audit purposes, were no longer valid.

Following the conference call, Pöyry issued its Valuation of China Forest Crop Assets for SFC as at 31 December 2009. The final report issued on April 23, 2010, reflected no significant change in the value of the plantations from that reflected in the information provided by Pöyry to E&Y during its audit of the SFC consolidated financial statements dated December 31, 2009.

Following the April 9, 2010 conference call Pöyry issued further valuation reports for timber assets held by SFC and a report for Greenheart. The April 23, 2010 Pöyry valuation report for SFC was posted to SEDAR with Pöyry's consent. Pöyry Valuation reports dated as of December 31, 2010 were press released by SFC on May 27, 2011.

Those valuation reports (and the previous valuation reports) do not contain material qualifications related to the alleged insufficiency of data.

Ernst & Young relied upon Pöyry and its expertise as a valuator, particularly with respect to the physical composition of the timber assets. It is not credible that Pöyry relied on Ernst & Young to remedy any alleged deficiencies in the data provided to it by SFC.

Tab 3

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

**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 COMPRISE AND ARRANGEMENT
OF SINO-FOREST CORPORATION**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**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

**QUESTIONS ON WRITTEN CROSS-EXAMINATION
ON AFFIDAVIT OF MIKE P. DEAN, SWORN JANUARY 11, 2013**

- 1. Provide a copy of the insurance policies that provide, or may provide, coverage to E&Y in connection with E&Y's audits of Sino-Forest, including any litigation related thereto.**

Ernst & Young LLP is prepared to share the responsive insurance policies with Kim Orr Barristers P.C., with its agreement on behalf of its clients, on a confidential, without-prejudice basis and on terms acceptable to Ernst & Young LLP. Ernst & Young LLP does not consent to their public filing or dissemination or the public disclosure of their contents. Ernst & Young LLP understands that Kim Orr has already been provided with particulars regarding its available insurance coverage on a confidential, without-prejudice basis.

- 2. Describe the coverage amount, available coverage (if different), and any other terms and/or conditions of the policies that may affect availability and/or coverage in this situation.**

See the answer to question 1 above.

- 3. What was or is the "opt out threshold" referred to in Schedule B, paragraph I(B)(ii)(a)(iii) of the Minutes of Settlement?**

The conditions precedent to the Ernst & Young Settlement and the Ernst & Young Release as defined in the Plan are set out in the Sanction Order. The opt-out threshold referred to at Schedule B of the Minutes of Settlement, if it ever became operative, is at the discretion of Ernst & Young and would be set by it at such time.

- 4. Describe any consideration or any arrangement entered into with Paulson & Co. Inc., Davis Selected Advisers LP, and/or any current or former Sino-Forest security holder, in connection with securing the support or non-opposition of any such current or former Sino-Forest security holder to the E&Y Settlement.**

The consideration for the Ernst & Young Settlement, including for the agreement of Ernst & Young to support the Plan and the agreement of the Ad Hoc Committee of Noteholders to support the Ernst & Young Settlement, has been set out in the motion materials. No additional amount is to be paid by Ernst & Young to any entities or persons holding Sino-Forest securities (including those identified) as consideration for the Ernst & Young Settlement or its approval, other than defraying certain legal costs to be incurred in the Chapter 15 proceedings.

- 3 -

5. If arrangements or consideration of any kind pursuant to #4 have in fact been entered into or agreed to, provide copies of any documentation or correspondence evidencing such agreement and/or consideration in exchange for supporting or not opposing the E&Y Settlement.

See the answer to question 4 above. Ernst & Young refuses any further response.

January 29, 2013

**LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP**

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Peter J. Osborne (33420C)
Shara N. Roy (49950H)
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Lawyers for Ernst & Young LLP

TO: THE ATTACHED SERVICE 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 COMPRISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

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

THE TRUSTEES OF THE LABOURERS. et al.

SINO-FOREST CORPORATION, et al

Plaintiffs

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDING COMMENCED AT TORONTO

**RESPONSES ON WRITTEN CROSS-
EXAMINATION
ON AFFIDAVIT OF MIKE P. DEAN**

LENCZNER SLAGHT ROYCE

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Lawyers for Ernst & Young LLP

Tab 4

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 OF SINO-FOREST CORPORATION**

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

**RESPONSES TO QUESTIONS ON WRITTEN EXAMINATION ON AFFIDAVIT OF
CHRISTINA DORIA (the "Doria Affidavit")**

Response to Questions #1 and #2

1. The evidentiary proffer referenced in the Doria Affidavit related to Pöyry (Beijing) Consulting Company Limited's ("Pöyry (Beijing)") interactions with Sino-Forest Corporation ("SFC") and others during the material timeframe. In or around late 2007, Pöyry (Beijing) raised concerns with SFC in relation to the quality and sufficiency of the information and data from SFC concerning the physical composition (fibre, species, age, etc.) of the forest holdings to be valued. These concerns were raised in connection with SFC's unique business model and an apparent rapid expansion in SFC's business. During this time, Pöyry (Beijing) pressed SFC to put in place a suitable forest inventory management system. By early 2010, Pöyry (Beijing) escalated matters by facilitating a meeting/conference call on April 9, 2010 with SFC and its auditor, Ernst & Young LLP ("E&Y"). During the meeting/conference call, Pöyry (Beijing) voiced concerns with respect to the insufficiency of information from SFC. Pöyry (Beijing) also wanted to discuss with E&Y and SFC what steps could be taken to improve the situation. Pöyry (Beijing) expected that E&Y would share its concerns and support its ongoing effort to have SFC provide more robust data and information, but E&Y did not, and matters did not improve. Attached as Schedule "A" are the minutes prepared by Pöyry (Beijing) following the above-noted meeting/conference call together with a covering email.

Response to Question #3

2. Refused. This question is overbroad and beyond the scope of the matters at issue in the present motion.

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Féérique and Montrusco Bolton Investments Inc.

Schedule "A"

Meeting/Concall with Poyry on April 9 at 10am HKT

Thomas Maradin, Josephine.Man@ca.ey.com,
 Fred.Clifford@ca.ey.com,
 Yosanda Chiang to: Ron.P.Patrickson@ca.ey.com,
 Graham.Robertson@ca.ey.com,
 Richard.James@ca.ey.com, Alfred Hung, Eric Chan
 Cc: Teresa Lau, "rudolf.rensburg@poyry.com" , "doug.parsonson@poyry.com"
 "steve.croskery@poyry.com" , Yosanda Chiang, Dave Horsley, Allen Chan

04/15/2010 09:43 PM

History: This message has been forwarded.

Dear all,

Attached pls find the minutes for the meeting for your recod. This is likely that a follow-up meeting will be held on May 3 (Mon) or May 4 (Tue) and will be confirmed shortly. Thank you.

Regards,
 Yosanda

From: Yosanda Chiang
 Sent: Wednesday, March 31, 2010 11:08 AM
 To: Dave Horsley; Thomas Maradin; Josephine.Man@ca.ey.com; Fred.Clifford@ca.ey.com;
 doug.parsonson@poyry.com; Ron.P.Patrickson@ca.ey.com; Graham.Robertson@ca.ey.com;
 Richard.James@ca.ey.com; rudolf.rensburg@poyry.com; Alfred Hung; Eric Chan
 Cc: Yosanda Chiang; Teresa Lau
 Subject: Meeting/Concall with Poyry on April 9 at 10am HKT
 Importance: High

Dear all,

This is confirmed the meeting w/ Poyry held on April 9 (Fri) at 10am HKT (i.e. April 8 (Thur) at 10pm EST).

Mr. Doug Parsonson of Poyry, Eric, Tom and Alfred will be presented in person in our HK office.

Allen, Dave and EY team will dial in.

Dial in details as below :

International Dial-In Number: +852 2888 0011 or

Canada : 1 866 9922 906

PIN no. : 6328957641#
Thank you.

Regards,
Yosanda

From: David Horsley <davehorsley@sinoforest.com>
To: Allen Chan; Allen (BB); Alfred Hung; Eric Chan; Thomas Maradin
Cc: Yosanda Chiang; doug.parsonson@poyry.com <doug.parsonson@poyry.com>
Sent: Fri Mar 26 00:48:26 2010
Subject: Meeting with Poyry

We are planning a meeting for Friday April 9th at 10 am HK time with Poyry, SFC and EY. The purpose of the meeting is as follows;

- SF overview of changes - including requirements for quarterly reporting, evolving business model, IFRS, etc
- Poyry overview of our interpretation of the valuation requirements and how we implement these in practice
- Discussion of valuation approach and agreement on way forward including:
 - Data needs and timing arising
 - Report format and content for public release
- FMIS

Please confirm your availability asap.

We could follow this meeting with a second session that Alfred and I had discussed previously where we would re-start the FMIS project. As you and I have discussed we can jointly agree on a controlled and predictable workplan which will be achievable now Alfred has been able to get the Mainland managers up to speed on what is being planned.

Regards

Dave Horsley
SVP & CFO
Sino-Forest Corporation



Sino-Forest Minutes of Meeting 09 April, 2010.pdf

Minutes of Meeting

Meeting Date: Friday, 09 April, 2010

Time: 10.00:am HKG time

Attendees

Sino-Forest: Allen Chan, Thomas Maradin, Alfred Hung, Eric Chan.

Pöyry: Doug Parsonson, Rudolf van Rensburg, Steve Croskery

Via conference call

Sino-Forest: David Hørsley

Ernst & Young: Josephine Man, Graham Robertson, Fred Clifford, Ron P. Patrickson, L. Langel

Agenda, Issues

- Pöyry opened the meeting and expressed its appreciation for the participants making time available.
- Doug Parsonson outlined the meeting agenda which included:
 - Pöyry's concern about forest data shortcomings for the 2009 valuation
 - High-level discussion of the action plan proposed by Pöyry to address the above concerns
 - E&Y comments in relation to the above two points
 - Requirements and approach to handle the upcoming quarterly valuations
 - Wrap-up of key decision points.
- Pöyry explained that while the 2009 valuation estimate is the best result possible given the limited forest inventory data available, a constructive sense of urgency is required to improve this situation for the 2010 valuation. Pöyry explained that, in almost all other valuation projects, Pöyry's role is to verify inventory data and yield tables provided by the client. In the case of Sino-Forest, this information is not forthcoming and the time and resources available to Pöyry to try and measure a sufficiently large number of inventory sample plots to derive statistically meaningful results is not feasible. For this reason, Pöyry is proposing action on two fronts for Sino-Forest to consider and the details of these action plans were to be discussed in a follow-on meeting between Sino-Forest and Pöyry.
- E&Y raised a question in relation to the difference between Sino-Forest's market capitalisation value and forest resource valuation estimate (which is close to book value). This question resulted in a discussion of Sino-Forest's business model versus estate model and assumptions that Pöyry adopts in deriving a forest value.
- Steve Croskery explained that Sino-Forest's business model is essentially a trading model of forest assets whereas Pöyry's valuation assumes a conventional management approach, where the underlying assumption is that the forest resource will be managed (as opposed to being sold) on a continuous basis.
- E&Y then posed the question as to what market Sino-Forest is then really operating in and if there are any possibilities to close the gap between the market capitalised value and the forest value. A rational market participant would want to maximise the cash flows and therefore the value.
- Doug Parsonson explained that Sino-Forest's business can almost be described as a "deal flow" whereas the forest valuation is based on a wood flow.

Agenda, Issues

- Allen Chan made the observation that as Sino-Forest is expanding its own plantation forest, its business model is actually shifting closer to what Pöyry models.
- David Horsley asked if a liquidation approach may not be more appropriate. Steve Croskery explained that the Pöyry wood flow model includes a front-end harvest loading which, to some extent, approximates the sale of forest. However, considerations such as available market for the volume and the reality of AAC and license availability must also be taken into consideration.
- E&Y raised the point that Sino-Forest's business model is truly unique. Essentially, the buyers of Sino-Forest stock are financial players that purchase and hold, betting on timber prices to increase.
- Sino-Forest observed that investors are willing to pay a higher price for the company's shares than what they may be willing to pay for the forest, as per the value estimate made by Pöyry.
- Sino-Forest market capitalisation therefore includes intangible assets which includes the company's unique ability to develop the forest trade deals, including the company's 16-year long track record.
- David Horsley explained the benefits of having a parallel "hybrid valuation model" that takes some of the future planned sale/acquisition transactions into consideration (useful to Sino-Forest in explaining some of the difference between Market Cap and BV). He requested that E&Y continues to think about the possible presentation of such a model and that a follow-up discussion may be necessary.

It was agreed that:

1. Another meeting would be scheduled to come to an agreement on the forest crop valuation methodology (modeling assumptions etc.) best suited to Sino-Forest and which is consistent with IAS41. This would involve Sino-Forest, E&Y and Pöyry.
2. Pöyry would prepare a proposal for Sino-Forest for the prompt establishment and implementation of an in-house forest inventory capacity and programme, in support of on-going forest valuation and strategic planning.

The meeting concluded at about 12.30 pm HK time.

Minutes taken by Rudolf van Rensburg

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

SINO-FOREST CORPORATION
Plaintiffs

ERNST & YOUNG LLP, et al.
Defendants

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto, Ontario

**RESPONSES TO QUESTIONS ON WRITTEN
EXAMINATION ON AFFIDAVIT OF CHRISTINA DORIA
DATED JANUARY 25, 2013**

BAKER & MCKENZIE LLP

Barristers and Solicitors

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Lawyers for Pöyry (Beijing) Consulting Company Limited

Tab 5

QUESTIONS FOR ERIC ADELSON

Defined Terms

For purposes of the following questions, the following terms have the following meanings:

- (1) “**CCAA**” means the *Companies’ Creditors Arrangement Act*;
- (2) “**Class Counsel**” means Siskinds LLP, Koskie Minsky LLP and Paliare Roland Rosenberg Rothstein LLP;
- (3) “**Client**” means any of **Invesco**, **NEI**, Comité Syndical National de Retraite Bâtirente Inc., Matrix Asset Management Inc., Montrusco Bolton Investments Inc. or Gestion Férique, and “**Clients**” means two or more of them;
- (4) “**E&Y**” means Ernst & Young LLP;
- (5) “**Insolvency Proceeding**” means the proceeding commenced by **Sino** under the **CCAA** on March 30, 2012;
- (6) “**Invesco**” means Invesco Canada Ltd. and the funds it manages;
- (7) “**Invesco Trimark**” means Invesco Trimark Ltd.;
- (8) “**Kim Orr**” means Kim Orr Barristers P.C.;
- (9) “**NEI**” means Northwest & Ethical Investments LP;
- (10) “**Prospective Client**” means any person or entity who solicited from **Kim Orr** advice in relation to that person’s or entity’s claims or possible claims against **Sino**, or in relation to the **Insolvency Proceeding**, and who did so prior to the time that that person or entity received the communication in question, and “**Prospective Client**” does not include any person or entity who did not solicit such advice from **Kim Orr** prior to the time that that person or entity received the communication in question; and
- (11) “**Sino**” means Sino-Forest Corporation.

Questions

1. To what Province or Provinces are you called to practice law in Canada, and in what year(s) were you called to practice in each such Province?

2. Is it correct that you were an associate at the law firm of Smith Lyons before you joined Invesco and, if so, during what years were you an associate at Smith Lyons?
3. During the time you worked at Smith Lyons, what practice group or department did you work in?
4. During the time you worked at Smith Lyons, did you ever act for or advise any client in connection with a proceeding filed under the *CCAA*? If so, in regard to how many *CCAA* proceedings did you act for or advise a client?
5. According to your profile appearing at https://www.invesco.ca/publicPortal/portal/retail.portal?_nfpb=true&_windowLabel=execTeamLanding_1&execTeamLanding_1_actionOverride=%2Fportlets%2Fheader%2FexecutiveTeam%2FgetExecDetail&_pageLabel=about_us_executive_team, you oversee a “team of lawyers” at Invesco. How many lawyers are on the team that you oversee and do any of them have experience with *CCAA* proceedings? If so, state how many of those lawyers have such experience and please summarize the nature of that experience.
6. At approximately what point in time did you first become aware that Sino had commenced the Insolvency Proceeding?
7. If you do not recall when you first became aware of the Insolvency Proceeding, please state whether you were aware of the Insolvency Proceeding before August 1, 2012.
8. From the time that you became aware of the Insolvency Proceeding, did you, any member of your team of lawyers at Invesco, or Invesco’s outside counsel take any steps to monitor developments in the Insolvency Proceeding? If so, please describe those steps, and please state when each of those steps was taken.
9. At para. 7 of your January 18, 2013 affidavit, you state that “Invesco retained Kim Orr Barristers P.C. in mid-November 2012 when it appeared that upcoming events in the Sino-Forest *CCAA* proceedings might affect investors’ rights.” Please particularize the “upcoming events” to which you refer.

10. Are you aware that, on July 25, 2012, Justice Morawetz issued a mediation order in the Insolvency Proceeding? If so, at approximately what point in time did you become aware of that order? If you cannot remember the approximate point in time at which you became aware of that order, please state whether you were aware before September 1, 2012 that a mediation was scheduled to occur in the Insolvency Proceeding in September 2012.
11. Between the time that the E&Y settlement was announced on December 3, 2012 and the present time, did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent a written communication on Kim Orr letterhead to any person or entity who was not a Client, and which communication included the following text (or text that is materially the same as the following text):

We are writing to ask you to join a group of institutional investors seeking to protect important rights concerning recoveries from responsible parties in cases of securities fraud in Canada. In particular, we want to ensure that investors retain "opt out" rights to pursue individual remedies if class action counsel negotiate premature or inadequate settlements.

We represent certain institutional investors that purchased securities of Sino-Forest Corp. before it was revealed as a probable fraud in June 2011. Those investors include: Invesco Canada Ltd., Northwest & Ethical Investments L.P., Comité Syndical National de Retraite Bâtirente Inc., Mackenzie Financial Corporation, Fonds Férique, Montrusco Bolton Investments Inc., and Matrix Asset Management Inc.

Our clients are *not* participating as active named plaintiffs in the class action against Sino-Forest and certain of its directors and officers, underwriters, and its auditors (Ernst & Young LLP and BDO). Our clients are, however, "absent" members of the class (not yet certified), and as such they may be affected by those proceedings.

On December 3, Class Counsel (Siskinds LLP and Koskie Minsky LLP) announced they had negotiated a \$117 million settlement with E&Y. This would be the largest securities settlement in Canada, but in our view it is premature (since documents about E&Y's audit work have not been available, and the Ontario Securities Commission has just begun enforcement proceedings against E&Y) and may well be inadequate. Class Counsel presented this settlement in the

Commercial Court handling Sino-Forest's insolvency ("CCAA") proceedings, not the class action court in which claims against E&Y and other defendants were brought. On December 7, Class Counsel and E&Y, over our objections, obtained an order in the Commercial Court providing a "framework" for effectuating such settlements. Apparently in extreme haste to push through approval of the settlement, E&Y and Class Counsel obtained a hearing to finalize approval of the settlement on January 4, 2013, with submissions scheduled over the preceding holiday weeks.

Several important aspects of their proposals are objectionable:

1. E&Y and Class Counsel are using the CCAA (insolvency) proceeding to try to avoid normal class action requirements. The settlement in effect deprives investors of their established rights in a class action settlement:
 - (a) No "opt-out" rights. The settlement would provide a full general release to E&Y, in the form of a "bar order" in the Sino-Forest CCAA proceedings, without allowing opt-outs for class members who want to litigate individually.
 - (b) Inadequate notice to class members - normal notice is not being given.
 - (c) No approval by class action court - this procedure is also being avoided.
2. In this case, E&Y is at most a "third party defendant" in the Sino-Forest CCAA (insolvency) action. It is improper and unprecedented for a party in E&Y's situation to use a client's insolvency to short-circuit investors' class action rights that otherwise apply. If this is allowed to proceed, it will set an intolerable precedent and dilute investors' rights.
3. The amount of the proposed E&Y settlement, \$117 million, is rather small compared to the investor losses suffered in Sino-Forest (market cap losses of roughly \$6 billion). Auditors providing audit reports and underwriters performing due diligence for securities offerings are crucial bulwarks against fraud, and in this case represent the only likely source of recoveries for investors.
4. The unseemly haste with which this settlement is being pushed through the courts indicates that E&Y and Class Counsel are anxious to avoid normal scrutiny. Again, this is an unfortunate precedent.

In short, the proposed E&Y settlement is inconsistent with the goals of transparency, investor protections, and good corporate governance. We hope that investors who care about these principles in Canada will join us in opposing this result - whether or not you are Sino-Forest class members. We invite you to contact us.

12. If the answer to question 11 above is yes, then to how many persons or entities who were not Clients did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 11 above?
13. Between the time that the E&Y settlement was announced on December 3, 2012 and the present time, did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 11 above to any person or entity who was not a Client or a Prospective Client?
14. If the answer to question 13 above is yes, then to how many persons or entities who were not Clients or Prospective Clients did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 11 above?
15. Please identify all persons and entities who were not Clients or Prospective Clients and to whom you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, sent or caused to be sent the written communication referred to in question 11 above. If the person or entity was an employee or other representative of an institutional investor, then please identify the institutional investor of whom the person was then an employee or other representative. If the person or entity to whom the communication was sent was a lawyer, please identify the law firm of which that lawyer was an employee or partner at the time at which the communication was sent. If the person or entity to whom the communication was sent was an investor rights organization, then please so state. If the person or entity to whom the communication was sent was an employee or other representative of an investor rights organization at the time at which the communication was sent, then please identify the investor rights organization of which the person was then an employee or other representative.

16. Between the time that the E&Y settlement was announced on December 3, 2012 and the present time, did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent a written communication on Kim Orr letterhead to any person or entity who was not a Client, and which communication included the following text (or text that is materially the same as the following text):

[...]

OVERVIEW OF THE SANCTION HEARING

Background

Numerous proposed class actions were commenced against Sino-Forest Corporation ("SFC"), its directors and officers, the underwriters and the auditors in Ontario, Quebec, Saskatchewan and New York after SFC's stock collapsed following allegations that the company had been vastly overstating its assets and revenues while engaging in extensive related-party transactions.

In December 2011 a carriage motion was heard before Justice Perell to determine which of the three proposed Ontario class actions should proceed. On January 6, 2012, Justice Perell awarded carriage of the Ontario class action to *The Trustees of Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corp.*, making Koskie Minsky LLP and Siskinds LLP Class Counsel (the "Koskie-Siskinds action").

The proposed class action commenced by Kim Orr on behalf of Northwest & Ethical Investments L.P. ("NEI"), Comité Syndical National de Retraite Bâtirente Inc. ("Bâtirente") and British Columbia Investment Management Corporation was stayed by Justice Perell's carriage order.

On March 30, 2012, SFC filed for creditor protection under the *Companies' Creditors Arrangement Act* ("CCAA"). Under the Initial Order issued by Justice Morawetz on March 30, 2012 all proceedings against SFC have been stayed, including the Koskie-Siskinds action. The Koskie-Siskinds action was stayed prior to the hearing of any certification motion.

Counsel for the Koskie-Siskinds action participated in the CCAA proceedings representing the Ad Hoc Committee of Purchasers of the Applicant's Securities. Class Counsel never received a representation order in the CCAA; putative class members have not been afforded the opportunity to opt-out of representation by class counsel in the CCAA proceeding.

SFC attempted to enter into a sales process, but failed to attract any qualifying offers. Following the failure of the sales process, SFC announced its intent to

proceed with a restructuring transaction. In August 2012 SFC filed a Plan of Compromise and Reorganization where restructuring occurred through the creation of two new corporations. The plan was modified a number of times.

Originally the Creditor's Meeting to vote on the Plan of Compromise and Reorganization was scheduled for November 29, 2012. The date of the meeting was rescheduled when the plan was amended on November 28, 2012.

[...]

E& Y Settlement Approval

In the evening of Wednesday December 12, 2012 Kim Orr received notice that E&Y was appearing before Justice Morawetz on Thursday December 13, 2012 at 9:30 am seeking to schedule the settlement approval for the E&Y settlement.

At the appearance Kim Orr argued that Justice Morawetz did not have the authority to hear a motion in a class proceeding, including the motion for approval of the E&Y settlement, and that a notice program was necessary for the motion for settlement approval to inform putative class members of the possible binding settlement and how that settlement would impact their substantive rights in the litigation.

Justice Morawetz scheduled the settlement approval for Friday, January 4, 2013 without ordering any requirement to disseminate notice to putative class members or other potentially affected individuals. In an unusual move, at the same time the Regional Senior Judge for Toronto, Justice Edward F. Then, assigned the *CCAA* judge, Justice Morawetz, the power to hear the motion to approve the E&Y settlement and ancillary matters in his capacity as a *CCAA* judge and as a class proceedings judge.

Also of note, scheduling the approval hearing for Friday January 4, 2013 means that it will be heard on the last business day prior to the Ontario Securities Commission hearing against E&Y, which is scheduled for Monday January 7, 2013.

Lack of Procedural Protections

The framework for release under the Plan and the settlement approval scheduling has occurred in an expedited and closed door manner. The process has not contemplated or given any credence to the importance of ensuring that the putative class members are provided with full and proper notice of the settlement and its impact on their substantive rights, thereby depriving class members of the opportunity to appear and/or to file materials voicing any objections to the settlement. Further, if the settlement in its current form is approved, class members will be deprived of their substantive right to opt-out of the class action

and to pursue their own actions against E&Y and potentially the other Third Party Defendants. The expedited manner in which the E&Y settlement approval has been approached appears to be intended to render it difficult, if not impossible, for any objectors to compile a sufficient mass and resources to ensure that their voices are heard.

17. If the answer to question 16 above is yes, then to how many persons or entities who were not Clients did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 16 above?
18. Between the time that the E&Y settlement was announced on December 3, 2012 and the present time, did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 16 above to any person or entity who was not a Client or a Prospective Client?
19. If the answer to question 18 above is yes, then to how many persons or entities who were not Clients or Prospective Clients did you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, send or caused to be sent the written communication referred to in question 16 above?
20. Please identify all persons and entities who were not Clients or Prospective Clients and to whom you, Kim Orr, a Client, or any person or entity acting at your behest or at the behest of Kim Orr or a Client, sent or caused to be sent the written communication referred to in question 16 above. If the person or entity was an employee or other representative of an institutional investor, then please identify the institutional investor of whom the person was then an employee or other representative. If the person or entity to whom the communication was sent was a lawyer, please identify the law firm of which that lawyer was an employee or partner at the time at which the communication was sent. If the person or entity to whom the communication was sent was an investor rights organization, then please so state. If the person or entity to whom the communication was sent was an employee or other representative of an investor rights organization at the

time at which the communication was sent, then please identify the investor rights organization of which the person was then an employee or other representative.

21. Did Invesco ever purchase shares or notes of Sino in an offering of Sino shares or notes? If so, please identify the offering and please state the name of each Invesco fund which participated in the offering, the number of shares or notes purchased in the offering by each such fund, and whether each such fund continued to own any of such shares or notes on June 2, 2011.
22. If the answer to question 21 is that Invesco never purchased shares or notes of Sino in an offering of Sino shares or notes, or that Invesco did purchase such shares or notes but did not hold any of them on June 2, 2011, then do you agree that Invesco has no viable claim against any of the underwriters named as defendants in the class proceeding being prosecuted by Class Counsel? If you do not agree with that proposition, then please explain on what basis you believe that Invesco could assert a claim against any such underwriter.
23. Is it correct that the Insolvency Proceeding is not the only occasion on which a debtor of which Invesco was a security-holder commenced a proceeding under the *CCAA*?
24. To your knowledge, approximately how many debtors have filed a proceeding under the *CCAA* at a time at which Invesco was a security-holder of the debtor?
25. Please identify all debtors who commenced within the past five years a proceeding under the *CCAA* at a time at which Invesco was a security-holder of the debtor.
26. Is it correct that, following the commencement of the Insolvency Proceeding and prior to the announcement of the Ernst & Young settlement on December 3, 2012, neither you nor Invesco requested from Class Counsel any information in regard to the Insolvency Proceeding?

27. Is it your understanding that one effect of the Plan of Arrangement in the Insolvency Proceeding would be that any person or entity who asserts a claim against Sino can recover no more than the unexhausted amount of Sino's insurance coverage?
28. Do you agree that the costs of defending any individual claims asserted against Sino by Invesco or any of the other Clients might ultimately be borne by Sino's insurer, and could therefore reduce the amount of insurance proceeds available to be recovered by security-holders who suffered losses as a result of Sino's alleged misrepresentations?
29. At para. 17 of your January 18, 2013 affidavit, you state that "Invesco determined to opt out, inasmuch as we were not satisfied with Class Counsel's representation of our interests as a class member." At approximately what point in time did Invesco decide that it was not satisfied with Class Counsel's representation of its interests? At approximately what point in time did Invesco determine to opt out?
30. At para. 19 of your January 18, 2013 affidavit, you state that a December 31, 2012 memorandum from Siskinds LLP "incorrectly stated that Invesco 'ignored' an invitation to discuss the E&Y settlement with Class Counsel." Is it correct that Invesco did not accept that invitation until after December 31, 2012, and that, prior to January 6, 2013, neither Invesco nor Kim Orr communicated to Class Counsel whether Invesco would in fact participate in such a meeting? If you maintain that Invesco or Kim Orr accepted Class Counsel's invitation before January 1, 2013, please explain who communicated that acceptance, to what individual it was communicated, and by what means it was communicated, and if the acceptance was communicated in writing, please produce a copy of that communication.
31. At para. 23(b) of your January 18, 2013 affidavit, you state that "the amount of insurance coverage available to E&Y with respect to its audit work for Sino-Forest has not been publicly disclosed." It is nevertheless correct, is it not, that you are aware of the amount of insurance coverage available to E&Y?

32. Do you agree that upon learning that Sino had commenced the Insolvency Proceeding, Invesco had the opportunity to retain legal counsel knowledgeable and experienced in CCAA proceedings to advise it in connection with the Insolvency Proceeding?
33. What is the relationship between Invesco and Invesco Trimark?
34. Please refer to the order of the Honourable Madam Justice Pepall (as she then was), dated Friday, June 28, 2010 and made in the Canwest CCAA proceedings, attached hereto as Exhibit "1" (the "**Canwest Sanction Order**"), which attaches the Canwest CCAA plan as Schedule "A" (the "**Canwest Plan**"), and, in particular: (1) section 8.1 of the Canwest Plan; and (2) paragraph 59 of the Canwest Sanction Order.
- a. Please confirm that Invesco Trimark was an equity sponsor (an "**Equity Sponsor**") of the transaction by which CW Acquisition Limited Partnership (the "**Purchaser**") agreed to purchase substantially all of the assets, property and undertakings related to the English language newspaper, digital online businesses carried on by various Canwest entities (the "**Canwest Transaction**").
- b. Do you agree that the Asset Purchase Agreement dated as of May 10, 2010, and related Assignment and Amending Agreement (read together, the "**Canwest Agreement**"), attached hereto as Exhibits "2" and "3", respectively, accurately evidence the Canwest Transaction? If not, please provide copies of all of the agreements that do evidence the Canwest Transaction.
- c. Please produce a copy of the Equity Commitment Letter and the Second Amended and Restated Equity Commitment Letter, as defined in section 8.6 of the Canwest Agreement.
- d. Was Invesco or Invesco Trimark, directly or indirectly, part of any formal or informal group or committee of noteholders in the Canwest CCAA Proceedings? If so, please identify the group(s) and committee(s), advise the time period(s)

during which Invesco/Invesco Trimark was on the group(s) and committee(s), and what role Invesco played on the group(s) and committee(s).

e. Did Invesco or Invesco Trimark hold, directly or indirectly, any of the debt of Canwest at the time of the meeting of Canwest's creditors held to vote on the Canwest Plan? If so, please:

i. provide the details of those holdings (including the identity of the holder of the debt; their relationship to Invesco / Invesco Trimark; and, a description of the debt held); and

ii. advise whether that debt was voted for or against the Canwest Plan?

f. Did Invesco or Invesco Trimark hold, directly or indirectly, any of the debt of Canwest at the time of the hearing of Canwest's application for court approval of the Canwest Plan? If so, please:

i. provide the details of those holdings (including the identity of the holder of the debt; their relationship to Invesco / Invesco Trimark; and, a description of the debt held); and

ii. advise what position, if any, the holder of the debt took in respect of that application?

35. Please refer to the order of the Honourable Mr. Justice Sewall, dated Friday, June 28, 2012, made in the CCAA proceedings commenced by Catalyst Paper Corporation ("Catalyst"), attached hereto as Exhibit "4" (the "Catalyst Sanction Order"), which attaches the Catalyst CCAA plan (the "Catalyst Plan"), and in particular: (1) section 7.3 of the Catalyst Plan; and (2) paragraphs 36 and 37 of the Catalyst Sanction Order.

- a. Was Invesco, directly or indirectly, part of any formal or informal group or committee of noteholders in the Catalyst CCAA Proceedings? If so, please identify the group(s) and committee(s), advise the time period(s) during which Invesco was on the group(s) and committee(s), and what role Invesco played on the group(s) and committee(s).

- b. Did Invesco hold, directly or indirectly, any of the debt of Catalyst at the time of the meeting of Catalyst's creditors held to vote on the Catalyst Plan? If so, please:
 - i. provide the details of those holdings (including the identity of the holder of the debt; their relationship to Invesco; and, a description of the debt held); and,
 - ii. advise whether that debt was voted for or against the Catalyst Plan?

- c. Did Invesco hold, directly or indirectly, any of the debt of Catalyst at the time of the hearing of Catalyst's application for court approval of the Catalyst Plan? If so, please:
 - i. provide the details of those holdings (including the identity of the holder of the debt; their relationship to Invesco; and, a description of the debt held); and,
 - ii. advise what position, if any, the holder of the debt took in respect of that application?

ANSWERS TO WRITTEN QUESTIONS ARISING FROM THE
AFFIDAVIT OF ERIC J. ADELSON

1. Ontario in 1998
2. Yes, from my call until August 2001.
3. Corporate/securities.
4. No.
5. There are 4 lawyers. I do not know if any of them have experience with the CCAA as that is not a relevant hiring criteria.
6. I do not recall.
7. I was aware of the proceeding prior to August 1, 2012.
8. No, apart from reviewing the business press.
9. The upcoming event was the sanctioning of the Plan.
10. I am now aware. I do not recall when I became aware.
11. I did not send any such communication to anyone. I cannot speak for Kim Orr or their other clients.
12. Please see answer to Question 11.
13. Please see answer to Question 11.
14. Please see answer to Question 11.
15. Please see answer to Question 11.
16. I did not send any such communication to anyone. Again, I cannot speak for Kim Orr or their other clients.
17. Please see answer to Question 16.
18. Please see answer to Question 16.
19. Please see answer to Question 16.
20. Please see answer to Question 16.

21. Invesco purchased only on the secondary market.
22. I do not agree and rely on the provisions of the *Securities Act*.
23. That is correct.
24. At least once.
25. The question is refused as it is not relevant to this proceeding.
26. That is correct because prior to December 3, 2012 it had not been revealed that Class Counsel had purported to bargain away opt out rights and had agreed to the proposed third party release in the *CCAA* proceeding.
27. I have not turned my mind to that issue as our firm's involvement is focused on preservation of the right to opt out of settlements with respect to the third parties. We understand that Sino is insolvent.
28. Please see answer to Question 27.
29. We became definitively dissatisfied on December 3, 2012 when it was revealed that Class Counsel, without authority, had purported to bargain away absent Class Members' opt out rights. This was a clear conflict as Class Counsel will be seeking as fees a percentage of the amount received for bargaining away those rights. We determined definitively to opt out on January 11, 2013, the date on which I executed our opt out form.
30. The "invitation" from Siskinds LLP offered a meeting on dates when I was on vacation. Upon my return I had our counsel arrange alternate dates.
31. In that telephone meeting with Siskinds, Mr. Lascaris advised of his belief as to the amount of insurance coverage. We have received no verification of his statement.
32. Yes, although we had no reason to do so. We were concerned about opt out rights against third parties in the Class Action and I had no knowledge that any other Class Counsel had believed that they were able to bargain away this statutory right, in the context of a *CCAA* or any other proceeding.
33. Your use of the names is imprecise. "Invesco" can be taken to mean the short form of Invesco Ltd., the indirect parent of Invesco Canada Ltd., and a publicly-listed company on the NYSE (symbol IVZ) or it can be taken to mean the business name registered in various provinces and territories in Canada by Invesco Canada Ltd. "Invesco Trimark" is a name that was used previously and was a registered business name (and may still be) of Invesco

Canada Ltd. and widely used when Invesco Canada Ltd.'s corporate name was Invesco Trimark Ltd. The name was changed by articles of amendment in 2011.

34. Refused as the question is not relevant to this proceeding.

35. Refused as the question is not relevant to this proceeding.

January 29, 2013

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Inc., Gestion Férique and Montrusco Bolton
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Lawyers for an Ad Hoc Committee of Purchasers of the Applicant's Securities

Tab C

Tab 1

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

Sino-Forest Corporation

FIFTEENTH REPORT OF THE MONITOR

January 28, 2013

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 OF
SINO-FOREST CORPORATION

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 MURRY, 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

**FIFTEENTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On March 30, 2012 (the “**Filing Date**”), Sino-Forest Corporation (the “**Company**” or “**SFC**”) filed for and obtained protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the “**Monitor**”) in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company’s subsidiaries.
2. On December 10, 2012, the Court granted an Order (the “**Sanction Order**”) approving the Company’s Plan of Compromise and Reorganization dated December 3, 2012 (the “**Plan**”).
3. The following appendices have been attached to this Fifteenth Report:
 - (a) Appendix A - the Minutes of Settlement (as defined below);
 - (b) Appendix B - the Plan;
 - (c) Appendix C - the Monitor’s Thirteenth Report dated November 22, 2012 (the “**Thirteenth Report**”) (without appendices);
 - (d) Appendix D - the Monitor’s Supplemental Report to the Thirteenth Report dated December 4, 2012 (the “**Supplemental Report**”) (without appendices);
 - (e) Appendix E - the Monitor’s Second Supplemental Report to the Thirteenth Report dated December 6, 2012 (the “**Second Supplemental Report**”) (without appendices);
 - (f) Appendix F - the Claims Procedure Order;
 - (g) Appendix G - the Mediation Order;
 - (h) Appendix H - the Meeting Order;

- (i) Appendix I - Notice of Appearance of Kim Orr;
 - (j) Appendix J - the Sanction Order;
 - (k) Appendix K - Endorsement of Justice Morawetz re Sanction Hearing;
 - (l) Appendix L - Notice of Motion re Leave to Appeal the Sanction Order;
 - (m) Appendix M - (i) letter from Bennett Jones to Kim Orr dated January 3, 2013; (ii) letter from Kim Orr to Bennett Jones dated January 3, 2013; (iii) letter from Lenczner Slaght to Kim Orr dated January 3, 2013;
 - (n) Appendix N - E&Y Notice Order (as defined below);
 - (o) Appendix O - Company's press release dated January 24, 2013; and
 - (p) Appendix P - (i) letter from Gowling Lafleur Henderson dated January 11, 2013 regarding the addition of Allen Chan and Kai Kit Poon as Named Third Party Defendants; (ii) letter from Gowling Lafleur Henderson dated January 21, 2013 regarding the addition of David Horsley as a Named Third Party Defendant.
4. The objections received to the Ernst & Young Settlement up to January 21, 2013 have been filed separately in the Monitor's fourteenth report dated January 22, 2013 (the "**Fourteenth Report**"). Any subsequent Notices of Objection or other correspondence expressing objections have or will be attached in a supplement or supplements to the Fourteenth Report.
5. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".
6. The purpose of this Fifteenth Report is to report on certain matters relating to the Ernst & Young Settlement.
7. In preparing this Fifteenth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the

Company's Board of Directors dated August 10, 2011, November 13, 2011, and January 31, 2012, and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Fifteenth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Fifteenth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

8. Unless otherwise stated, all monetary amounts referred to herein are expressed in CDN Dollars.
9. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to Greenheart (as defined in the Plan). "Sino-Forest Subsidiaries" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to Greenheart.
10. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Plan, the Thirteenth Report, the Supplemental Report and/or the Second Supplemental Report.¹

¹ See Appendices B, C, D and E for copies of the Plan, the Thirteenth Report, the Supplemental Report and the Second Supplemental Report.

BACKGROUND

Overview of the CCAA Proceedings

11. The description of the Company's business as well as the background to these proceedings has all been set out in previous reports of the Monitor as well as affidavits filed by the Company in connection with the CCAA Proceedings and is therefore not repeated herein.
12. A brief chronology of certain of the significant events in the CCAA Proceedings to date is as follows:
 - (a) On March 30, 2012, the Company sought and the Court granted the Initial Order the terms of which included a stay of proceedings (the "Stay") against the Company, its directors and officers and the Sino-Forest Subsidiaries. The Stay has been extended from time to time and is currently extended through to February 1, 2013.
 - (b) As part of its application for the Initial Order, the Company advised that it had entered into the RSA which provided for the terms on which certain Initial Consenting Noteholders would consent to a restructuring transaction.
 - (c) On the same day, the Court granted the Sale Process Order pursuant to which the Company was authorized to conduct a sale process, in part, as a market test of the transactions contemplated under the RSA.
 - (d) On April 20, 2012, the Court granted an Order expanding the Monitor's powers in these proceedings.
 - (e) On May 8, 2012, on a motion by the Company (the "Third Party Stay Motion"), the Court granted an Order confirming that the Stay extended to the Third Party Defendants (as defined below) in the Class Actions.

- (f) On May 14, 2012, the Court granted the Claims Procedure Order which provided for the calling of claims against the Company, its directors and officers and the Sino-Forest Subsidiaries and established a claims bar date.
- (g) On June 26, 2012 the Company brought a motion relating to a determination on “equity claims” and on July 27, 2012, the Court granted the motion and issued the Equity Claims Order. An appeal from the Equity Claims Order was dismissed by the Ontario Court of Appeal on November 23, 2012.
- (h) On July 25, 2012, the Monitor sought and the Court granted the Mediation Order, directing a mediation of the Class Action Claims against the Company and the Third Party Defendants. The Mediation took place over the course of September 4 and 5, 2012. While no settlements were reached during the Mediation, settlement discussions among parties to the Mediation continued following the Mediation.
- (i) On August 31, 2012, the Company sought and the Court granted the Meeting Order which provided for the filing of the Plan and the calling of a meeting of creditors.
- (j) On October 28, 2012, the Ontario Class Action Plaintiffs brought a motion seeking a lifting of the stay against Ernst & Young, BDO, the Underwriters, Allen Chan and Kai Kit Poon. The motion was not opposed by the Company or the Monitor. In an endorsement released on November 6, 2012, the Court dismissed the motion without prejudice to the Ontario Class Action Plaintiffs to renew their request on December 10, 2012 (which was the scheduled date for the Sanction Hearing).
- (k) On December 3, 2012, the Meeting took place at which time the Plan was approved by the Required Majority (also discussed in more detail below).
- (l) On December 7, 2012, the Company sought the Sanction Order, which was granted by the Court on December 10, 2012. A notice of motion for leave to appeal the Sanction Order has been served by counsel to a group of shareholders

(“**Kim Orr**”). To date, Kim Orr has not perfected its leave motion nor has leave been granted by the Ontario Court of Appeal.

(m) On December 21, 2012, the Court granted an Order approving the notice process for the approval of the Ernst & Young Settlement.

13. As of the date of this Fifteenth Report, the Company is continuing to work towards the implementation of the Plan, the details of which are discussed in more detail below.

THE CLAIMS PROCESS, MEDIATION AND PARTICIPATION OF THE CLASS ACTION PLAINTIFFS IN THE CCAA PROCEEDINGS

Claims, the Class Actions and the Mediation

14. From the outset of the CCAA Proceedings, it was apparent that addressing the contingent claims against the Company (and related claims against the Sino-Forest Subsidiaries) would be important given the extent of the litigation against the Company and resulting indemnification claims from others named in the Class Actions. To further that process, on May 14, 2012, the Company obtained the Claims Procedure Order,² which provided for the calling of claims against the Company, its directors and officers and its subsidiaries. The call for Claims included a call for “equity claims”. Claims (other than Restructuring Claims) and D&O Claims (as such terms are defined in the Claims Procedure Order) were to be filed prior to June 20, 2012 (the “**Claims Bar Date**”). Any Claim not filed by the Claims Bar Date is now forever barred.

15. In developing the terms of the Claims Procedure Order, the Company and the Monitor were both cognizant of the relatively unique nature of the claims that were anticipated to be asserted in the claims process. As set out above, as a holding company, unlike many CCAA debtors, the Company does not have many, if any, trade creditors. Instead, aside from the claims in respect of the Notes, it was anticipated that most or all of the remaining claims filed would be in connection with the Class Actions either directly by

² See Appendix F for a copy of the Claims Procedure Order.

the plaintiffs in the Class Actions or by way of indemnity claims from the Third Party Defendants.

16. In that regard, the Company and the Monitor had extensive discussions with class action counsel for the Ontario Class Action Plaintiffs and the Quebec Class Action Plaintiffs (collectively, the “**Canadian Plaintiffs**”) (among others) as to certain terms of the Claims Procedure Order. Ultimately, numerous changes were made to the Claims Procedure Order that was proposed to the Court including paragraphs ordering that the Canadian Plaintiffs were entitled to file representative Proofs of Claim and D&O Proofs of Claim (as both terms are defined in the Claims Procedure Order) in respect of the substance of the Ontario Class Action and the Quebec Class Action, respectively (collectively, the “**Canadian Class Actions**”).³
17. On June 26, 2012, the Company brought a motion seeking a direction that Claims by the plaintiffs in the Class Actions in respect of the purchase of securities⁴ and resulting indemnification claims by the Third Party Defendants constituted “equity claims” pursuant to section 2(1) of the CCAA. The motion as opposed by Ernst & Young, BDO and the Underwriters. The motion was not opposed by the Canadian Plaintiffs who conceded that their Class Action claims in respect of the purchase of securities were “equity claims”.⁵
18. On July 27, 2012, the Court issued its decision determining that such claims did constitute “equity claims” under section 2(1) of the CCAA (the “**Equity Claims Decision**”). The Equity Claims Decision was appealed by Ernst & Young, BDO and the Underwriters. The appeal was heard by the Ontario Court of Appeal on November 13, 2012. On November 23, 2012, the Ontario Court of Appeal issued its reasons and dismissed the appeal. The Equity Claims Decision was not appealed to the Supreme Court of Canada.

³ See paragraphs 27 and 28 of the Claims Procedure Order.

⁴ The motion did not deal with claims in respect of the purchase of debt securities.

⁵ Kim Orr did not appear at or in any way oppose the motion on the Equity Claims Decision.

19. Early in the CCAA Proceedings, it became apparent to the Monitor that the nature, complexity and number of parties involved in the litigation claims surrounding the Company had the potential to cause extensive delay and additional costs in the CCAA Proceedings. As such, it was the view of the Monitor (with the agreement of the Company) that there was merit in a global resolution of not only the Class Action Claims against the Company, but also against the other defendants named in the Class Actions other than Pöyry Beijing (the “**Third Party Defendants**”).⁶
20. On July 25, 2012 the Court granted an order (the “**Mediation Order**”), directing a mediation (the “**Mediation**”) of the class action claims against the Company and the Third Party Defendants.⁷ The parties directed to participate in the mediation were the Company, the Canadian Plaintiffs, the Third Party Defendants, the Monitor, the Initial Consenting Noteholders and relevant insurers. The Monitor is aware and believes that the parties took the Mediation seriously and relied on the ability of those in attendance to bind their respective constituents as was required by the Mediation Order. The Mediation was conducted on September 4 and 5, 2012. No settlements were reached during the Mediation.
21. Although no settlements were reached during the Mediation, the Monitor was aware that many of the Third Party Defendants remained focused on determining whether a resolution within the CCAA Proceedings was possible. Specifically, the Monitor notes the description of the ongoing settlement discussions between the Canadian Plaintiffs and Ernst & Young in the affidavit of Charles Wright sworn January 10, 2013 (the “**Wright Affidavit**”), which ultimately resulted in the Ernst & Young Settlement.

⁶ The Third Party Defendants are: EY, BDO, the Underwriters, Allen Chan, Judson Martin, Kai Kit Poon, David Horsley, William Ardell, James Bowland, James Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry West.

⁷ See Appendix G for a copy of the Mediation Order.

THE PLAN, MEETING OF CREDITORS AND SANCTION ORDER

The Plan and the Plan Filing and Meeting Order

22. On August 14, 2012, the Company announced that it had filed a draft plan of compromise and reorganization (the “**August 14 Draft Plan**”) with the Court.⁸ On August 15, 2012, the Company filed a draft information circular with the Court. In connection with the filing of the August 14 Draft Plan, the Company also brought a motion seeking approval of a plan filing and meeting order (the “**Meeting Order**”) which, among other things, provided for the calling of a meeting of creditors (the “**Meeting**”).⁹ It was agreed that the Meeting Date would be subsequent to the completion of the Mediation.
23. The motion for the Meeting Order was returnable on August 28, 2012. Due to concerns raised by certain of the Third Party Defendants, the motion was postponed to determine whether the parties could agree to changes that would result in a mutually satisfactory proposed order, which was ultimately achieved. On August 31, 2012, the Court granted the Meeting Order.
24. On October 19, 2012, the Company filed a revised plan of compromise and reorganization and information statement. Further revised versions of the Plan were filed on November 28, 2012 and December 3, 2012. The December 3, 2012 version of the Plan (being the final version of the Plan that was put to creditors at the Meeting and the Court at the Sanction Hearing) included amendments relating to the Third Party Defendants including the new Article 11.1 which provided for a mechanism through which the release contemplated by the Ernst & Young Settlement could be achieved.¹⁰

The Meeting

25. The details regarding the calling of the Meeting as well as the conduct of the Meeting are set out in detail in the Supplemental Report and therefore not repeated herein. Briefly, the Meeting Order provided for:

⁸ A further draft of the Plan dated August 27, 2012 was filed prior to the return of the motion for the Meeting Order.

⁹ See Appendix H for a copy of the Meeting Order.

¹⁰ See Appendix B for a copy of the Plan.

- (a) notice and mailing of the Company's plan, supplements and amendments thereto;
 - (b) the solicitation of proxies;
 - (c) the calling of a meeting of creditors; and
 - (d) those Persons who were entitled to attend and vote on the plan at the meeting – specifically, holders of equity claims were not (in such capacity) entitled to attend the Meeting, nor were they entitled to vote on the Plan.
26. The Meeting was held at Gowlings' office on December 3, 2012, starting shortly after 10am. By the time the Meeting was conducted, the Company (with the assistance of others) had made considerable progress in obtaining support for its Plan. Notably, with those holding Voting Claims, there were only three (3) votes against the Plan (representing approximately .03% in value) and there was only one vote against the Plan in respect of Unresolved Claims (namely, BDO).
27. In accordance with the Meeting Order, persons who were entitled to vote submitted their proxies which were used to vote on the Plan in the form presented at the Meeting. As a result, the Plan received overwhelming approval by creditors with Voting Claims who voted in person or by proxy (99.96% in value and 98.81% in number) and even if the results of the votes on the Unresolved Claims counted towards the Required Majority, the Plan still would have received overwhelming approval (90.72% in value and 98.5% in number).¹¹ Further, as discussed below, subsequent to the Meeting and prior to the Sanction Hearing, BDO (the only party with Unresolved Claims that voted "no"), became a Named Third Party Defendant under the Plan and supported approval of the Plan at the Sanction Hearing. Lastly, as set out above, holders of equity claims (including the Canadian Plaintiffs) were not entitled to attend the Meeting or vote on the Plan.

The Sanction Order

28. The Sanction Hearing was held on December 7, 2012. At the Sanction Hearing, there were no claimants who filed Claims, D&O Claims or D&O Indemnity Claims (all as

¹¹ See paragraph 31 of the Supplemental Report (Appendix D) for a full summary of the voting results.

defined in the Claims Procedure Order) under the Claims Procedure Order and/or who voted at the Meeting who opposed the sanctioning of the Plan. Specifically, the following parties were supportive of the Plan:

- (a) the Company;
 - (b) the Company's board of directors;
 - (c) the Monitor;
 - (d) the Initial Consenting Noteholders;
 - (e) Ernst & Young;
 - (f) the Underwriters; and
 - (g) BDO.
29. There were also a number of parties, including counsel for the Canadian Plaintiffs and the U.S. Plaintiffs, who did not oppose the sanctioning of the Plan. The only parties who expressed any opposition to the sanctioning of the Plan were three shareholders of the Company, Invesco Canada Ltd., Northwest & Ethical Investments L.P. and Comité Syndical National De Retraite Batirente Inc. (collectively, the "**Objecting Shareholders**"), which were represented by Kim Orr, who served a notice of appearance on December 6, 2012, one (1) day prior to the Sanction Hearing in these CCAA Proceedings.¹² Notwithstanding the fact that Kim Orr acknowledged during the Sanction Hearing that it had been monitoring the CCAA Proceedings on behalf of its clients, none of the Objecting Shareholders had previously objected to the Claims Procedure Order, the Mediation Order, nor did any of them file Claims or D&O Claims under the Claims Procedure Order independent of the representative Claims and D&O Claims that were filed by the Canadian Plaintiffs as authorized by paragraphs 27 and 28 of the Claims

¹² See Appendix I for a copy of the notice of appearance of Kim Orr.

Procedure Order. The Court issued its endorsement on the Sanction Hearing and the Sanction Order was granted on December 10, 2012.¹³

30. A notice of motion for leave to appeal the Sanction Order has been served by Kim Orr.¹⁴ However, in an exchange of correspondence between the Company and Kim Orr, Kim Orr confirmed that they did not intend to seek a stay of the implementation of the Plan pending appeal.¹⁵

Plan Implementation

31. Since the granting of the Sanction Order, the Company, with the assistance of the Monitor and the Initial Consenting Noteholders, has worked towards fulfilling all of the conditions precedent to the implementation of the Plan. On January 24, 2013, the Company announced that it anticipated that the Plan Implementation Date will occur on or about January 29, 2013 and, in any event, prior to the end of January 2013.¹⁶
32. Subsequent to the Sanction Order being granted,
- (a) Allen Chan, Kai Kit Poon and David Horsley have been added as “Named Third Party Defendants” to the Plan which means, among other things, that none of those three individuals will be entitled to receive any distributions under the Plan;¹⁷
 - (b) As a result of the addition of Mr. Chan, Mr. Poon and Mr. Horsley as Named Third Party Defendants to the Plan, the Unresolved Claims Reserve was reduced from Plan consideration sufficient to address \$162.5 million of Unresolved Claims to Plan consideration sufficient to address \$1.2 million of Unresolved Claims;

¹³ See Appendices J and K for copies of the Sanction Order the Court’s endorsement.

¹⁴ See Appendix L for a copy of the notice of motion seeking leave to appeal the Sanction Order.

¹⁵ See Appendix M copies of correspondence from Bennett Jones to Kim Orr; a responding letter from Kim Orr to Bennett Jones; and a responding letter from Lenczner Slaght to Kim Orr all dated January 3, 2013.

¹⁶ See Appendix O for a copy of the Company’s press release announcing that it anticipates that Plan implementation will occur on or about January 29, 2013.

¹⁷ See Appendix P for letters dated January 11, 2013 and January 21, 2013.

- (c) On January 15, 2013, the Company obtained an Order of the Court with respect to certain document retention matters (the “**Document Retention Protocol Order**”); and
- (d) On January 21, 2013, the Company obtained an Order to approve certain administrative changes to the Plan including providing for the creation of an additional escrow to be maintained by the Monitor in connection with certain Hong Kong stamp duty matters.

THE ERNST & YOUNG SETTLEMENT

The Ernst & Young Settlement and Article 11 of the Plan

- 33. As set out above, Ernst & Young is one of the Third Party Defendants named in the Canadian Class Actions (as well as the class action proceeding commenced in the U.S.). In turn, in connection with the claims process conducted pursuant to the Claims Procedure Order, Ernst & Young filed both Claims and D&O Claims against the Company, the Sino-Forest Subsidiaries and numerous individuals for indemnity, contractual damages and other matters. The Monitor notes that the Proof of Claim and D&O Proof of Claim (each as defined in the Claims Procedure Order) filed by Ernst & Young are attached as Exhibits C and D to the affidavit of Mike P. Dean sworn January 11, 2013.
- 34. Prior to the Meeting, the Canadian Plaintiffs reached a settlement with Ernst & Young pursuant to certain minutes of settlement dated November 29, 2012 (the “**Minutes of Settlement**”).¹⁸ The Minutes of Settlement provided for the settlement of all claims against Ernst & Young and, in turn, resulted in amendments to the Plan and, in that context, Ernst & Young agreed, among other things, that it would not receive any consideration under the Plan, waived all rights to appeal and also resulted in Ernst & Young being supportive of and voting in favour of the Plan.

¹⁸ See Appendix A for a copy of the Minutes of Settlement.

35. A detailed outline of the Ernst & Young Settlement is set out in the affidavit of Charles Wright sworn January 10, 2013 and therefore not repeated herein. In general terms, the Ernst & Young Settlement provides for the payment by Ernst & Young to a settlement trust of a \$117 million settlement amount (the “**Settlement Fund**”) upon the satisfaction of certain conditions including: (a) approval of the court of the Ernst & Young Settlement (the “**Ernst & Young Settlement Approval Order**”); and (b) recognition by the U.S. court of the Ernst & Young Settlement Approval Order pursuant to chapter 15 of title 11 of the United States Code.
36. In exchange for payment of the Settlement Fund, the Minutes of Settlement provide for the requirement that Ernst & Young receive a full release of all claims against it to be effected pursuant through the CCAA Plan mechanism. As such, amendments to the November 28 Plan were required in order to incorporate this structure. Details of the changes to the Plan relating to Ernst & Young are set out in the Supplemental Report. A brief description is as follows:
- (a) Any and all indemnification rights and entitlements of Ernst & Young and any indemnification agreement between Ernst & Young and the Company shall be deemed to be valid and enforceable in accordance with their terms for the purposes of determining whether the Claims of Ernst & Young for indemnification in respect of the Noteholder Class Action Claims are valid and enforceable within the meaning of section 4.4(b) the Plan.¹⁹
 - (b) Ernst & Young shall not be entitled to any distributions under the Plan.
 - (c) The Sanction Order shall contain a stay against Ernst & Young between the Plan Implementation Date and the earlier of the Ernst & Young Settlement Date (as defined in the Plan) or such other date as may be ordered by the Court on a motion to the Court.

¹⁹ Section 4.4(b) of the Plan, among other things, establishes the Indemnified Noteholder Class Action Limit.

- (d) Section 11.1 of the Plan contains provisions that provide a framework pursuant to which a release of the Ernst & Young Claims²⁰ under the Plan would happen if several conditions were met. That release will only be granted if all conditions are met including further court approval. A summary of those terms is as follows:
- (i) Notwithstanding anything to the contrary in the Plan, subject to (A) the granting of the Sanction Order; (B) the issuance of the Settlement Trust Order (as may be modified in a manner satisfactory to the parties to the Ernst & Young Settlement and the Company (if occurring on or prior to the Plan Implementation Date), the Monitor and the Initial Consenting Noteholders, as applicable, to the extent, if any, that such modifications affect the Company, the Monitor or the Initial Consenting Noteholders, each acting reasonably); (C) the granting of an Order under Chapter 15 of the United States Bankruptcy Code recognizing and enforcing the Sanction Order and the Settlement Trust Order in the United States; (D) any other order necessary to give effect to the Ernst & Young Settlement (the orders referenced in (C) and (D) being collectively the “**Ernst & Young Orders**”); (E) the fulfillment of all conditions precedent in the Ernst & Young Settlement and the fulfillment by the Ontario Class Action Plaintiffs of all of their obligations thereunder; and (F) the Sanction Order, the Settlement Trust Order and all Ernst & Young Orders being final orders and not subject to further appeal or challenge, Ernst & Young shall pay the settlement amount as provided in the Ernst & Young Settlement to the trust established pursuant to the Settlement Trust Order (the “**Settlement Trust**”);
 - (ii) Upon receipt of a certificate from Ernst & Young confirming it has paid the settlement amount to the Settlement Trust in accordance with the Ernst & Young Settlement and the trustee of the Settlement Trust confirming

²⁰ “Ernst & Young Claims” has the definition given to it in the Plan and does not include any proceedings or remedies that may be taken against Ernst & Young by the Ontario Securities Commission or by staff of the Ontario Securities Commission and the jurisdiction of the Ontario Securities Commission is expressly preserved.

receipt of such settlement amount, the Monitor shall deliver to Ernst & Young the Monitor's Ernst & Young Settlement Certificate. The Monitor shall thereafter file the Monitor's Ernst & Young Settlement Certificate with the Court;

- (iii) Notwithstanding anything to the contrary in the Plan, upon receipt by the Settlement Trust of the settlement amount in accordance with the Ernst & Young Settlement: (A) all Ernst & Young Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled, barred and deemed satisfied and extinguished as against Ernst & Young; (B) section 7.3 of the Plan shall apply to Ernst & Young and the Ernst & Young Claims *mutatis mutandis* on the Ernst & Young Settlement Date; and (C) none of the plaintiffs in the Class Actions shall be permitted to claim from any of the other Third Party Defendants that portion of any damages that corresponds to the liability of Ernst & Young, proven at trial or otherwise, that is the subject of the Ernst & Young Settlement; and
- (iv) In the event that the Ernst & Young Settlement is not completed in accordance with its terms, the Ernst & Young Release will not become effective (and any claims against Ernst & Young will be assigned to the Litigation Trust).

37. The focus of Kim Orr's objections at the Sanction Hearing related to the inclusion of Article 11.1 relating to the Ernst & Young Settlement. At the Sanction Hearing, it was made clear by all parties that approval of the Ernst & Young Settlement (including the potential for a release under Article 7 of the Plan) was not being sought on that date and would be the subject of a further motion. However, the Company (and others) did take the view that the Plan, as a whole (not in part), was being considered for Court approval. Ultimately, the Court, in the Sanction Order, approved the Plan, in its entirety. In his endorsement, Justice Morawetz notes:

The Plan was presented to the meeting with Article 11 in place. This was the Plan that was subject to the vote and this is the Plan that is the subject

of this motion. The alternative proposed by the Funds was not considered at the meeting and, in my view, it is not appropriate to consider such an alternative on this motion.

38. The Monitor participated in the development of the Plan as a whole and is of the view that it is clearly reflected in the Court's endorsement that the Plan, as a whole, be approved.

The E&Y Notice Order

39. The parties took the view that this Court was the appropriate court for hearing the motion to approve the Ernst & Young Settlement. Upon direction from the Regional Senior Justice on December 13, 2012, it was determined that the Court would hear the motion for approval of the Ernst & Young Settlement. On December 21, 2012, the Court granted an order (the "**E&Y Notice Order**") approving the notice process regarding the approval of the Ernst & Young Settlement and scheduled the motion date for the Ernst & Young Settlement Motion to be February 4, 2013.²¹
40. The E&Y Notice Order set out the required methods for providing notice of the Ernst & Young Settlement as well as an objection process pursuant to which any person wishing to object to the approval of the Ernst & Young Settlement at the Ernst & Young Settlement Motion was required to file a notice of objection in the prescribed form on or prior to January 18, 2013. The Monitor was also required to attach all objections received to a report to court.
41. The Monitor has filed its Fourteenth Report that contained all Notices of Objections or other correspondence expressing objections received up to the date of the Fourteenth Report. The Monitor has or will provide any further Notices of Objection or other correspondence expressing objections in further supplements to the Fourteenth Report.

The Benefits of Ernst & Young Settlement to the Company and the CCAA Proceedings

²¹ See Appendix N for a copy of the E&Y Notice Order.

42. Although the Ernst & Young Settlement resolves class action litigation claims against Ernst & Young, the settlement was reached in the context of the Company's CCAA Proceedings and has provided a benefit to the Company, the Plan and the CCAA Proceedings for the following reasons. In particular:
- (a) It eliminated the chance that Ernst & Young would seek leave to appeal the Equity Claims Decision to the Supreme Court of Canada which might have been costly and time consuming;
 - (b) Given that the Equity Claims Decision did not address the entirety of Ernst & Young's indemnity claims, the settlement results in the elimination of further litigation relating to the acceptance, disallowance or revision of the Claim and D&O Claim filed by Ernst & Young, which litigation could have been extensive, lengthy and costly;
 - (c) Ernst & Young has agreed to forego any distributions under the Plan which; and
 - (d) It eliminated the possibility that Ernst & Young would vote against the Plan, object to the Sanction Hearing and appeal the Sanction Order which could have caused delay in implementing the Plan and result in significant additional cost to the estate.
43. Further, the Monitor has consistently recognized the potential benefit of settlement within the CCAA Proceedings of the litigation claims surrounding the Company, including those against the Third Party Defendants. This view was evident not only in the Monitor's Reports but also through the Monitor's support of the Third Party Stay Motion as well as the bringing of the motion for Mediation. The Monitor has, throughout, encouraged the settlement of these claims within the CCAA framework which, in the Monitor's view, provides for an efficient legal regime through which such settlements may be effected.
44. The Monitor has also consistently expressed its views regarding urgency in the CCAA Proceedings and is of the view that the Ernst & Young Settlement has assisted in eliminating a potential delay in the implementation of the Plan.

MONITOR'S RECOMMENDATION

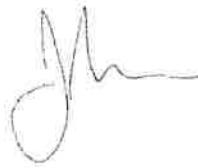
45. For the reasons set out above, the Monitor recommends approval of the Ernst & Young Settlement including the granting of the proposed release as set out in Articles 7 and 11 of the Plan.

Dated this 28th day of January, 2013.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



Jodi Porepa
Managing Director