

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

Sino-Forest Corporation

ELEVENTH REPORT OF THE MONITOR

October 24, 2012

**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

**ELEVENTH 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**") 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. Pursuant to an Order of this Court made on October 9, 2012, this Court granted an Order extending the Stay Period to December 3, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the "**CCAA Proceedings**".

2. On August 31, 2012, the Court granted a plan filing and meeting order (the "**Meeting Order**") which, among other things, set out the process for mailing certain meeting materials and provided for the calling of a meeting of creditors. A copy of the Meeting Order is attached as Appendix A hereto.

3. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Meeting Order.
4. The purpose of this Eleventh Report is to:
 - (a) Provide an update with respect to the process set out in the Meeting Order including the mailing of the Noteholder Meeting Materials, the Ordinary Affected Creditor Meeting Materials and the scheduling of the Meeting Date and the Sanction Hearing Date;
 - (b) Report on certain changes to the proposed mailing and noticing process from that which was set out in the Meeting Order (the “**Revised Noteholder Noticing Process**”); and
 - (c) Seek an Order approving, *nunc pro tunc*, the Monitor’s use of the Revised Noteholder Noticing Process.
5. In preparing this Eleventh 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 Eleventh Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Eleventh Report is based on management’s assumptions regarding future events; actual results may vary from forecast and such variations may be material.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.

7. The term “**Sino-Forest**” refers to the global enterprise as a whole but does not include references to the Greenheart Group. “**Sino-Forest Subsidiaries**” refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange (“**TSX**”). Prior to August 26, 2011 (the date of the Cease Trade Order), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
10. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission, the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
12. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information as well as

a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

THE MEETING ORDER AND REVISED NOTEHOLDER NOTICING PROCESS

Mailing Process Under the Meeting Order

13. As set out above, the Meeting Order was granted on August 31, 2012. One of the purposes of the Meeting Order was to set out the process for distribution of the Noteholder Meeting Materials to Noteholders. Specifically, the Meeting Order provided that:

- (a) The Monitor would contact Participant Holders to determine the number of copies of the Noteholder Meeting Materials required in order for the Participant Holders to provide such copies to their customers who are Unregistered Noteholders;
- (b) The Participant Holders would initially complete the portion of the Noteholders' Proxy relevant to the Participant Holders and then distribute hard copies of the Noteholder Meeting Materials, including the pre-validated Noteholder's Proxy to Unregistered Noteholders; and
- (c) The pre-validated Noteholder's Proxy would be required to be completed and signed by Unregistered Noteholders and mailed back to the Monitor within the timeframes provided for in the Meeting Order.

Events Since the Meeting Order

14. In accordance with the Meeting Order, the Monitor posted on its website:

- (a) The Meeting Order and Endorsement;
- (b) The Company's draft Plan dated August 27, 2012;
- (c) The Company's draft Information Circular dated August 15, 2012; and
- (d) The Company's draft Notice to Affected Creditors.

- 15. Since the granting of the Meeting Order, the Company has been working with various of its constituents including the Initial Consenting Noteholders to amend the draft Plan and Information Circular. On October 23, 2012, the Company issued a press release announcing that:
 - (a) it had filed an amended Plan with the Court;
 - (b) it intended to hold the Meeting on November 29, 2012 at 10am at the offices of Bennett Jones LLP; and
 - (c) the Sanction Hearing had been scheduled for December 7 and 10, 2012.

A copy of the press release is attached as Appendix B hereto.

- 16. In connection with the Company’s announcement and in accordance with the Meeting Order, the Monitor has set the Mailing Date at October 24, 2012.
- 17. Under the Meeting Order, the Monitor was required to provide notice to Ordinary Affected Creditors and Noteholders as set out in the Meeting Order. In connection with the Meeting Order, on or before the Mailing Date, the Monitor sent by email, a copy of the Ordinary Affected Creditor Meeting Materials to relevant parties. The Monitor also sent relevant mailing materials by email to the service list in the CCAA proceedings.

The Revised Noteholder Noticing Process

- 18. Since the granting of the Meeting Order, the Monitor has continued to work with the Company to determine the most effective and efficient process for providing notice of the Meeting to and collecting Noteholders’ Proxies from Noteholders. In that regard, the Monitor has retained Globic Advisors (“Globic”) to perform certain services in connection with the noticing and proxy solicitation process.
- 19. The Monitor and/or Globic has now had discussions with various participants in the Noteholder noticing and proxy solicitation process including various holders and agents relevant to the process. In the context of these discussions, the Monitor, in consultation with Globic, determined that there is a more efficient and equally effective process for

distributing the Noteholder Meeting Materials which will primarily consist of electronic distribution by means compatible with the electronic systems used by most Participant Holders. An outline of the process is as follows:

- (a) The Trustees confirmed that The Depository Trust Company (who acts as a depository for brokers) is the only Registered Noteholder (and the identity of that Registered Noteholder) as of the Voting Record Date (i.e. August 31, 2012);
- (b) The Registered Noteholder provided a copy of its Participant Holder list to the Monitor and/or Globic;
- (c) The Monitor and/or Globic are in the process of contacting the Participant Holders to determine whether any hard copies of the Noteholder Meeting Materials were required or if the Participant Holders prefer to distribute materials and communicate the vote on behalf of their Unregistered Holder clients, electronically;
- (d) On the Mailing Date,
 - (i) the Monitor and/or Globic are to provide the Registered Noteholder with a copy of the Noteholder Meeting Materials;
 - (ii) the Registered Noteholder is to post notice of the mailing to the Participant Holders in accordance with its standard procedures;
 - (iii) the Monitor and/or Globic will notify each Participant Holder of the mailing, provide an electronic copy and, where specifically requested, physical copies, of the Noteholder Meeting Materials to Participant Holders and also refer such Participant Holders to the Website for copies of the Noteholder Meeting Materials including the form of Noteholder Proxy;
- (e) Participant Holders have been or will be instructed to contact their clients that are Unregistered Holders to provide them with the Noteholder Meeting Materials and to complete the Noteholder Proxy;

- (f) Unregistered Holders will be required to complete the Noteholder Proxy and send it back to their Participant Holder for validation;
- (g) Upon validation, the Participant Holder will provide the complete Noteholder Proxy to the Monitor in the timeframe provided for in the Meeting Order; and
- (h) The Monitor and/or Globic have addressed and will continue to address any requests or needs arising out of those communications as they have arisen.

(collectively, the “**Revised Noteholder Noticing Process**”).

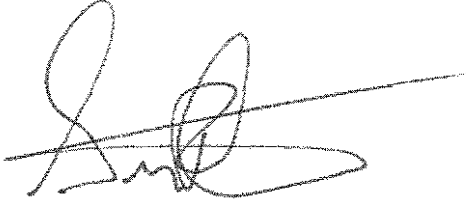
20. In connection with the Revised Noteholder Noticing Process, corresponding revisions have been made to the form of Noteholders’ Proxy, the Instructions to Registered Noteholders, the Instructions to Participant Holders and the Instructions to Unregistered Noteholders (collectively, the “**Forms**”). Copies of the revised Noteholders’ Proxy, the Instructions to Registered Noteholders and the Instructions to Unregistered Noteholders and blacklines are attached as Appendices C, D, E and F hereto.

CONCLUSION

- 21. The Monitor believes that the Revised Noteholder Noticing Process achieves the goal of the noticing process under the Meeting Order, namely to provide broad and effective notice of the Meeting and solicitation of Noteholders’ Proxies to the Company’s Noteholders. The Monitor has consulted with both the Company and the Initial Consenting Noteholders on the Revised Noteholder Noticing Process and both the Company and the Initial Consenting Noteholders have consented to the same.
- 22. Although the Meeting Order provides a certain amount of discretion to the Monitor for deviating from the noticing process set out in the Meeting Order, the Monitor believes that disclosure of the revised process and approval of the same is prudent and reasonable in these circumstances.
- 23. The Monitor requests that the Court approve the Revised Noteholder Noticing Process and revised Forms.

Dated this 24th day of October, 2012.

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

A handwritten signature in black ink, appearing to read 'Greg Watson', with a long horizontal line extending to the right.

Greg Watson
Senior Managing Director