

Schedule A

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

Made as of March 20, 2012

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, ROBERT WONG and GUINING LIU

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

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NATIONAL SETTLEMENT AGREEMENT
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**SINO-FOREST CLASS ACTION
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RECITALS

A. WHEREAS the Proceedings have been commenced by the Plaintiffs in Ontario and Quebec which allege that the Settling Defendant made misrepresentations regarding the assets, business and transactions of Sino-Forest contrary to the *OSA*, the *QSA*, the civil law of Quebec and the common law of the rest of Canada;

B. AND WHEREAS the Settling Defendant believes that it is not liable in respect of the claims as alleged in the Proceedings and the Settling Defendant believes that it has good and reasonable defences in respect of the merits in the Proceedings;

C. AND WHEREAS the Settling Defendant asserts that it would actively pursue its defences in respect of the merits during the course of certification, during the course of discovery and at trial if the Plaintiffs continued the Proceedings against it;

D. AND WHEREAS, despite the Settling Defendant's belief that it is not liable in respect of the claims as alleged in the Proceedings and its belief that it has good and reasonable defences in respect of the merits, the Settling Defendant has negotiated and entered into this Settlement Agreement to avoid further expense, inconvenience, and burden of this litigation and any other present or future litigation arising out of the facts that gave rise to this litigation and to achieve final resolutions of all claims asserted or which could have been asserted against the Settling Defendant by the Plaintiffs on their own behalf and on behalf of the classes they seek to represent, and to avoid the risks inherent in uncertain, complex and protracted litigation;

E. AND WHEREAS counsel for the Settling Defendant and counsel for the Plaintiffs have engaged in extensive arm's-length settlement discussions and negotiations in respect of this Settlement Agreement;

F. AND WHEREAS as a result of these settlement discussions and negotiations, the Settling Defendant and the Plaintiffs have entered into this Settlement Agreement, which embodies all of the terms and conditions of the settlement between the Plaintiffs and the Settling Defendant, both individually and on behalf of the Settlement Class, subject to approval of the Courts;

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G. AND WHEREAS the Plaintiffs have agreed to accept this settlement, in part, because of the value of the cooperation the Settling Defendant has made and agrees to render or make available to the Plaintiffs and/or Class Counsel pursuant to this Settlement Agreement, as well as the attendant risks of litigation in light of the jurisdictional issues relating to the Settling Defendant, the potential defences that may be asserted by the Settling Defendant and the challenges of enforcement against the Settling Defendant in a foreign jurisdiction;

H. AND WHEREAS the Plaintiffs recognize the benefits of the Settling Defendant's early cooperation in respect of the Proceedings;

I. AND WHEREAS the Settling Defendant does not admit through the execution of this Settlement Agreement any allegation of unlawful conduct alleged in the Proceedings;

J. AND WHEREAS the Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the Plaintiffs' claims, and having regard to the burdens and expense in prosecuting the Proceedings, including the risks and uncertainties associated with trials and appeals, the Plaintiffs and Class Counsel have concluded that this Settlement Agreement is fair, reasonable and in the best interests of the Plaintiffs and the classes they seek to represent;

K. AND WHEREAS the Plaintiffs, Class Counsel and the Settling Defendant agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the Plaintiffs' allegations against the Settling Defendant, which the Settling Defendant expressly denies;

L. AND WHEREAS the Settling Defendant is entering into this Settlement Agreement in order to achieve a final and nation-wide resolution of all claims asserted or which could have been asserted against it by the Plaintiffs in the Proceedings or claims which could in the future be brought on the basis of the same events, actions and omissions underlying the Proceedings, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation;

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M. AND WHEREAS the Parties therefore wish to, and hereby do, finally resolve on a national basis, without admission of liability, all of the Proceedings as against the Settling Defendant;

N. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Parties have consented to certification of the Ontario Proceeding and authorization of the Quebec Proceedings as class proceedings and have consented to a Settlement Class and a Common Issue in each of the Proceedings;

O. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Plaintiffs have consented to a dismissal of each of the Proceedings as against the Settling Defendant;

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Parties that the Proceedings be settled and dismissed with prejudice as to the Settling Defendant only, without costs as to the Plaintiffs, the classes they seek to represent or the Settling Defendant, subject to the approval of the Courts, on the following terms and conditions:

SECTION 1 - DEFINITIONS

For the purpose of this Settlement Agreement (as hereinafter defined):

- (1) *Affiliates* means, in respect of any Person, any other Person or group of Persons that, directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, such Person first mentioned, and for the purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.
- (2) *Approval Hearings* means the hearings to approve the motions brought by Ontario Counsel before the Ontario Court and Quebec Counsel before the Quebec Court, for such Courts' respective approval of the settlement provided for in this Settlement Agreement.
- (3) *Auditors* means, collectively, Ernst & Young LLP and BDO Limited (formerly known as BDO McCabe Lo Limited).

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- (4) *Class Counsel* means, collectively, Ontario Counsel and Quebec Counsel.
- (5) *Class Period* means March 19, 2007 to June 2, 2011.
- (6) *Common Issue* in each of the Ontario Proceeding and Quebec Proceeding means: Did the Settling Defendant make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did Settlement Class Members suffer?
- (7) *Courts* means, collectively, the Ontario Court and the Quebec Court.
- (8) *Defendants* means, collectively, the Persons named as defendants in the Proceedings as set out in Schedule A and any other Person who is added as a defendant in the Proceedings in the future.
- (9) *Effective Date* means the date when the Final Order has been received from the last of the Ontario Court and the Quebec Court to issue the Final Order.
- (10) *Excluded Person* means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors successors and assigns, and any individual who is a member of the immediate family of an individual Defendant.
- (11) *Final Order* means a final judgment entered by the Ontario Court or the Quebec Court in respect of both: (i) the certification or authorization of the Ontario Proceeding or the Quebec Proceeding, respectively, as a class proceeding; and (ii) the approval of this Settlement Agreement; but only once the time to appeal such judgment has expired without any appeal being taken, if an appeal lies or, once there has been affirmation of the certification or authorization of a Proceeding as a class proceeding and the approval of this Settlement Agreement, upon a final disposition of all appeals therefrom.
- (12) *Non-Settling Defendant* means a Defendant that is not the Settling Defendant.
- (13) *Notice of Certification/Authorization and Approval Hearings* means the form or forms of notice, agreed to by the Plaintiffs and the Settling Defendant, or such other form or forms as may be approved by the Courts, which informs the Settlement Class of: (i) the certification of the

Ontario Proceeding or authorization of the Quebec Proceeding solely for the purposes of this Settlement; (ii) the dates and locations of each of the Approval Hearings; (iii) the principal terms of this Settlement Agreement; (iv) the process by which Settlement Class Members can opt out of each of the Proceedings; and (v) the Opt Out Deadline in respect of each of the Proceedings.

- (14) *Ontario Proceeding* means Ontario Court File No. CV-11-431153-00CP (Toronto).
- (15) *Ontario Counsel* means Siskinds LLP and Koskie Minsky LLP.
- (16) *Ontario Court* means the Ontario Superior Court of Justice.
- (17) *Opt-Out Administrator* means the Person appointed by the Courts to receive and report on Opt Outs.
- (18) *Opt-Out Deadline* means the date which is sixty (60) days after the date on which the Notice of Certification/Authorization and Approval Hearings is first published.
- (19) *OSA* means the *Securities Act*, RSO 1990, c S.5.
- (20) *Other Actions* means, without limitation, actions, suits, proceedings or arbitration, civil, criminal, regulatory or otherwise, at law or in equity, other than the Proceedings, relating to Released Claims commenced by a Settlement Class Member either before or after the Effective Date.
- (21) *Parties* means, collectively, the Plaintiffs, Settlement Class Members and the Settling Defendant.
- (22) *Person* means an individual, corporation, partnership, limited partnership, limited liability company, association, estate, legal representative, trust, trustee, executor, beneficiary, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity and their heirs, predecessors, successors, representatives, or assignees.
- (23) *Plaintiffs* means the Persons named as plaintiffs in the Proceedings as set out in Schedule A, and any other Person who may in the future be added as plaintiff to either of the Proceedings.
- (24) *PRC* means the People's Republic of China.

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- (25) *Proceedings* means, collectively, the Ontario Proceeding and the Quebec Proceeding.
- (26) *Proportionate Liability* means that proportion of any judgment that, had they not settled, the Ontario Court would have apportioned to the Releasees.
- (27) *QSA* means the *Quebec Securities Act*, R.S.Q., c. V-1.1
- (28) *Quebec Class Members* means all natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.
- (29) *Quebec Counsel* means Siskinds Desmeules s.e.n.c.r.l.
- (30) *Quebec Court* means the Superior Court of Quebec.
- (31) *Quebec Proceeding* means Quebec Court (District of Quebec) Court file No. 200-06-000132-111.
- (32) *Released Claims* means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, for damages whenever incurred, obligations, liabilities of any nature whatsoever including, without limitation, interest, costs, expenses, class administration expenses, penalties, and lawyers' fees (including Class Counsel's fees), known or unknown, suspected or unsuspected, in law, under statute or in equity, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall or may have, relating in any way to any conduct anywhere, from the beginning of time to the date hereof, or in respect of any misrepresentations (including, without limitation, any verbal statements made or not made by the Settling Defendant's agents) directly or indirectly relating to Sino-Forest, its Subsidiaries

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(including, without limitation, Greenheart Group Limited) and other Affiliates and their respective assets, business and transactions, whether contained in or arising from valuations or reports prepared by the Settling Defendant or any Releasee for Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates or elsewhere, or relating to any conduct alleged (or which could have been alleged or could in the future be alleged on the basis of the same events, actions and omissions) in the Proceedings including, without limitation, any such claims which have been asserted, could have been asserted, or could in the future be asserted on the basis of the same events, actions and omissions underlying the Proceedings, directly or indirectly, whether in Canada or elsewhere, as a result of or in connection with the events discussed in the reports of Sino-Forest's Independent Committee and the June 2, 2011 report issued by Muddy Waters LLC in respect of Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates;

(33) *Releasees* means, jointly and severally, individually and collectively, the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates, and their respective divisions, partners, insurers (solely in respect of any insurance policy applicable to the acts or omissions of the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates), consultants, sub-consultants, attorneys, agents and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, purchasers, heirs, executors, administrators and assigns of each of the foregoing, excluding always the Non-Settling Defendants and any of their respective current or former Subsidiaries and other Affiliates, officers, directors, executives, employees, shareholders, joint venturers and/or partners.

(34) *Releasers* means, jointly and severally, individually and collectively, the Plaintiffs and the Settlement Class Members and their respective Subsidiaries and other Affiliates, and their respective divisions, partners, insurers, consultants, sub-consultants and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, heirs, executors, administrators, representatives, insurers and assigns.

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- (35) *Settlement Agreement* means this agreement including the recitals and schedules.
- (36) *Settlement Class* means, in respect of each of the Ontario Proceeding and the Quebec Proceeding, the settlement class defined in Schedule A.
- (37) *Settlement Class Member* means a member of a Settlement Class who does not validly opt-out of that Settlement Class in accordance with section 4.1 and any orders of the Courts.
- (38) *Settling Defendant* means Pöyry (Beijing) Consulting Company Limited.
- (39) *Sino-Forest* means Sino-Forest Corporation.
- (40) *Subsidiary* has the meaning ascribed to it in the *Canada Business Corporations Act*.
- (41) *Underwriters* means 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 Banc of America Securities LLC, including, without limitation, their respective Subsidiaries and other Affiliates and their respective personnel.

SECTION 2 - SETTLEMENT APPROVAL

2.1 Best Efforts

The Parties shall use their best efforts to effectuate this settlement and to secure the prompt, complete and final dismissal with prejudice of the Proceedings and without further recourse as against the Settling Defendant.

2.2 Motions for Approval

(1) Each of the Ontario Plaintiffs and Quebec Plaintiffs shall promptly bring motions before the Ontario Court and the Quebec Court, respectively, for orders approving the notices described in section 10 herein, certifying the Ontario Proceeding and authorizing the Quebec Proceeding as a class proceeding for settlement purposes only and approving this Settlement Agreement.

(2) The motions for approval of this Settlement Agreement referred to in section 2.2(1) shall not be returnable until the Opt Out Deadline has passed.

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(3) The Ontario order certifying the Ontario Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-1. The Quebec order authorizing the Quebec Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-2.

(4) The Ontario order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-1. The Quebec order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-2.

(5) The form and content of the orders approving the Settlement Agreement contemplated in this section 2.2 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the orders substantially in the form contemplated herein and attached as schedules hereto shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

2.3 Pre-Motion Confidentiality

(1) Until the first of the motions required by section 2.2 is brought, the Parties shall keep all of the terms of this Settlement Agreement, and any information or documents related thereto, confidential and shall not disclose them without the prior written consent of counsel for the Settling Defendant and Class Counsel, as the case may be, except as required for the purposes of financial reporting or the preparation of financial records (including, without limitation, tax returns and financial statements) or as otherwise required by law, in which case the Party seeking to disclose shall provide at least fifteen (15) days written notice to the other Parties of the proposed disclosure and the basis for the proposed disclosure.

(2) Any disclosure of the terms of this Settlement Agreement, and any information or documents related thereto, contemplated in subsection 2.3(1) or otherwise shall be for the sole and exclusive purpose of seeking approval of this Settlement Agreement by the Courts and facilitating the settlement of the Proceedings and release of the Released Claims pursuant to the terms of this Settlement Agreement.

SECTION 3 - SETTLEMENT BENEFITS

3.1 Cooperation – No Disclosure of Privileged Communications

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant, or to disclose or produce any document or information in breach of any order, regulatory directive, regulatory policy, regulatory agreement or law of any jurisdiction, or subject to solicitor-client privilege, litigation privilege, attorney-client privilege, work product doctrine, common interest privilege, joint defence privilege or any other privilege.

3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information, where production of such documents or information would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach or violation of any federal, provincial, state or local privacy law, or any law of a foreign jurisdiction, including, without limitation, PRC privacy and state secrets protection laws.

3.3 Cooperation – No Disclosure of Confidential Information

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any confidential documents or information that the Settling Defendant holds under commercial arrangements where such disclosure or production would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach of contract.

3.4 Cooperation

(1) It is understood and agreed that all documents and information provided by the Settling Defendant or Releasees to Plaintiffs and Class Counsel under this Settlement Agreement shall be used only in connection with the prosecution of the claims in the Proceedings, and shall not be used directly or indirectly for any other purpose. Plaintiffs and Class Counsel agree that they will not publicize the documents and information provided by the Settling Defendant beyond

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what is reasonably necessary for the prosecution of the Proceedings or as otherwise required by law.

(2) Within thirty (30) days of the Date of Execution or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide, through a meeting between counsel for the Settling Defendant and Class Counsel, an evidentiary proffer, which will include verbal information relating to the allegations in the Proceedings including, without limitation, a summary of the Settling Defendant's material interactions and involvement with Sino-Forest, the Auditors and the Underwriters; the Settling Defendant's understanding of Sino-Forest's business model as it pertains to timber plantation, purchased forests and forestry management; and the Settling Defendant's knowledge and understanding of Sino-Forest's actual or purported revenues and/or assets during the Class Period.

(3) Within thirty (30) days of the Effective Date, or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide copies of the following categories of documents being within the possession, custody or control of the Settling Defendant and the Releasees:

- (a) documents relating to Sino-Forest, the Auditors or the Underwriters, or any of them, as well as the dates, locations, subject matter, and participants in any meetings with or about Sino-Forest, the Auditors or the Underwriters, or any of them;
- (b) documents provided by the Settling Defendant or any Releasee to any state, federal or international government or administrative agency, without geographic limitation, concerning the allegations raised in the Proceedings, excluding documents created for the purpose of being so provided; and
- (c) documents provided by the Settling Defendant or any Releasee to Sino-Forest's Independent Committee or the ad hoc committee of noteholders.

(4) The obligation to produce documents pursuant to this section 3.4 shall be a continuing obligation to the extent that material documents are identified following the initial productions. The Settling Defendant and Releasees make no representation that they have a complete set of documents within any of the categories of information or documents described herein.

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(5) To the extent that any document includes technical information within the expertise of the Settling Defendant, Class Counsel may request, and the Settling Defendant shall provide, an explanation sufficient for Class Counsel to understand the document; however, in no event will any liability or further obligation attach to such explanation.

(6) Following the Effective Date, the Settling Defendant and Releasees shall, at the request of Class Counsel, upon reasonable notice, and subject to any legal restrictions, make reasonable efforts to make available at a mutually convenient time, at a mutually agreed upon location in North America, up to three (3) current or former employees of the Settling Defendant and Releasees who have knowledge of the allegations raised in the Proceedings to provide information regarding the allegations raised in the Proceedings in a personal interview with Class Counsel and/or experts retained by Class Counsel in the presence of, and assisted by, counsel for the Settling Defendant, provided that none of the employee(s) or former employee(s) are required to travel to North America pursuant to this subsection 3.4(6) more than two (2) times each. Costs incurred by, and the expenses of, the employees of the Settling Defendant and Releasees in relation to such interviews shall be the responsibility of the Settling Defendant. If the employee(s) or former employee(s) contemplated in this subsection 3.4(6) refuse to provide information, or otherwise cooperate, the Settling Defendant shall use reasonable efforts to make him/her available for an interview with Class Counsel and/or experts retained by Class Counsel as aforesaid. The failure of the employee(s) or former employee(s) contemplated in this subsection 3.4(6) to agree to make him or herself available, or to otherwise cooperate with the Plaintiffs shall not constitute a breach or other violation of this Settlement Agreement, and shall not provide any basis for the termination of this Settlement Agreement, provided that the Settling Defendant has made reasonable efforts to cause such cooperation.

(7) Subject to the rules of evidence and the other provisions of this Settlement Agreement, the Settling Defendant agrees to use reasonable efforts to produce at trial and/or discovery or through affidavits acceptable to Class Counsel or other testimony, (i) a current representative as Class Counsel and the Settling Defendant, acting reasonably, agree would be qualified to establish for admission into evidence the Settling Defendant and Releasees' involvement with Sino-Forest, the Auditors and the Underwriters; and (ii) current representatives as Class Counsel and the Settling Defendant, acting reasonably, agree would be necessary to support the submission into evidence of any information and/or documents provided by the Settling

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Defendant or any Releasee in accordance with this Settlement Agreement that Class Counsel and the Settling Defendant, acting reasonably, agree might be reasonably necessary for the prosecution of the Proceedings, including, without limitation, for the purpose of any motion where such evidence is reasonably necessary.

(8) In connection with its provision of information, testimony and documents, the Settling Defendant and the Releasees shall have the right to assert solicitor-client privilege, litigation privilege and/or any other privilege, or to assert a right to refuse production on the basis of privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction. To the extent that Class Counsel requests particular documents, information or other materials from the Settling Defendant and the Settling Defendant does not produce the requested documents, information or other materials on the basis of this provision, or any other provision herein: (i) counsel for the Settling Defendant shall provide Class Counsel with a description of any such documents, information or other materials and a description of the basis on which the Settling Defendant is not prepared to produce said document, information or other material sufficient for Class Counsel to assess the nature of that basis and the document, information or other material, except where providing such descriptions would, in the reasonable judgment of counsel for the Settling Defendant, be contrary to privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction, in which case counsel for the Settling Defendant will so advise; and (ii) Class Counsel or counsel for the Settling Defendant may seek to resolve any dispute arising from this subsection 3.4(8) pursuant to the procedures set out in section 11.7 of this Settlement Agreement.

(9) The Settling Defendant and Releasees waive any and all privilege relating to any specific document that the Settling Defendant has agreed to produce in response to this section 3.4. Notwithstanding the foregoing, nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant or any Releasee to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant during the course of any of the Proceedings.

(10) If any of the types of documents referenced in sections 3.1, 3.2 or 3.3 are accidentally or inadvertently produced, such documents shall be promptly returned to counsel for the Settling Defendant and the documents and the information contained therein shall not be disclosed or

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used directly or indirectly, except with the express written permission of the Settling Defendant, and the production of such documents shall in no way be construed to have waived in any manner any privilege or protection attached to such documents.

(11) It is understood and agreed that the Plaintiffs, the Settlement Class Members and Class Counsel shall not, without the express written consent of the Settling Defendant and its counsel, directly or indirectly use any information or documents provided by the Settling Defendant or any Releasee, or received from the Settling Defendant or any Releasee in connection with this Settlement Agreement, for any purpose other than the prosecution of the claims in the Proceedings, nor disclose or share with any other Persons (including, without limitation, any regulator, agency or organization of this or any other jurisdiction), any information or documents obtained from the Settling Defendant in connection with this Settlement Agreement or any information conveyed by counsel for the Settling Defendant or any Releasee, except in the event that a court in Canada expressly orders such information or documents to be disclosed. In no circumstances, however, may the Plaintiffs, the Settlement Class Members and/or Class Counsel apply for or consent to such an order, and promptly, upon becoming aware of an application or motion for such an order, Class Counsel shall immediately notify the Settling Defendant of the application or motion in order that the Settling Defendant may intervene in such proceedings. The disclosure restrictions set forth in this subsection do not apply to otherwise publicly available documents and information.

(12) The Settling Defendant and Releasees' obligations to cooperate as particularized in this section 3.4 shall not be affected by the release provisions contained in section 6 of this Settlement Agreement. The Settling Defendant and Releasees' obligations to cooperate shall cease at the date of final judgment or order in the Proceedings against all Defendants, including, without limitation, an order approving a settlement between the Plaintiffs and the Non-Settling Defendants and/or an order dismissing the Proceedings. In the event the Settling Defendant or any Releasee materially breaches this section 3.4, Class Counsel may move before the Courts to enforce the terms of this Settlement Agreement.

(13) The provisions set forth in this section 3.4 shall constitute the exclusive means by which the Plaintiffs, the Settlement Class Members and Class Counsel may obtain discovery from the Settling Defendant, its current and former directors, officers or employees and the Releasees, and

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the Plaintiffs, the Settlement Class Members and Class Counsel shall pursue no other means of discovery against the Settling Defendant, its current and former directors, officers or employees and the Releasees, whether under the laws or rules of any jurisdiction.

(14) A material factor influencing the Settling Defendant's decision to execute this Settlement Agreement is its desire to limit the burden and expense of this litigation. Accordingly, Class Counsel agree to exercise good faith in seeking cooperation from the Settling Defendant and any Releasee and to avoid seeking information that is unnecessary, cumulative or duplicative and agree otherwise to avoid imposing undue or unreasonable burden or expense on the Settling Defendant or Releasees.

SECTION 4 - OPTING-OUT

4.1 Procedure

(1) A Person may opt-out of the Proceedings by sending a written election to opt-out, signed by the Person or the Person's designee, by pre-paid mail, courier, fax, or email to the Opt-Out Administrator at an address to be identified in the Notice of Certification/Authorization and Approval Hearings. Residents of Quebec must also send the written election to opt-out by pre-paid mail or courier to the Quebec Court at an address to be identified in the Notice of Certification/Authorization and Approval Hearings.

(2) An election to opt-out will only be effective if it is actually received by the Opt-Out Administrator on or before the Opt-Out Deadline.

(3) The written election to opt-out must contain the following information in order to be effective:

- (a) the Person's full name, current address and telephone number;
- (b) the name and number of Sino-Forest securities purchased during the Class Period and the date and price of each such transaction;
- (c) a statement to the effect that the Person wishes to be excluded from the Proceedings; and
- (d) the reasons for opting out.

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(4) Quebec Class Members who have commenced proceedings or commence proceedings against any of the Defendants with respect to the matters at issue in the Quebec Proceeding and fail to discontinue such proceedings by the Opt-Out Deadline shall be deemed to have opted out of the Quebec Proceeding. Quebec Counsel warrant and represent that, to the best of their knowledge, no such action has been commenced as of the date this Settlement Agreement was executed by it.

4.2 Opt-Out Report

Within fifteen (15) days of the Opt-Out Deadline, the Opt-Out Administrator shall provide to the Settling Defendant a report containing the following information in respect of each Person, if any, who has validly and timely opted out of the Proceedings:

- (a) the Person's full name, current address and telephone number;
- (b) the reasons for opting out, if given; and
- (c) a copy of all information provided in the opt-out process by the Person electing to opt-out.

SECTION 5 - NON-APPROVAL OF SETTLEMENT AGREEMENT

5.1 Effect of Non-Approval of Settlement Agreement

In the event of non-approval of the Settlement Agreement by either of the Ontario Court or the Quebec Court:

- (a) any order certifying or authorizing a Proceeding as a class action on the basis of the Settlement Agreement or approving this Settlement Agreement shall be set aside and declared null and void and of no force or effect, and anyone shall be estopped from asserting otherwise;
- (b) to the extent that any Court is resistant to setting aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes, Class Counsel undertakes to, on a best efforts basis, assist the Settling Defendant in having such an order set aside and shall, if requested by the Settling Defendant, bring a

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motion on behalf of the Plaintiffs to set aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes;

- (c) any prior certification or authorization of a Proceeding as a class proceeding, including, without limitation, the definitions of the Settlement Class and the Common Issue, shall be without prejudice to any position that any of the Parties may later take on any issue in the Proceedings or any other litigation;
- (d) within ten (10) days of such non-approval having occurred, Class Counsel shall destroy: (i) all documents and other materials provided by the Settling Defendant or any Releasee; and (ii) all documents and other materials containing or reflecting information derived from any documents or other materials provided by the Settling Defendant or any Releasee or conveyed by counsel for the Settling Defendant, through the evidentiary proffer process described in subsection 3.4(2) herein or otherwise.
- (e) To the extent Class Counsel or the Plaintiffs have disclosed any documents or other materials provided by the Settling Defendant or any Releasee to any other Person, Class Counsel shall, within ten (10) days, recover and destroy such documents and other materials and shall provide the Settling Defendant and Releasees with a written certification by Class Counsel of such destruction.
- (f) Nothing contained in this section 5.1 shall be construed to require Class Counsel to destroy any of their work product; and
- (g) subject to section 5.2 herein, all obligations pursuant to this Settlement Agreement shall cease immediately.

5.2 Survival of Provisions After Non-Approval of Settlement Agreement

If this Settlement Agreement is not approved by the Courts, the provisions of sections 5, 8.1, and 8.2, and the definitions and Schedules applicable thereto shall survive the non-approval and continue in full force and effect. The definitions and Schedules shall survive only for the limited purpose of the interpretation of sections 5, 8.1, and 8.2 within the meaning of this Settlement Agreement, but for no other purposes. All other provisions of this Settlement

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Agreement and all other obligations pursuant to this Settlement Agreement shall cease immediately.

5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement

Except as may be set forth in this Settlement Agreement, the Settling Defendant and Plaintiffs expressly reserve all of their respective rights if this Settlement Agreement does not become effective or is not approved by the Courts and the Plaintiffs hereby expressly acknowledge that they will not, in any way whatsoever, use the fact or existence of this Settlement Agreement or related documents and information as any form of admission, whether of liability, process, wrongdoing, or otherwise, of the Settling Defendant.

SECTION 6 - RELEASES AND DISMISSALS

6.1 Release of Releasees

(1) Upon the Effective Date, and in consideration of the cooperation of the Settling Defendant and the Releasees pursuant to this Settlement Agreement, and for other valuable consideration set forth in the Settlement Agreement, the Releasors forever and absolutely release the Releasees from the Released Claims.

(2) The Releasors are aware that they may hereafter discover claims or facts in addition to or different from those they now know or believe to be true with respect to the matters giving rise to the Released Claims. Nevertheless, it is the intention of each of the Releasors to fully, finally and forever settle and release the Released Claims. In furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release of all Released Claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.

6.2 Covenant Not To Sue

Notwithstanding section 6.1, for any Settlement Class Members resident in any province or territory where the release of one tortfeasor is a release of all other tortfeasors, upon the Effective Date, the Releasors do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

6.3 No Further Claims

The Releasors shall not now or hereafter institute, continue, maintain or assert, or otherwise join, assist, aid or act in concert in any manner whatsoever, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other Person, any action, suit, proceedings, arbitration, cause of action, claim or demand, whether civil, criminal, regulatory or otherwise, against any Releasee or any other Person who may claim contribution or indemnity from any Releasee arising from, in respect of or in connection with any of the matters giving rise to any Released Claim or any matter related thereto, except for the continuation of the Proceedings against the Non-Settling Defendants.

6.4 Dismissal of the Proceedings

Upon the Effective Date, each of the Ontario Proceeding and the Quebec Proceeding shall be dismissed with prejudice and without costs as against the Settling Defendant.

6.5 Dismissal of Other Actions

(1) Upon the Effective Date, each Settlement Class Member shall be deemed to consent to the dismissal, without costs or further recourses and with prejudice, of his, her or its Other Actions against the Releasees.

(2) Upon the Effective Date, all Other Actions in each of the Courts' respective jurisdictions commenced by any Settlement Class Member shall be dismissed against the Releasees, without costs or further recourses and with prejudice.

SECTION 7 - BAR ORDER AND OTHER CLAIMS

7.1 Ontario Bar Order

(1) The Plaintiffs in the Ontario Proceeding shall seek a bar order from the Ontario Court providing for the following:

- (a) All claims for contribution, indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the *OSA* or other statute, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims, which were or could have been brought in the Proceedings or otherwise, or could in the

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future be brought on the basis of the same events, actions and omissions underlying the Proceedings or otherwise, by any Non-Settling Defendant or any Party or other Releasor against a Releasee are barred, prohibited and enjoined in accordance with the terms of this section 7.1.

- (b) If the Court determines that there is a right of contribution and indemnity or other claims over, whether in equity or in law, pursuant to the *OSA* or other statute, or otherwise:
- i. the Ontario Settlement Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitutionary award, disgorgement of profits, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
 - ii. this Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of this action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to this action and any determination by this Court in respect of the Proportionate Liability of the Releasees shall only apply in this action and shall not be binding on the Releasees in any other proceedings.
- (c) After the Ontario Proceeding has been certified as a class action and all appeals or times to appeal from such certification have been exhausted, a Non-Settling Defendant may make a motion to the Court on at least twenty (20) days notice, and to be determined as if the Settling Defendant is party to this action, seeking orders for the following:
- i. documentary discovery and an affidavit of documents in accordance with the *Rules of Civil Procedure*, O.Reg. 194 from the Settling Defendant;
 - ii. oral discovery of a representative of the Settling Defendant, the transcripts of which may be read in at trial;
 - iii. leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
 - iv. the production of a representative of the Settling Defendant to testify at trial, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants.

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- (d) The Settling Defendant retains all rights to oppose such motion(s) brought under subsection 7.1(1)(c).
- (e) A Non-Settling Defendant may effect service of the motion(s) referred to in subsection 7.1(1)(c) on the Settling Defendant by service on counsel of record for the Settling Defendant in the Ontario Proceeding.
- (f) To the extent that an order is granted pursuant to subsection 7.1(1)(c) and discovery is provided to a Non-Settling Defendant, a copy of all discovery provided, whether oral or documentary in nature, shall promptly be provided by counsel for the Settling Defendant to Class Counsel on behalf of the Plaintiffs.

7.2 Quebec Bar Order

- (1) The Plaintiffs in the Quebec Proceeding shall seek a bar order from the Quebec Court providing for the following:
 - (a) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding expressly waive the benefit of solidarity against the Non-Settling Defendants with respect to the facts, deeds and omissions of the Settling Defendant;
 - (b) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding shall henceforth only be able to claim and recover damages, including punitive damages, attributable to the conduct of the Non-Settling Defendants;
 - (c) any action in warranty or other joinder of parties to obtain any contribution or indemnity from the Settling Defendant or relating to the Released Claims shall be inadmissible and void in the context of the Quebec Proceeding; and
 - (d) the Quebec Court retains an ongoing supervisory role for the purposes of executing this section 7.2, as well as all procedural aspects of the Quebec Proceeding, and all issues regarding this section 7.2 or any other procedural issues shall be resolved under special case management and according to the *Quebec Code of Civil Procedure*, and the Settling Defendant shall acknowledge the jurisdiction of the Quebec Court for such purposes.

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7.3 Claims Against Other Persons Reserved

Except as provided herein, this Settlement Agreement does not settle, compromise, release or limit in any way whatsoever any claim by Settlement Class Members against any Person other than the Settling Defendant and the Releasees.

7.4 Material Term

The form and content of the bar orders contemplated in this section 7 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the bar orders contemplated herein shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

SECTION 8 - EFFECT OF SETTLEMENT

8.1 No Admission of Liability

Whether or not this Settlement Agreement is approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and
- (iii) any action taken to carry out this Settlement Agreement,

shall not be deemed, construed or interpreted to be an admission of any violation of any statute or law, or of any wrongdoing or liability by the Settling Defendant or by any Releasee, or of the truth of any of the claims or allegations contained in the Proceedings or any other pleading filed by the Plaintiffs or any other Settlement Class Member.

8.2 Agreement Not Evidence

The Parties agree that, whether or not approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and

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(iii) any action taken to carry out this Settlement Agreement,

shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal or administrative action or proceeding, except in a proceeding to approve and/or enforce this Settlement Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

8.3 No Further Litigation

No Class Counsel, nor anyone currently or hereafter employed by, associated with, or a partner with Class Counsel, may directly or indirectly participate or be involved in or in any way assist with respect to any claim made or action commenced by any Person which relates to or arises from the Released Claims, except in relation to the continued prosecution of the Proceedings against any Non-Settling Defendant. Moreover, these Persons may not divulge to anyone for any purpose any information obtained in the course of the Proceedings or the negotiation and preparation of this Settlement Agreement, except to the extent such information is otherwise publicly available or unless ordered to do so by a court.

SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY

(1) The Parties agree that the Ontario Proceeding shall be certified, and the Quebec Proceeding shall be authorized, as class proceedings solely for purposes of settlement of the Proceedings and the approval of this Settlement Agreement by the Courts.

(2) The Plaintiffs agree that, in the motions for certification of the Ontario Proceeding and for authorization of the Quebec Proceeding as class proceedings and for the approval of this Settlement Agreement, the only common issue that they will seek to define is the Common Issue and the only classes that they will assert are the Settlement Classes.

SECTION 10 - NOTICE TO SETTLEMENT CLASSES

10.1 Required Notice

The proposed Settlement Classes shall be given Notice of Certification/Authorization and Approval Hearings.

10.2 Form and Distribution of Notices

(1) The form of notice referred to in section 10.1 and the manner and extent of publication and distribution of the notice shall be as agreed to by the Plaintiffs and the Settling Defendant and approved by each of the Courts.

(2) The Settling Defendant shall pay the costs of the notice required in section 10.1 and the cost of the Opt-Out Administrator, provided that such costs shall not exceed \$100,000 CAD (exclusive of all applicable taxes). Any costs in excess of \$100,000 CAD (exclusive of all applicable taxes), shall be borne equally by the Settling Defendant and the Plaintiffs.

SECTION 11 - MISCELLANEOUS

11.1 Motions for Directions

(1) Class Counsel or the Settling Defendant may apply to the Courts for directions in respect of the interpretation, implementation and administration of this Settlement Agreement. Unless the Courts order otherwise, motions for directions that do not relate specifically to the Quebec Proceeding shall be determined by the Ontario Court.

(2) All motions contemplated by this Settlement Agreement shall be on notice to the Plaintiffs and Settling Defendant, as appropriate.

11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings

Class Counsel agrees to provide information as to the status of the Proceedings in response to reasonable requests made by the Settling Defendant from time to time as to the status of the Proceedings. Upon reasonable request, Class Counsel will promptly provide counsel for the Settling Defendant with electronic copies of all affidavit material and facts exchanged in the Proceedings, unless precluded from doing so by court order.

11.3 Headings, etc.

In this Settlement Agreement:

- (a) the division of the Settlement Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Settlement Agreement;

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- (b) words in the singular include the plural and vice-versa and words in one gender include all genders; and
- (c) the terms "this Settlement Agreement", "hereof", "hereunder", "herein", and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of this Settlement Agreement.

11.4 Computation of Time

In the computation of time in this Settlement Agreement, except where a contrary intention appears,

- (a) where there is a reference to a number of days between two events, the number of days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

11.5 Ongoing Jurisdiction

- (1) Each of the Courts shall retain exclusive jurisdiction over each Proceeding commenced in its jurisdiction, and over the Parties thereto.
- (2) No Party shall ask a Court to make any order or give any direction in respect of any matter of shared jurisdiction unless that order or direction is conditional upon a complimentary order or direction being made or given by the other Court(s) with which it shares jurisdiction over that matter.
- (3) The Plaintiffs and the Non-Settling Defendant may apply to the Ontario Court for direction in respect of the implementation, administration and enforcement of this Settlement Agreement.

11.6 Governing Law

This Settlement Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario, save for matters relating exclusively to the

Quebec Class Members, which matters shall be governed by and construed and interpreted in accordance with the Laws of the Province of Quebec shall apply.

11.7 Disputes

(1) Subject to subsection 11.7(2) herein, if there is a dispute regarding the applicability of any provision or term of this Settlement Agreement which cannot be resolved through reasonable discussions and negotiations as between Class Counsel and counsel for the Settling Defendant, such dispute(s) shall be submitted to the Ontario Court for resolution, save for dispute(s) relating exclusively to the Quebec Class Members, which dispute(s) shall be submitted to the Quebec Court for resolution. The costs of any such dispute shall be shared by the parties to the dispute according to the degree to which they do or do not prevail on their respective claims (i.e., with the losing party bearing the greater share), as determined by the Ontario Court or the Quebec Court, as the case may be. To the extent that any dispute contemplated in this subsection 11.7(1) involves or requires a determination as to whether any documents or other materials shall be required to be disclosed pursuant to this Settlement Agreement, Class Counsel and counsel for the Settling Defendant agree to seek, on a consent basis, a sealing order or other appropriate relief such as to ensure that any such documents or other materials shall remain confidential and shall not form part of the public Ontario Court record or the Quebec Court record, as the case may be.

(2) To the extent that any dispute contemplated in this section 11.7 involves or requires a determination as to whether any documents, information or other materials are prohibited from being disclosed by the Settling Defendant pursuant to any foreign privacy law, foreign state secrets law or other law of a foreign jurisdiction, Class Counsel and counsel for the Settling Defendant agree to seek, on a joint and reasonable efforts basis, the requisite approval for the disclosure or export of such documents or other materials from the relevant authorities of the applicable foreign jurisdiction.

11.8 Joint and Severable / Indivisible

All of the obligations of the Plaintiffs and the Releasers in this Settlement Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec. All of the obligations of the Settling Defendant and the Releasees in this Settlement

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delay for appeal from which shall have expired without any appeal having been lodged: (i) none of the Plaintiffs, the Releasors and Class Counsel shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement; and (ii) none of the Settling Defendant, the Releasees and their respective counsel that are party hereto shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement.

11.13 No Assignment

None of the Plaintiffs and the Releasors has heretofore assigned, transferred or granted, or purported to assign, transfer or grant, any of the claims, demands and causes of action disposed of by this Settlement Agreement including, without limitation, any of the Released Claims.

11.14 Third Party Beneficiaries

The Plaintiffs acknowledge and agree, on their behalf and on behalf of all Releasors, that the Releasees other than the Settling Defendant are third party beneficiaries of this Settlement Agreement, and that the obligations and agreements of the Plaintiffs and the Releasors under this Settlement Agreement are expressly intended to benefit all Releasees despite not being signatories to this Settlement Agreement.

11.15 Counterparts

This Settlement Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Settlement Agreement.

11.16 Negotiated Agreement

This Settlement Agreement has been the subject of negotiations and discussions among the undersigned, each of which has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Settlement Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Settlement Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Settlement Agreement.

11.17 Language

The Parties acknowledge that they have required and consented that this Settlement Agreement and all related documents be prepared in English; les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais. If a French translation is made, the English version will have precedence.

11.18 Transaction

This Settlement Agreement constitutes a transaction in accordance with Articles 2631 and following of the *Civil Code of Quebec*, and the Parties are hereby renouncing to any errors of fact, of law and/or of calculation.

11.19 Recitals

The recitals to this Settlement Agreement are true and form an integral part of the Settlement Agreement.

11.20 Schedules

The Schedules annexed hereto form an integral part of this Settlement Agreement.

11.21 Acknowledgements

Each of the Parties hereby affirms and acknowledges that:

- (a) he, she or a representative of the Party with the authority to bind the Party with respect to the matters set forth herein has read and understands the Settlement Agreement;
- (b) the terms of this Settlement Agreement and the effects thereof have been fully explained to him, her or the Party's representative by his, her or its counsel;
- (c) he, she or the Party's representative fully understands each term of the Settlement Agreement and its effect; and
- (d) no Party has relied upon any statement, representation or inducement (whether material, false, negligently made or otherwise) of any other Party with respect to the first Party's decision to execute this Settlement Agreement.

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11.22 Authorized Signatures

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Settlement Agreement.

11.23 Notice

Where this Settlement Agreement requires a Party to provide notice or any other communication or document to another, such notice, communication or document shall be provided by email, facsimile or letter by overnight delivery to the representatives for the Party to whom notice is being provided, as identified below:

For Plaintiffs in the Ontario Proceedings and for Ontario Counsel:

Charles M. Wright

Siskinds LLP
Barristers and Solicitors
680 Waterloo Street
London, ON N6A 3V8

Telephone: 519-660-7753
Facsimile: 519-660-7754
Email: charles.wright@siskinds.com

Kirk M. Baert

Koskie Minsky LLP
Barristers and Solicitors
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Tel: 416.595.2117
Fax: 416.204.2889
Email: kbaert@kmlaw.ca

For Plaintiffs in the Quebec Proceedings and for Quebec Counsel

Simon Hébert

Siskinds Desmeules s.e.n.c.r.l.
Les promenades du Vieux-Quebec
43 rue Buade, bureau 320
Quebec City, QC G1R 4A2

Telephone: 418-694-2009
Facsimile: 418-694-0281
Email: simon.hebert@siskindsdesmeules.com

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For Settling Defendant
in the Ontario Proceeding:

John J. Pirie

Baker & McKenzie LLP
Barristers & Solicitors
Brookfield Place
Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario M5J 2T3
Canada

Telephone: 416.865.2325
Fax: 416.863.6275
Email: john.pirie@bakermckenzie.com

For Settling Defendant
in the Quebec Proceeding

Bernard Gravel


Lapointe Rosenstein Marchand Melançon,
LLP
1250 René-Lévesque Blvd. West, Suite 1400
Montreal, Quebec, H3B 5E9
Canada


Telephone: 514.925.6382
Fax: 514.925.5082
Email: bernard.gravel@lrmm.com


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11.24 Date of Execution


The Parties have executed this Settlement Agreement as of the date on the cover page.

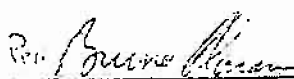
By: 
 Name: Siskinds LLP
 Title: Ontario Counsel

By: 
 Name: Koskie Minsky LLP
 Title: Ontario Counsel

By: 
 Name: Siskinds Deschênes s.e.n.c.r.l.
 Title: Québec Counsel

**PÖYRY (BEIJING) CONSULTING
 COMPANY LIMITED**

By: 
 Name: Baker & McKenzie LLP
 Title: Counsel for the Settling
 Defendant in Ontario

By: 
 Name: Lapointe Rosenstein Marchand
 Melançon, LLP
 Title: Counsel for the Settling
 Defendant in Quebec

SCHEDULE A - PROCEEDINGS

Proceeding	Plaintiffs	Defendants	Settlement Class
Ontario Superior Court of Justice Court File No. CV-11-431153-00CP (the "Ontario Proceeding")	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	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 Banc Of America Securities LLC	All persons and entities, wherever they may reside who acquired Sino Forest's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino Forest's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons.
Superior Court of Quebec (District of Québec), File No. 200-06-000132-111 (the "Quebec Proceeding")	Guining Liu	Sino-Forest Corporation, Ernst & Young LLP, 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 and Pöyry (Beijing) Consulting Company Limited	All natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec

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

Schedule B

**SINO-FOREST CORPORATION CLASS ACTION
TO CURRENT AND FORMER SINO-FOREST SHAREHOLDERS AND
NOTEHOLDERS**

Notice of Settlement with Pöyry (Beijing) Consulting Company Limited

This notice is to everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities in Canada or in a Canadian market between March 19, 2007 and June 2, 2011.

**READ THIS NOTICE CAREFULLY AS IT MAY AFFECT YOUR LEGAL RIGHTS.
YOU MAY NEED TO TAKE PROMPT ACTION.**

IMPORTANT DEADLINE:

Opt-Out Deadline (for individuals and entities that wish to exclude themselves from the Class Action. See page 3 for more details.):

Opt-Out Forms will not be accepted after this deadline. As a result, it is necessary that you act without delay.

COURT APPROVAL OF THE CLASS ACTION SETTLEMENT

In June and July of 2011, class actions were commenced in the Ontario Superior Court of Justice (the “Ontario Proceeding”) and the Québec Superior Court (the “Québec Proceeding”) (collectively, the “Proceedings”) against Sino-Forest, its senior officers and directors, its auditors, its underwriters and a consulting company, Pöyry (Beijing) Consulting Company Limited (“Pöyry (Beijing)”). The actions alleged that the public filings of Sino-Forest contained false and misleading statements about Sino-Forest’s assets, business, and transactions.

Since that time, the litigation has been vigorously contested. On March 30, 2012, Sino-Forest obtained creditor protection under the *Companies’ Creditors Arrangement Act* (the “CCAA”), which allowed an interim stay of proceedings against the company. Orders and other materials relevant to the CCAA proceeding can be found at the CCAA Monitor’s website at <http://cfcanada.fticonsulting.com/sfc/>. Ten days before the stay of proceedings was ordered, on March 20, 2012, the plaintiffs entered into a settlement agreement with Pöyry (Beijing) that sought to settle the claims against this defendant alone in the Proceedings (the “Settlement Agreement”). The parties to the Proceedings agreed to, and the Courts have since ordered, a partial lifting of the stay of proceedings for, among other things, the purpose of allowing the Courts to consider the fairness of the Settlement Agreement.

The Settlement Agreement stipulates that Pöyry (Beijing) will cooperate with the plaintiffs through the provision of information, documents, and other evidence that the plaintiffs

believe will assist them in the continued litigation against the remaining defendants. Pöyry (Beijing) will not provide monetary compensation to the plaintiffs. In return, the Proceedings will be dismissed against Pöyry (Beijing) and future claims against Pöyry (Beijing) in relation to these Proceedings will be barred.

Pöyry (Beijing) does not admit to any wrongdoing or liability. The Settlement Agreement does not resolve any claims against Sino-Forest, its senior officers and directors, its auditors, or its underwriters. A complete copy of the Settlement Agreement is available at: www.kmlaw.ca/sinoforestclassaction and www.classaction.ca.

On September 21, 2012, the Ontario Superior Court certified the Ontario Proceeding as a class action for settlement purposes and approved the Settlement Agreement. On October 31, 2012 the Québec Proceeding was authorized as a class action for settlement purposes and the Settlement Agreement was approved by the Québec Superior Court (the "Québec Court"). Both Courts declared that the Settlement Agreement is fair, reasonable, and in the best interest of those affected by it.

WHO IS INCLUDED IN THIS CLASS ACTION AND BOUND BY THE SETTLEMENT?

The Courts have certified the Proceedings and approved the Settlement Agreement on behalf of classes which encompass the following individuals and entities (the "Class" or "Class Members"):

All persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes, or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011:

- a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or
- b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada.

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant.

REQUESTING EXCLUSION FROM THE CLASS

All persons and entities that fall within the definition of the Class are Class Members unless and until they exclude themselves from the Class ("opt out"). Class Members that do not opt out of the Class will not be able to make or maintain any other claims or legal proceeding in

relation to the matters alleged in the Proceedings against Pöyry (Beijing) or any other person released by the Settlement Agreement.

If you are a Class Member and you do not want to be bound by the Settlement Agreement you must opt out. If you wish to opt out, you may do so by completing an "Opt-Out Form".

IF YOU CHOOSE TO OPT OUT OF THE CLASS, YOU WILL BE OPTING OUT OF THE ENTIRE PROCEEDING. THIS MEANS THAT YOU WILL BE UNABLE TO PARTICIPATE IN ANY FUTURE SETTLEMENT OR JUDGMENT REACHED WITH OR AGAINST THE REMAINING DEFENDANTS.

In order to successfully opt out, you must include all of the information requested by the Opt-Out Form. Specifically, you must sign a written election that contains the following information:

- a) your full name, current address, and telephone number;
- b) the name and number of Sino-Forest securities purchased between March 19, 2007 and June 2, 2011 (the "Class Period"), and the date and price of each such transaction;
- c) a statement to the effect that you wish to be excluded from the Settlement Agreement; and
- d) your reasons for opting out.

If you wish to opt out, you must submit your fully complete Opt-Out form to the Opt-Out Administrator or the Québec Court (if you are a resident of Québec) at the applicable above-noted address, **no later than** ●.

OPT-OUT ADMINISTRATOR

The Court has appointed NPT Ricepoint Class Action Services as the Opt-Out Administrator for the Settlement Agreement. The Opt-Out Administrator will receive and process opt-out forms for Class Members **outside Québec**. The Opt-Out Administrator can be contacted at:

Telephone:	1-866-432-5534
Mailing Address:	Sino-Forest Class Action Claims Administrator PO Box 3355 London, ON N6A 4K3
Email:	sino@nptricepoint.com

The opt-out forms for Class Members that are **residents of Québec** will be received and processed by the Québec Court, which can be contacted at:

Mailing Address:

Greffier de la Cour supérieure du Québec
300, boulevard Jean-Lesage, salle 1.24
Québec (Québec) G1K 8K6
No de dossier : 200-06-000132-111

THE LAWYERS THAT REPRESENT THE CLASS MEMBERS

The law firms of Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, sncrl ("Class Counsel") jointly represent the Class in the Proceedings. They can be reached by mail, email, or by telephone, as provided below:

Koskie Minsky LLP

20 Queen St. West, Suite 900, Box 52, Toronto, ON, M5H 3R3

Re: Sino-Forest Class Action

Tel: 1.866.474.1739

Email: sinoforestclassaction@kmlaw.ca

Siskinds LLP

680 Waterloo Street, P.O. Box 2520 London, ON N6A 3V8

Re: Sino-Forest Class Action

Tel: 1.800.461.6166 x.2380

Email: nicole.young@siskinds.com

Siskinds Desmeules, sncrl

43 Rue Buade, Bureau 320, Québec City, Québec, G1R 4A2

Re: Sino-Forest Class Action

Tel: (418) 694-2009

Email: simon.hebert@siskindsdesmeules.com

INTERPRETATION

If there is a conflict between the provisions of this notice and the Settlement Agreement, the terms of the Settlement Agreement will prevail.

Please do not direct inquiries about this notice to the Court. All inquiries should be directed to the Opt-Out Administrator or Class Counsel.

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE AND THE QUEBEC SUPERIOR COURT

Schedule C

**SINO-FOREST CORPORATION CLASS ACTION
TO CURRENT AND FORMER SINO-FOREST SHAREHOLDERS AND
NOTEHOLDERS**

Notice of Settlement with Pöyry (Beijing) Consulting Company Limited

TO: Everyone, including non-Canadians, who acquired Sino-Forest Corporation (“Sino-Forest”) securities between March 19, 2007 and June 2, 2011 i) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter; or ii) who are residents of Canada or were residents of Canada at the time of acquisition and who acquired Sino-Forest Corporation’s securities outside of Canada (the “**Class**” or “**Class Members**”)

COURT APPROVAL OF THE CLASS ACTION SETTLEMENT

In June and July of 2011, class actions were commenced in the Ontario Superior Court of Justice (the “Ontario Proceeding”) and the Québec Superior Court (the “Québec Proceeding”) (collectively, the “Proceedings”) against Sino-Forest, its senior officers and directors, its auditors, its underwriters and a consulting company, Pöyry (Beijing) Consulting Company Limited (“Pöyry (Beijing)”). The actions alleged that the public filings of Sino-Forest contained false and misleading statements about Sino-Forest’s assets, business, and transactions.

The plaintiffs have entered into a settlement agreement with Pöyry (Beijing) that settles the claims against this defendant alone in the Proceedings (the “Settlement Agreement”). The Settlement Agreement stipulates that Pöyry (Beijing) will cooperate with the plaintiffs in the continued litigation against the remaining defendants. Pöyry (Beijing) will not provide monetary compensation to the plaintiffs. In return, the Proceedings will be dismissed against Pöyry (Beijing) and future claims against Pöyry (Beijing) in relation to these Proceedings will be barred. More information regarding the settlement can be found in the Settlement Agreement and in the Notice of Certification and Settlement (“Long Form Notice”) which are available at www.kmlaw.ca/sinoforestclassaction and www.classaction.ca, or by contacting the Opt-Out Administrator at the address below.

Pöyry (Beijing) does not admit to any wrongdoing or liability. The Settlement Agreement does not resolve any claims against Sino-Forest, its senior officers and directors, its auditors, or its underwriters. The courts of Ontario and Québec have certified/authorized the Proceedings as class actions for the purpose of settlement, and both courts have declared that the Settlement Agreement is fair, reasonable and in the best interest of those affected by it.

REQUESTING EXCLUSION FROM THE CLASS

All persons and entities that fall within the definition of the Class are Class Members unless and until they exclude themselves from the Class (“opt out”). If you are a Class Member and

you do not want to be bound by the Settlement Agreement you must opt out. If you wish to opt out, you may do so by completing an "Opt-Out Form", which is attached to the Long-Form Notice, including the required information and supporting documents listed in the Long-Form Notice and mailing it to the Opt-Out Administrator, or the Québec Court (if you are a resident of Québec) at the addresses below, no later than ●. **Class Members that opt-out of the Proceedings will be unable to participate in any future settlement or judgment with or against any of the remaining defendants.**

WHERE TO MAIL THE OPT-OUT FORMS

NPT Ricepoint Class Action Services is the Opt-Out Administrator for the Settlement Agreement. The Opt-Out Administrator will receive and process opt-out forms for Class Members **outside Québec**. The Opt-Out Administrator can be contacted at: Sino-Forest Class Action, Claims Administrator, London, ON N6A 4K3,; Tel No. 1-866-432-5534; Email: sino@nptricepoint.com

The opt-out forms for Class Members that are **residents of Québec** will be received and processed by the Québec Court, which can be contacted at: Greffier de la Cour supérieure du Québec, 300, boulevard Jean-Lesage, salle 1.24, Québec (Québec) G1K 8K6, No de dossier : 200-06-000132-111

FOR MORE INFORMATION

The law firms of Koskie Minsky LLP, Siskinds LLP, and Siskinds Desmeules, sncrl ("Class Counsel") jointly represent the Class in the Proceedings. They can be reached by mail, email, or by telephone, as provided below:

Koskie Minsky LLP

20 Queen St. West, Suite 900, Box 52
Toronto, ON, M5H 3R3

Re: Sino-Forest Class Action

Tel: 1.866.474.1739

Email: sinoforestclassaction@kmlaw.ca

Siskinds LLP

680 Waterloo Street, P.O. Box 2520
London, ON N6A 3V8

Re: Sino-Forest Class Action

Tel: 1.800.461.6166 x.2380

Email: nicole.young@siskinds.com

Siskinds Desmeules, sncrl

43 Rue Buade, Bureau 320, Québec
City, Québec, G1R 4A2

Re: Sino-Forest Class Action

Tel: (418) 694-2009

Email:

simon.hebert@siskindsdesmeules.com

DISTRIBUTION OF THIS NOTICE HAS BEEN AUTHORIZED BY THE ONTARIO
SUPERIOR COURT OF JUSTICE AND THE QUEBEC SUPERIOR COURT

Schedule D

SINO-FOREST CLASS ACTION SETTLEMENT OPT OUT FORM

Must be Postmarked
No Later Than
_____, 2012

**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 First Name

Current Address

City Prov./State Postal Code/Zip Code

Social Insurance Number/Social Security Number/Unique Tax Identifier

Telephone Number (Work)

- -

Telephone Number (Home)

- -

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

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: _____

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



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**

ORDER

KOSKIE MIRSKY LLP
900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)
Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 542110)
Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Lawyers for the Plaintiffs

Tab F

This is Exhibit "F" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 Invesco Canada Ltd. 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: INVESCO CANADA LTD. First Name: []

Current Address: 5140 YONGE STREET SUITE 800

City: TORONTO Prov./State: ON Postal Code/Zip Code: M2N 6X7

Social Insurance Number/Social Security Number/Unique Tax Identifier: N/A

Telephone Number (Work): 416-228-3670 Telephone Number (Home): [] [] [] [] - [] [] [] [] - [] [] [] []

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 4499385

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.

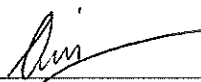
Signature: [Signature] Date Signed: Jan. 11, 2013

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



Tab G

This is Exhibit "G" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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

First Name

COMITÉ SYNDICAL NATIONAL DE

Current Address

RETRAITE BÂTIRENTE INC.

203-2175 BOUL DE MAISONNEUVE E

City

Prov./State

Postal Code/Zip Code

MONTREAL QC H2K 4S3

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work)

Telephone Number (Home)

514-525-5065

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:

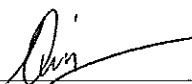
01/11/2013

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



Tab H

This is Exhibit "H" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 Northwest & Ethical Investments L.P. Otherwise, this opt out right would be wholly illusory.

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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 First Name
NORTHWEST & ETHICAL INVESTMENTS

Current Address
L.P.
155 UNIVERSITY AVENUE, 4TH
FLOOR

City Prov./State Postal Code/Zip Code
TORONTO ON M5H 3B7

Social Insurance Number/Social Security Number/Unique Tax Identifier
N/A

Telephone Number (Work) Telephone Number (Home)
416-933-6288

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 714,075

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.

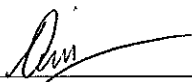
Signature:  Date Signed: 2013/01/11

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



Tab I

This is Exhibit "I" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 ¹⁸⁵ defendant, which includes a claim asserted on an opt-out basis by Matrix Asset Management 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

First Name

MATRIX ASSET MANAGEMENT INC

Current Address

130 KING STREET WEST SUITE

2200 PO BOX 422

City

Prov./State

Postal Code/Zip Code

TORONTO ON M5X 1E3

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work)

Telephone Number (Home)

416-362-3077

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

478222

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:

David Galt

Date Signed:

Jan 15 / 2013

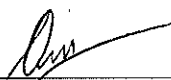
Please mail your Opt Out Form to:

Sino-Forest Class Action
PO Box 3355
London, ON N6A 4K3



Tab J

This is Exhibit "J" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 Gestion FÉRIQUE. 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: GESTION FÉRIQUE
First Name:

Current Address: 1010 DE LA GAUCHETIÈRE ST. WEST
SUITE 1000

City: MONTRÉAL
Prov./State: QC
Postal Code/Zip Code: H3B 2N2

Social Insurance Number/Social Security Number/Unique Tax Identifier: N/A

Telephone Number (Work): 514-840-9206
Telephone Number (Home):

Total number of Sino-Forest securities purchased during the Class Period (March 19, 2007 to June 2, 2011): 194925

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.

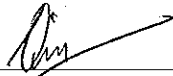
Signature: [Handwritten Signature] Date Signed: 14/1/2013

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



Tab K

This is Exhibit "K" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 ~~189~~ defendant, which includes a claim asserted on an opt-out basis by Montrusco Bolton Investments 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

First Name

MONTRUSCO BOLTON INVESTMENTS INC.

Current Address

1501 MCGILL COLLEGE AVENUE
SUITE 1200

City

Prov./State

Postal Code/Zip Code

MONTREAL QC H3A 3M8

Social Insurance Number/Social Security Number/Unique Tax Identifier

N/A

Telephone Number (Work)

Telephone Number (Home)

514-842-6464

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

302565

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:

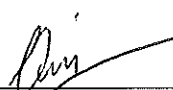
14 janvier 2013

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



Tab L

This is Exhibit "L" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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 AND
ARRANGEMENT OF SINO-FOREST
CORPORATION**

APPLICANT

AMENDED PLAN OF COMPROMISE AND REORGANIZATION

**pursuant to the *Companies' Creditors Arrangement Act*
and the *Canada Business Corporations Act*
concerning, affecting and involving**

SINO-FOREST CORPORATION

November 28, 2012

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AMENDED PLAN OF COMPROMISE AND REORGANIZATION

WHEREAS Sino-Forest Corporation (“SFC”) is insolvent;

AND WHEREAS, on March 30, 2012 (the “**Filing Date**”), the Honourable Justice Morawetz of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an initial Order in respect of SFC (as such Order may be amended, restated or varied from time to time, the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and the *Canada Business Corporation Act*, R.S.C. 1985, c. C-44, as amended (the “**CBCA**”);

AND WHEREAS, on August 31, 2012, the Court granted a Plan Filing and Meeting Order (as such Order may be amended, restated or varied from time to time, the “**Meeting Order**”) pursuant to which, among other things, SFC was authorized to file this plan of compromise and reorganization and to convene a meeting of affected creditors to consider and vote on this plan of compromise and reorganization.

NOW THEREFORE, SFC hereby proposes this amended plan of compromise and reorganization pursuant to the CCAA and CBCA.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

“**2013 Note Indenture**” means the indenture dated as of July 23, 2008, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2014 Note Indenture**” means the indenture dated as of July 27, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2016 Note Indenture**” means the indenture dated as of December 17, 2009, by and between SFC, the entities listed as subsidiary guarantors therein, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented.

“**2017 Note Indenture**” means the indenture dated as of October 21, 2010, by and between SFC, the entities listed as subsidiary guarantors therein, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented.

“**2013 Notes**” means the aggregate principal amount of US\$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture.

“**2014 Notes**” means the aggregate principal amount of US\$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture.

“**2016 Notes**” means the aggregate principal amount of US\$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture.

“**2017 Notes**” means the aggregate principal amount of US\$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued pursuant to the 2017 Note Indenture.

“**Accrued Interest**” means, in respect of any series of Notes, all accrued and unpaid interest on such Notes, at the regular rates provided in the applicable Note Indentures, up to and including the Filing Date.

“**Administration Charge**” has the meaning ascribed thereto in the Initial Order.

“**Administration Charge Reserve**” means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$500,000 or such other amount as agreed to by the Monitor and the Initial Consenting Noteholders, which cash reserve: (i) shall be maintained and administered by the Monitor, in trust, for the purpose of paying any amounts secured by the Administration Charge; and (ii) upon the termination of the Administration Charge pursuant to the Plan, shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge.

“**Affected Claim**” means any Claim, D&O Claim or D&O Indemnity Claim that is not: an Unaffected Claim; a Section 5.1(2) D&O Claim; a Conspiracy Claim; a Continuing Other D&O Claim; a Non-Released D&O Claim; or a Subsidiary Intercompany Claim, and “Affected Claim” includes any Class Action Indemnity Claim. For greater certainty, all of the following are Affected Claims: Affected Creditor Claims; Equity Claims; Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims); and Class Action Indemnity Claims.

“**Affected Creditor**” means a Person with an Affected Creditor Claim, but only with respect to and to the extent of such Affected Creditor Claim.

“**Affected Creditor Claim**” means any Ordinary Affected Creditor Claim or Noteholder Claim.

“**Affected Creditors Class**” has the meaning ascribed thereto in section 3.2(a) hereof.

“**Affected Creditors Equity Sub-Pool**” means an amount of Newco Shares representing 92.5% of the Newco Equity Pool.

“**Alternative Sale Transaction**” has the meaning ascribed thereto in section 10.1 hereof.

“**Alternative Sale Transaction Consideration**” has the meaning ascribed thereto in section 10.1 hereof.

“**Applicable Law**” means any applicable law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada,

the United States, Hong Kong, the PRC or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

“**Auditors**” means the former auditors of SFC that are named as defendants to the Class Actions Claims, including for greater certainty Ernst & Young LLP and BDO Limited.

“**Barbados Loans**” means the aggregate amount outstanding at the date hereof pursuant to three loans made by SFC Barbados to SFC in the amounts of US\$65,997,468.10 on February 1, 2011, US\$59,000,000 on June 7, 2011 and US\$176,000,000 on June 7, 2011.

“**Barbados Property**” has the meaning ascribed thereto in section 6.4(j) hereof.

“**BIA**” means the *Bankruptcy and Insolvency Act*, R. S. C. 1985, c. B-3.

“**Business Day**” means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario.

“**Canadian Tax Act**” means the *Income Tax Act* (Canada) and the *Income Tax Regulations*, in each case as amended from time to time.

“**CBCA**” has the meaning ascribed thereto in the recitals.

“**CCAA**” has the meaning ascribed thereto in the recitals.

“**CCAA Proceeding**” means the proceeding commenced by SFC under the CCAA on the Filing Date in the Ontario Superior Court of Justice (Commercial List) under court file number CV-12-9667-00CL.

“**Charges**” means the Administration Charge and the Directors’ Charge.

“**Claim**” means any right or claim of any Person that may be asserted or made against SFC, in whole or in part, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person (including any Directors or Officers of SFC or any of the Subsidiaries) to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable against SFC in bankruptcy within the

meaning of the BIA had SFC become bankrupt on the Filing Date, or is an Equity Claim, a Noteholder Class Action Claim against SFC, a Class Action Indemnity Claim against SFC, a Restructuring Claim or a Lien Claim, provided, however, that “Claim” shall not include a D&O Claim or a D&O Indemnity Claim.

“**Claims Bar Date**” has the meaning ascribed thereto in the Claims Procedure Order.

“**Claims Procedure**” means the procedure established for determining the amount and status of Claims, D&O Claims and D&O Indemnity Claims, including in each case any such claims that are Unresolved Claims, pursuant to the Claims Procedure Order.

“**Claims Procedure Order**” means the Order under the CCAA of the Honourable Justice Morawetz dated May 14, 2012, establishing, among other things, a claims procedure in respect of SFC and calling for claims in respect of the Subsidiaries, as such Order may be amended, restated or varied from time to time.

“**Class Action Claims**” means, collectively, any rights or claims of any kind advanced or which may subsequently be advanced in the Class Actions or in any other similar proceeding, whether a class action proceeding or otherwise, and for greater certainty includes any Noteholder Class Action Claims.

“**Class Actions**” means, collectively, the following proceedings: (i) *Trustees of the Labourers’ Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP); (ii) *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No. 200-06-000132-111); (iii) *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen’s Bench, Court File No. 2288 of 2011); and (iv) *David Leopard et al. v. Allen T.Y. Chan et al.* (District Court of the Southern District of New York, Court File No. 650258/2012).

“**Class Action Court**” means, with respect to the Class Action Claims, the court of competent jurisdiction that is responsible for administering the applicable Class Action Claim.

“**Class Action Indemnity Claim**” means any right or claim of any Person that may be asserted or made in whole or in part against SFC and/or any Subsidiary for indemnity, contribution, reimbursement or otherwise from or in connection with any Class Action Claim asserted against such Person. For greater certainty, Class Action Indemnity Claims are distinct from and do not include Class Action Claims.

“**Consent Date**” means May 15, 2012.

“**Conspiracy Claim**” means any D&O Claim alleging that the applicable Director or Officer committed the tort of civil conspiracy, as defined under Canadian common law.

“**Continuing Noteholder Class Action Claim**” means any Noteholder Class Action Claim that is: (i) a Section 5.1(2) D&O Claim; (ii) a Conspiracy Claim; (iii) a Non-Released D&O Claim; (iv) a Continuing Other D&O Claim; (v) a Noteholder Class Action Claim against one or more Third Party Defendants that is not an Indemnified Noteholder Class Action Claim; (vi) the portion of an Indemnified Noteholder Class Action Claim that is permitted to continue against

the Third Party Defendants, subject to the Indemnified Noteholder Class Action Limit, pursuant to section 4.4(b)(i) hereof.

“**Continuing Other D&O Claims**” has the meaning ascribed thereto in section 4.9(b) hereof.

“**Court**” has the meaning ascribed thereto in the recitals.

“**D&O Claim**” means (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC that relates to a Claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers of SFC, or (ii) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers of SFC, in that capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty and including, for greater certainty, any monetary administrative or other monetary penalty or claim for costs asserted against any Officer or Director of SFC by any Government Entity) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity from any such Directors or Officers of SFC or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, or (B) relates to a time period prior to the Filing Date.

“**D&O Indemnity Claim**” means any existing or future right of any Director or Officer of SFC against SFC that arose or arises as a result of any Person filing a D&O Proof of Claim (as defined in the Claims Procedure Order) in respect of such Director or Officer of SFC for which such Director or Officer of SFC is entitled to be indemnified by SFC.

“**Defence Costs**” has the meaning ascribed thereto in section 4.8 hereof.

“**Director**” means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of such SFC Company.

“**Directors’ Charge**” has the meaning ascribed thereto in the Initial Order.

“**Direct Registration Account**” means, if applicable, a direct registration account administered by the Transfer Agent in which those Persons entitled to receive Newco Shares and/or Newco Notes pursuant to the Plan will hold such Newco Shares and/or Newco Notes in registered form.

“Direct Registration Transaction Advice” means, if applicable, a statement delivered by the Monitor, the Trustees, the Transfer Agent or any such Person’s agent to any Person entitled to receive Newco Shares or Newco Notes pursuant to the Plan on the Initial Distribution Date and each subsequent Distribution Date, as applicable, indicating the number of Newco Shares and/or Newco Notes registered in the name of or as directed by the applicable Person in a Direct Registration Account.

“Direct Subsidiaries” means, collectively, Sino-Panel Holdings Limited, Sino-Global Holdings Inc., Sino-Panel Corporation, Sino-Capital Global Inc., SFC Barbados, Sino-Forest Resources Inc. Sino-Wood Partners, Limited.

“Distribution Date” means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Proven Claims, excluding the Initial Distribution Date.

“Distribution Escrow Position” has the meaning ascribed thereto in section 5.2(d) hereof.

“Distribution Record Date” means the Plan Implementation Date, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“DTC” means The Depository Trust Company, or any successor thereof.

“Early Consent Equity Sub-Pool” means an amount of Newco Shares representing 7.5% of the Newco Equity Pool.

“Early Consent Noteholder” means any Noteholder that:

- (a) (i) as confirmed by the Monitor on June 12, 2012, executed the (A) RSA, (B) a support agreement with SFC and the Direct Subsidiaries in the form of the RSA or (C) a joinder agreement in the form attached as Schedule C to the RSA; (ii) provided evidence satisfactory to the Monitor in accordance with section 2(a) of the RSA of the Notes held by such Noteholder as at the Consent Date (the **“Early Consent Notes”**), as such list of Noteholders and Notes held has been verified and is maintained by the Monitor on a confidential basis; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date; or
- (b) (i) has acquired Early Consent Notes; (ii) has signed the necessary transfer and joinder documentation as required by the RSA and has otherwise acquired such Early Consent Notes in compliance with the RSA; and (iii) continues to hold such Early Consent Notes as at the Distribution Record Date.

“Effective Time” means 8:00 a.m. (Toronto time) on the Plan Implementation Date or such other time on such date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“Employee Priority Claims” means the following Claims of employees and former employees of SFC:

- (a) Claims equal to the amounts that such employees and former employees would have been qualified to receive under paragraph 136(1)(d) of the BIA if SFC had become bankrupt on the Filing Date; and
- (b) Claims for wages, salaries, commissions or compensation for services rendered by them after the Filing Date and on or before the Plan Implementation Date.

“Encumbrance” means any security interest (whether contractual, statutory, or otherwise), hypothec, mortgage, trust or deemed trust (whether contractual, statutory, or otherwise), lien, execution, levy, charge, demand, action, liability or other claim, action, demand or liability of any kind whatsoever, whether proprietary, financial or monetary, and whether or not it has attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including: (i) any of the Charges; and (ii) any charge, security interest or claim evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

“Equity Cancellation Date” means the date that is the first Business Day at least 31 days after the Plan Implementation Date, or such other date as may be agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“Equity Claim” means a Claim that meets the definition of “equity claim” in section 2(1) of the CCAA and, for greater certainty, includes any of the following:

- (a) any claim against SFC resulting from the ownership, purchase or sale of an equity interest in SFC, including the claims by or on behalf of current or former shareholders asserted in the Class Actions;
- (b) any indemnification claim against SFC related to or arising from the claims described in sub-paragraph (a), including any such indemnification claims against SFC by or on behalf of any and all of the Third Party Defendants (other than for Defence Costs, unless any such claims for Defence Costs have been determined to be Equity Claims subsequent to the date of the Equity Claims Order); and
- (c) any other claim that has been determined to be an Equity Claim pursuant to an Order of the Court.

“Equity Claimant” means any Person having an Equity Claim, but only with respect to and to the extent of such Equity Claim.

“Equity Claimant Class” has the meaning ascribed thereto in section 3.2(b).

“Equity Claims Order” means the Order under the CCAA of the Honourable Justice Morawetz dated July 27, 2012, in respect of Shareholder Claims and Related Indemnity Claims against SFC, as such terms are defined therein.

“Equity Interest” has the meaning set forth in section 2(1) of the CCAA.

“Excluded Litigation Trust Claims” has the meaning ascribed thereto in section **Error! Reference source not found.** hereof.

“Excluded SFC Assets” means (i) the rights of SFC to be transferred to the Litigation Trust in accordance with section 6.4(o) hereof; (ii) any entitlement to insurance proceeds in respect of Insured Claims, Section 5.1(2) D&O Claims and/or Conspiracy Claims; (iii) any secured property of SFC that is to be returned in satisfaction of a Lien Claim pursuant to section 4.2(c)(i) hereof; (iv) any input tax credits or other refunds received by SFC after the Effective Time; and (v) cash in the aggregate amount of (and for the purpose of): (A) the Litigation Funding Amount; (B) the Unaffected Claims Reserve; (C) the Administration Charge Reserve; (D) the Expense Reimbursement and the other payments to be made pursuant to section 6.4(d) hereof (having regard to the application of any outstanding retainers, as applicable); (E) any amounts in respect of Lien Claims to be paid in accordance with section 4.2(c)(ii) hereof; and (F) the Monitor’s Post-Implementation Reserve; (vi) any office space, office furniture or other office equipment owned or leased by SFC in Canada; (vii) the SFC Escrow Co. Share; (viii) Newco Promissory Note 1; and (ix) Newco Promissory Note 2.

“Existing Shares” means all existing shares in the equity of SFC issued and outstanding immediately prior to the Effective Time and all warrants, options or other rights to acquire such shares, whether or not exercised as at the Effective Time.

“Expense Reimbursement” means the aggregate amount of (i) the reasonable and documented fees and expenses of the Noteholder Advisors, pursuant to their respective engagement letters with SFC, and other advisors as may be agreed to by SFC and the Initial Consenting Noteholders and (ii) the reasonable fees and expenses of the Initial Consenting Noteholders incurred in connection with the negotiation and development of the RSA and this Plan, including in each case an estimated amount for any such fees and expenses expected to be incurred in connection with the implementation of the Plan, including in the case of (ii) above, an aggregate work fee of up to \$5 million (which work fee may, at the request of the Monitor, be paid by any of the Subsidiaries instead of SFC).

“Filing Date” has the meaning ascribed thereto in the recitals.

“Fractional Interests” has the meaning given in section 5.12 hereof.

“FTI HK” means FTI Consulting (Hong Kong) Limited.

“Governmental Entity” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“Government Priority Claims” means all Claims of Governmental Entities in respect of amounts that were outstanding as of the Plan Implementation Date and that are of a kind that could be subject to a demand under:

- (a) subsections 224(1.2) of the Canadian Tax Act;
- (b) any provision of the *Canada Pension Plan* or the *Employment Insurance Act* (Canada) that refers to subsection 224(1.2) of the Canadian Tax Act and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or employee's premium or employer's premium as defined in the *Employment Insurance Act* (Canada), or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

"Greenheart" means Greenheart Group Limited, a company established under the laws of Bermuda.

"Indemnified Noteholder Class Action Claims" has the meaning ascribed thereto in section 4.4(b)(i) hereof.

"Indemnified Noteholder Class Action Limit" means \$150 million or such lesser amount agreed to by SFC, the Monitor, the Initial Consenting Noteholders and counsel to the Ontario Class Action Plaintiffs prior to the Plan Implementation Date or agreed to by the Initial Consenting Noteholders and counsel to the Class Action Plaintiffs after the Plan Implementation Date.

"Initial Consenting Noteholders" means the Noteholders that executed the RSA on March 30, 2012.

"Initial Distribution Date" means a date no more than ten (10) Business Days after the Plan Implementation Date or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

"Initial Newco Shareholder" means a Person to be determined by the Initial Consenting Noteholders prior to the Effective Time, with the consent of SFC and the Monitor, to serve as the initial sole shareholder of Newco pursuant to section 6.2(a) hereof.

"Initial Order" has the meaning ascribed thereto in the recitals.

“**Insurance Policies**” means, collectively, the following insurance policies, as well as any other insurance policy pursuant to which SFC or any Director or Officer is insured: ACE INA Insurance Policy Number DO024464; Chubb Insurance Company of Canada Policy Number 8209-4449; Lloyds of London, England Policy Number XTFF0420; Lloyds of London, England Policy Number XTFF0373; and Travelers Guarantee Company of Canada Policy Number 10181108, and “**Insurance Policy**” means any one of the Insurance Policies.

“**Insured Claim**” means all or that portion of any Claim for which SFC is insured and all or that portion of any D&O Claim for which the applicable Director or Officer is insured, in each case pursuant to any of the Insurance Policies.

“**Intellectual Property**” means: (i) patents, and applications for patents, including divisional and continuation patents; (ii) registered and unregistered trade-marks, logos and other indicia of origin, pending trade-mark registration applications, and proposed use application or similar reservations of marks, and all goodwill associated therewith; (iii) registered and unregistered copyrights, including all copyright in and to computer software programs, and applications for and registration of such copyright (including all copyright in and to the SFC Companies’ websites); (iv) world wide web addresses and internet domain names, applications and reservations for world wide web addresses and internet domain names, uniform resource locators and the corresponding internet sites; (v) industrial designs; and (vi) trade secrets and proprietary information not otherwise listed in (i) through (v) above, including all inventions (whether or not patentable), invention disclosures, moral and economic rights of authors and inventors (however denominated), confidential information, technical data, customer lists, corporate and business names, trade names, trade dress, brand names, know-how, formulae, methods (whether or not patentable), designs, processes, procedures, technology, business methods, source codes, object codes, computer software programs (in either source code or object code form), databases, data collections and other proprietary information or material of any type, and all derivatives, improvements and refinements thereof, howsoever recorded, or unrecorded.

“**Letter of Instruction**” means a form, to be completed by each Ordinary Affected Creditor and each Early Consent Noteholder, and that is to be delivered to the Monitor in accordance with section 5.1 hereof, which form shall set out:

- (a) the registration details for the Newco Shares and, if applicable, Newco Notes to be distributed to such Ordinary Affected Creditor or Early Consent Noteholder in accordance with the Plan; and
- (b) the address to which such Ordinary Affected Creditor’s or Early Consent Noteholder’s Direct Registration Transaction Advice or its Newco Share Certificates and Newco Note Certificates, as applicable, are to be delivered.

“**Lien Claim**” means any Proven Claim of a Person indicated as a secured creditor in Schedule “B” to the Initial Order (other than the Trustees) that is secured by a lien or encumbrance on any property of SFC, which lien is valid, perfected and enforceable pursuant to Applicable Law, provided that the Charges and any Claims in respect of Notes shall not constitute “Lien Claims”.

“**Lien Claimant**” means a Person having a Lien Claim, other than any Noteholder or Trustee in respect of any Noteholder Claim.

“**Litigation Funding Amount**” means the cash amount of \$1,000,000 to be advanced by SFC to the Litigation Trustee for purposes of funding the Litigation Trust on the Plan Implementation Date in accordance with section 6.4(o) hereof.

“**Litigation Funding Receivable**” has the meaning ascribed thereto in section 6.4(o) hereof.

“**Litigation Trust**” means the trust to be established on the Plan Implementation Date at the time specified in section 6.4(p) in accordance with the Litigation Trust Agreement pursuant to the laws of a jurisdiction that is acceptable to SFC and the Initial Consenting Noteholders, which trust will acquire the Litigation Trust Claims and will be funded with the Litigation Funding Amount in accordance with the Plan and the Litigation Trust Agreement.

“**Litigation Trust Agreement**” means the trust agreement dated as of the Plan Implementation Date, between SFC and the Litigation Trustee, establishing the Litigation Trust.

“**Litigation Trust Claims**” means any and all claims, actions, causes of action, demands, suits, rights, entitlements, litigation, arbitration, proceeding, hearing or complaint, whether known or unknown, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring before or after the Filing Date that have been or may be asserted by or on behalf of: (i) SFC against any and all third parties; or (ii) the Trustees (on behalf of the Noteholders) against any and all Persons in connection with the Notes issued by SFC; provided, however, that in no event shall the Litigation Trust Claims include any claim, right or cause of action against any Person that is released pursuant to Article 7 hereof. For greater certainty: (i) the claims being advanced or that are subsequently advanced in the Class Actions are not being transferred to the Litigation Trust; and (ii) the claims transferred to the Litigation Trust shall not be advanced in the Class Actions.

“**Litigation Trust Interests**” means the beneficial interests in the Litigation Trust to be created on the Plan Implementation Date.

“**Litigation Trustee**” means a Person to be determined by SFC and the Initial Consenting Noteholders prior to the Effective Time, with the consent of the Monitor, to serve as trustee of the Litigation Trust pursuant to and in accordance with the terms thereof.

“**Material**” means a fact, circumstance, change, effect, matter, action, condition, event, occurrence or development that, individually or in the aggregate, is, or would reasonably be expected to be, material to the business, affairs, results of operations or financial condition of the SFC Companies (taken as a whole).

“**Material Adverse Effect**” means a fact, event, change, occurrence, circumstance or condition that, individually or together with any other event, change or occurrence, has or would reasonably be expected to have a material adverse impact on the assets, condition (financial or otherwise), business, liabilities, obligations (whether absolute, accrued, conditional or otherwise)

or operations of the SFC Companies (taken as a whole); provided, however, that a Material Adverse Effect shall not include and shall be deemed to exclude the impact of any fact, event, change, occurrence, circumstance or condition resulting from or relating to: (A) changes in Applicable Laws of general applicability or interpretations thereof by courts or Governmental Entities or regulatory authorities, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole), (B) any change in the forestry industry generally, which does not have a Material disproportionate effect on the SFC Companies (taken as a whole) (relative to other industry participants operating primarily in the PRC), (C) actions and omissions of any of the SFC Companies required pursuant to the RSA or this Plan or taken with the prior written consent of the Initial Consenting Noteholders, (D) the effects of compliance with the RSA or this Plan, including on the operating performance of the SFC Companies, (E) the negotiation, execution, delivery, performance, consummation, potential consummation or public announcement of the RSA or this Plan or the transactions contemplated thereby or hereby, (F) any change in U.S. or Canadian interest rates or currency exchange rates unless such change has a Material disproportionate effect on the SFC Companies (taken as a whole), and (G) general political, economic or financial conditions in Canada, the United States, Hong Kong or the PRC, which changes do not have a Material disproportionate effect on the SFC Companies (taken as a whole).

“**Meeting**” means the meeting of Affected Creditors, and any adjournment or extension thereof, that is called and conducted in accordance with the Meeting Order for the purpose of considering and voting on the Plan.

“**Meeting Order**” has the meaning ascribed thereto in the recitals.

“**Monitor**” means FTI Consulting Canada Inc., in its capacity as Court-appointed Monitor of SFC in the CCAA Proceeding.

“**Monitor’s Post-Implementation Reserve**” means the cash reserve to be established by SFC on the Plan Implementation Date in the amount of \$5,000,000 or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders, which cash reserve shall be maintained and administered by the Monitor for the purpose of administering SFC and the Claims Procedure, as necessary, from and after the Plan Implementation Date.

“**Named Directors and Officers**” means Andrew Agnew, William E. Ardell, James Bowland, Leslie Chan, Michael Cheng, Lawrence Hon, James M.E. Hyde, Richard M. Kimel, R. John (Jack) Lawrence, Jay A. Lefton, Edmund Mak, Tom Maradin, Judson Martin, Simon Murray, James F. O’Donnell, William P. Rosenfeld, Peter Donghong Wang, Garry West and Kee Y. Wong, in their respective capacities as Directors or Officers, and “**Named Director or Officer**” means any one of them.

“**Newco**” means the new corporation to be incorporated pursuant to section 6.2(a) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“**Newco II**” means the new corporation to be incorporated pursuant to section 6.2(b) hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“**Newco II Consideration**” has the meaning ascribed thereto in section 6.4(x) hereof.

“**Newco Equity Pool**” means all of the Newco Shares to be issued by Newco on the Plan Implementation Date. The number of Newco Shares to be issued on the Plan Implementation Date shall be agreed by SFC, the Monitor and the Initial Consenting Noteholders prior to the Plan Implementation Date.

“**Newco Note Certificate**” means a certificate evidencing Newco Notes.

“**Newco Notes**” means the new notes to be issued by Newco on the Plan Implementation Date in the aggregate principal amount of \$300,000,000, on such terms and conditions as are satisfactory to the Initial Consenting Noteholders and SFC, acting reasonably.

“**Newco Promissory Note 1**”, “**Newco Promissory Note 2**”, “**Newco Promissory Note 3**” and “**Newco Promissory Notes**” have the meanings ascribed thereto in sections 6.4(k), 6.4(m), 6.4(n) and 6.4(q) hereof, respectively.

“**Newco Share Certificate**” means a certificate evidencing Newco Shares.

“**Newco Shares**” means common shares in the capital of Newco.

“**Non-Released D&O Claims**” has the meaning ascribed thereto in section 4.9(f) hereof.

“**Noteholder Advisors**” means Goodmans LLP, Hogan Lovells and Conyers, Dill & Pearman LLP in their capacity as legal advisors to the Initial Consenting Noteholders, and Moelis & Company LLC and Moelis and Company Asia Limited, in their capacity as the financial advisors to the Initial Consenting Noteholders.

“**Noteholder Claim**” means any Claim by a Noteholder (or a Trustee or other representative on the Noteholder’s behalf) in respect of or in relation to the Notes owned or held by such Noteholder, including all principal and Accrued Interest payable to such Noteholder pursuant to such Notes or the Note Indentures, but for greater certainty does not include any Noteholder Class Action Claim.

“**Noteholder Class Action Claim**” means any Class Action Claim, or any part thereof, against SFC, any of the Subsidiaries, any of the Directors and Officers of SFC or the Subsidiaries, any of the Auditors, any of the Underwriters and/or any other defendant to the Class Action Claims that relates to the purchase, sale or ownership of Notes, but for greater certainty does not include a Noteholder Claim.

“**Noteholder Class Action Claimant**” means any Person having or asserting a Noteholder Class Action Claim.

“**Noteholder Class Action Representative**” means an individual to be appointed by counsel to the Ontario Class Action Plaintiffs.

“**Noteholders**” means, collectively, the beneficial owners of Notes as of the Distribution Record Date and, as the context requires, the registered holders of Notes as of the Distribution Record Date, and “**Noteholder**” means any one of the Noteholders.

“**Note Indentures**” means, collectively, the 2013 Note Indenture, the 2014 Note Indenture, the 2016 Note Indenture and the 2017 Note Indenture.

“**Notes**” means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes.

“**Officer**” means, with respect to SFC or any Subsidiary, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of such SFC Company.

“**Ontario Class Action Plaintiffs**” means the plaintiffs in the Ontario class action case styled as *Trustees of the Labourers’ Pension Fund of Central and Eastern Canada et al v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP).

“**Order**” means any order of the Court made in connection with the CCAA Proceeding or this Plan.

“**Ordinary Affected Creditor**” means a Person with an Ordinary Affected Creditor Claim.

“**Ordinary Affected Creditor Claim**” means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims).

“**Other Directors and/or Officers**” means any Directors and/or Officers other than the Named Directors and Officers.

“**Permitted Continuing Retainer**” has the meaning ascribed thereto in section 6.4(d) hereof.

“**Person**” means any individual, sole proprietorship, limited or unlimited liability corporation, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, body corporate, joint venture, trust, pension fund, union, Governmental Entity, and a natural person including in such person’s capacity as trustee, heir, beneficiary, executor, administrator or other legal representative.

“**Plan**” means this Amended Plan of Compromise and Reorganization filed by SFC pursuant to the CCAA and the CBCA, as such Plan may be further amended, supplemented or restated from time to time in accordance with the terms hereof or an Order.

“Plan Implementation Date” means the Business Day on which this Plan becomes effective, which shall be the Business Day on which the Monitor has filed with the Court the certificate contemplated in section 9.2 hereof, or such other date as SFC, the Monitor and the Initial Consenting Noteholders may agree.

“PRC” means the People’s Republic of China.

“Proof of Claim” means the “Proof of Claim” referred to in the Claims Procedure Order, substantially in the form attached to the Claims Procedure Order.

“Pro-Rata” means:

- (a) with respect to any Noteholder in relation to all Noteholders, the proportion of (i) the principal amount of Notes beneficially owned by such Noteholder as of the Distribution Record Date plus the Accrued Interest owing on such Notes as of the Filing Date, in relation to (ii) the aggregate principal amount of all Notes outstanding as of the Distribution Record Date plus the aggregate of all Accrued Interest owing on all Notes as of the Filing Date;
- (b) with respect to any Early Consent Noteholder in relation to all Early Consent Noteholders, the proportion of the principal amount of Early Consent Notes beneficially owned by such Early Consent Noteholder as of the Distribution Record Date in relation to the aggregate principal amount of Early Consent Notes held by all Early Consent Noteholders as of the Distribution Record Date; and
- (c) with respect to any Affected Creditor in relation to all Affected Creditors, the proportion of such Affected Creditor’s Affected Creditor Claim as at any relevant time in relation to the aggregate of all Proven Claims and Unresolved Claims of Affected Creditors as at that time.

“Proven Claim” means an Affected Creditor Claim to the extent that such Affected Creditor Claim is finally determined and valued in accordance with the provisions of the Claims Procedure Order, the Meeting Order or any other Order, as applicable.

“Released Claims” means all of the rights, claims and liabilities of any kind released pursuant to Article 7 hereof.

“Released Parties” means, collectively, those Persons released pursuant to Article 7 hereof, but only to the extent so released, and each such Person is referred to individually as a **“Released Party”**.

“Required Majority” means a majority in number of Affected Creditors with Proven Claims, and two-thirds in value of the Proven Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting.

“Remaining Post-Implementation Reserve Amount” has the meaning ascribed thereto in section 5.7(b) hereof.

“**Restructuring Claim**” means any right or claim of any Person that may be asserted or made in whole or in part against SFC, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of the Claims Procedure Order.

“**Restructuring Transaction**” means the transactions contemplated by this Plan (including any Alternative Sale Transaction that occurs pursuant to section 10.1 hereof).

“**RSA**” means the Restructuring Support Agreement executed as of March 30, 2012 by SFC, the Direct Subsidiaries and the Initial Consenting Noteholders, and subsequently executed or otherwise agreed to by the Early Consent Noteholders, as such Restructuring Support Agreement may be amended, restated and varied from time to time in accordance with its terms.

“**Sanction Date**” means the date that the Sanction Order is granted by the Court.

“**Sanction Order**” means the Order of the Court sanctioning and approving this Plan.

“**Section 5.1(2) D&O Claim**” means any D&O Claim that is not permitted to be compromised pursuant to section 5.1(2) of the CCAA, but only to the extent not so permitted, provided that any D&O Claim that qualifies as a Non-Released D&O Claim or a Continuing Other D&O Claim shall not constitute a Section 5.1(2) D&O Claim.

“**SFC**” has the meaning ascribed thereto in the recitals.

“**SFC Advisors**” means Bennett Jones LLP, Appleby Global Group, King & Wood Mallesons and Linklaters LLP, in their respective capacities as legal advisors to SFC, and Houlihan Lokey Howard & Zukin Capital, Inc., in its capacity as financial advisor to SFC.

“**SFC Assets**” means all of SFC’s right, title and interest in and to all of SFC’s properties, assets and rights of every kind and description (including all restricted and unrestricted cash, contracts, real property, receivables or other debts owed to SFC, Intellectual Property, SFC’s corporate name and all related marks, all of SFC’s ownership interests in the Subsidiaries (including all of the shares of the Direct Subsidiaries and any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time), all of SFC’s ownership interest in Greenheart and its subsidiaries, all SFC Intercompany Claims, any entitlement of SFC to any insurance proceeds and a right to the Remaining Post-Implementation Reserve Amount), other than the Excluded SFC Assets.

“**SFC Barbados**” means Sino-Forest International (Barbados) Corporation, a wholly-owned subsidiary of SFC established under the laws of Barbados.

“**SFC Business**” means the business operated by the SFC Companies.

“**SFC Continuing Shareholder**” means the Litigation Trustee or such other Person as may be agreed to by the Monitor and the Initial Consenting Noteholders.

“**SFC Companies**” means, collectively, SFC and all of the Subsidiaries, and “**SFC Company**” means any of them.

“**SFC Escrow Co.**” means the company to be incorporated as a wholly-owned subsidiary of SFC pursuant to section 6.3 hereof under the laws of the Cayman Islands or such other jurisdiction as agreed to by SFC, the Monitor and the Initial Consenting Noteholders.

“**SFC Escrow Co. Share**” has the meaning ascribed thereto in section 6.3 hereof.

“**SFC Intercompany Claim**” means any amount owing to SFC by any Subsidiary or Greenheart and any claim by SFC against any Subsidiary or Greenheart.

“**Subsidiaries**” means all direct and indirect subsidiaries of SFC, other than (i) Greenheart and its direct and indirect subsidiaries and (ii) SFC Escrow Co., and “**Subsidiary**” means any one of the Subsidiaries.

“**Subsidiary Intercompany Claim**” means any Claim by any Subsidiary or Greenheart against SFC.

“**Tax**” or “**Taxes**” means any and all federal, provincial, municipal, local and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence, franchise and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions, together with all interest, penalties, fines and additions with respect to such amounts.

“**Taxing Authorities**” means any one of Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, any similar revenue or taxing authority of the United States, the PRC, Hong Kong or other foreign state and any political subdivision thereof, and any Canadian, United States, Hong Kong, PRC or other government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or regulation-making entity exercising taxing authority or power, and “**Taxing Authority**” means any one of the Taxing Authorities.

“**Third Party Defendants**” means any defendants to the Class Action Claims (present or future) other than SFC, the Subsidiaries, the Named Directors and Officers or the Trustees.

“**Transfer Agent**” means Computershare Limited (or a subsidiary or affiliate thereof) or such other transfer agent as Newco may appoint, with the prior written consent of the Monitor and the Initial Consenting Noteholders.

“**Trustee Claims**” means any rights or claims of the Trustees against SFC under the Note Indentures for compensation, fees, expenses, disbursements or advances, including reasonable legal fees and expenses, incurred or made by or on behalf of the Trustees before or after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan.

“**Trustees**” means, collectively, The Bank of New York Mellon in its capacity as trustee for the 2013 Notes and the 2016 Notes, and Law Debenture Trust Company of New York in its capacity as trustee for the 2014 Notes and the 2017 Notes, and “**Trustee**” means either one of them.

“**Unaffected Claim**” means any:

- (a) Claim secured by the Administration Charge;
- (b) Government Priority Claim;
- (c) Employee Priority Claim;
- (d) Lien Claim;
- (e) any other Claim of any employee, former employee, Director or Officer of SFC in respect of wages, vacation pay, bonuses, termination pay, severance pay or other remuneration payable to such Person by SFC, other than any termination pay or severance pay payable by SFC to a Person who ceased to be an employee, Director or Officer of SFC prior to the date of this Plan;
- (f) Trustee Claims; and
- (g) any trade payables that were incurred by SFC (i) after the Filing Date but before the Plan Implementation Date; and (ii) in compliance with the Initial Order or other Order issued in the CCAA Proceeding.

“**Unaffected Claims Reserve**” means the cash reserve to be established by SFC on the Plan Implementation Date and maintained by the Monitor, in escrow, for the purpose of paying certain Unaffected Claims in accordance with section 4.2 hereof.

“**Unaffected Creditor**” means a Person who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

“**Undeliverable Distribution**” has the meaning ascribed thereto in section 5.4.

“**Underwriters**” means any underwriters of SFC that are named as defendants in the Class Action Claims, including for greater certainty 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).

“**Unresolved Claim**” means an Affected Creditor Claim in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order but that, as at any applicable time, has not been finally (i) determined to be a Proven Claim or (ii) disallowed in accordance with the Claims Procedure Order, the Meeting Order or any other Order.

“**Unresolved Claims Escrow Agent**” means SFC Escrow Co. or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders.

“**Unresolved Claims Reserve**” means the reserve of Newco Shares, Newco Notes and Litigation Trust Interests, if any, to be established pursuant to sections 6.4(h)(ii) and 6.4(r) hereof in respect of Unresolved Claims as at the Plan Implementation Date, which reserve shall be held and maintained by the Unresolved Claims Escrow Agent, in escrow, for distribution in accordance with the Plan. As at the Plan Implementation Date, the Unresolved Claims Reserve will consist of that amount of Newco Shares, Newco Notes and Litigation Trust Interests as is necessary to make any potential distributions under the Plan in respect of the following Unresolved Claims: (i) Class Action Indemnity Claims in an amount up to the Indemnified Noteholder Class Action Limit; (ii) Claims in respect of Defence Costs in the amount of \$30 million or such other amount as may be agreed by the Monitor and the Initial Consenting Noteholders; and (iii) other Affected Creditor Claims that have been identified by the Monitor as Unresolved Claims in an amount up to \$500,000 or such other amount as may be agreed by the Monitor and the Initial Consenting Noteholders.

“**Website**” means the website maintained by the Monitor in respect of the CCAA Proceeding pursuant to the Initial Order at the following web address: <http://cfcanada.fticonsulting.com/sfc>.

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to an Order, agreement, contract, instrument, indenture, release, exhibit or other document means such Order, agreement, contract, instrument, indenture, release, exhibit or other document as it may have been or may be validly amended, modified or supplemented;
- (b) the division of the Plan into “articles” and “sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “articles” and “sections” intended as complete or accurate descriptions of the content thereof;
- (c) unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders;
- (d) the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including

but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

- (e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;
- (f) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (g) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and
- (h) references to a specified “article” or “section” shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms “the Plan”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions shall be deemed to refer generally to the Plan and not to any particular “article”, “section” or other portion of the Plan and include any documents supplemental hereto.

1.3 Currency

For the purposes of this Plan, all amounts shall be denominated in Canadian dollars and all payments and distributions to be made in cash shall be made in Canadian dollars. Any Claims or other amounts denominated in a foreign currency shall be converted to Canadian dollars at the Reuters closing rate on the Filing Date.

1.4 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Plan.

1.5 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purpose of the Plan is:

- (a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Affected Claims;
- (b) to effect the distribution of the consideration provided for herein in respect of Proven Claims;
- (c) to transfer ownership of the SFC Business to Newco and then from Newco to Newco II, in each case free and clear of all claims against SFC and certain related claims against the Subsidiaries, so as to enable the SFC Business to continue on a viable, going concern basis; and
- (d) to allow Affected Creditors and Noteholder Class Action Claimants to benefit from contingent value that may be derived from litigation claims to be advanced by the Litigation Trustee.

The Plan is put forward in the expectation that the Persons with an economic interest in SFC, when considered as a whole, will derive a greater benefit from the implementation of the Plan and the continuation of the SFC Business as a going concern than would result from a bankruptcy or liquidation of SFC.

2.2 Claims Affected

The Plan provides for, among other things, the full, final and irrevocable compromise, release, discharge, cancellation and bar of Affected Claims and effectuates the restructuring of SFC. The Plan will become effective at the Effective Time on the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date (if the Equity Cancellation date does not occur on the Plan Implementation Date) which will occur and be effective on such date, and the Plan shall be binding on and enure to the benefit of SFC, the Subsidiaries, Newco, Newco II, SFC Escrow Co., any Person having an Affected Claim, the Directors and Officers of SFC and all other Persons named or referred to in, or subject to, the Plan, as and to the extent provided for in the Plan.

2.3 Unaffected Claims against SFC Not Affected

Any amounts properly owing by SFC in respect of Unaffected Claims will be satisfied in accordance with section 4.2 hereof. Consistent with the foregoing, all liabilities of the Released Parties in respect of Unaffected Claims (other than the obligation of SFC to satisfy such Unaffected Claims in accordance with section 4.2 hereof) will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred pursuant to Article 7 hereof. Nothing in the Plan shall affect SFC's rights and defences, both legal and equitable, with respect

to any Unaffected Claims, including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

2.4 Insurance

- (a) Subject to the terms of this section 2.4, nothing in this Plan shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any right, entitlement or claim of any Person against SFC or any Director or Officer, or any insurer, in respect of an Insurance Policy or the proceeds thereof.
- (b) Nothing in this Plan shall prejudice, compromise, release or otherwise affect any right or defence of any such insurer in respect of any such Insurance Policy. Furthermore, nothing in this Plan shall prejudice, compromise, release or otherwise affect (i) any right of subrogation any such insurer may have against any Person, including against any Director or Officer in the event of a determination of fraud against SFC or any Director or Officer in respect of whom such a determination is specifically made, and /or (ii) the ability of such insurer to claim repayment of Defense Costs (as defined in any such policy) from SFC and/or any Director or Officer in the event that the party from whom repayment is sought is not entitled to coverage under the terms and conditions of any such Insurance Policy
- (c) Notwithstanding anything herein (including section 2.4(b) and the releases and injunctions set forth in Article 7 hereof), but subject to section 2.4(d) hereof, all Insured Claims shall be deemed to remain outstanding and are not released following the Plan Implementation Date, but recovery as against SFC and the Named Directors and Officers is limited only to proceeds of Insurance Policies that are available to pay such Insured Claims, either by way of judgment or settlement. SFC and the Directors or Officers shall make all reasonable efforts to meet all obligations under the Insurance Policies. The insurers agree and acknowledge that they shall be obliged to pay any Loss payable pursuant to the terms and conditions of their respective Insurance Policies notwithstanding the releases granted to SFC and the Named Directors and Officers under this Plan, and that they shall not rely on any provisions of the Insurance Policies to argue, or otherwise assert, that such releases excuse them from, or relieve them of, the obligation to pay Loss that otherwise would be payable under the terms of the Insurance Policies. For greater certainty, the insurers agree and consent to a direct right of action against the insurers, or any of them, in favour of any plaintiff who or which has (a) negotiated a settlement of any Claim covered under any of the Insurance Policies, which settlement has been consented to in writing by the insurers or such of them as may be required or (b) obtained a final judgment against one or more of SFC and/or the Directors or Officers which such plaintiff asserts, in whole or in part, represents Loss covered under the Insurance Policies, notwithstanding that such plaintiff is not a named insured under the Insurance Policies and that neither SFC nor the Directors or Officers are parties to such action.

- (d) Notwithstanding anything in this section 2.4, from and after the Plan Implementation Date, any Person having an Insured Claim shall, as against SFC and the Named Directors and Officers, be irrevocably limited to recovery solely from the proceeds of the Insurance Policies paid or payable on behalf of SFC or its Directors or Officers, and Persons with any Insured Claims shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from SFC, any of the Named Directors and Officers, any of the Subsidiaries, Newco or Newco II, other than enforcing such Person's rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s), and this section 2.4(d) may be relied upon and raised or pled by SFC, Newco, Newco II, any Subsidiary and any Named Director and Officer in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section

2.5 Claims Procedure Order

For greater certainty, nothing in this Plan revives or restores any right or claim of any kind that is barred or extinguished pursuant to the terms of the Claims Procedure Order, provided that nothing in this Plan, the Claims Procedure Order or any other Order compromises, releases, discharges, cancels or bars any claim against any Person for fraud or criminal conduct, regardless of whether or not any such claim has been asserted to date.

ARTICLE 3 CLASSIFICATION, VOTING AND RELATED MATTERS

3.1 Claims Procedure

The procedure for determining the validity and quantum of the Affected Claims shall be governed by the Claims Procedure Order, the Meeting Order, the CCAA, the Plan and any other Order, as applicable. SFC, the Monitor and any other creditor in respect of its own Claim, shall have the right to seek the assistance of the Court in valuing any Claim, whether for voting or distribution purposes, if required, and to ascertain the result of any vote on the Plan.

3.2 Classification

- (a) The Affected Creditors shall constitute a single class, the “**Affected Creditors Class**”, for the purposes of considering and voting on the Plan.
- (b) The Equity Claimants shall constitute a single class, separate from the Affected Creditors Class, but shall not, and shall have no right to, attend the Meeting or vote on the Plan in such capacity.

3.3 Unaffected Creditors

No Unaffected Creditor, in respect of an Unaffected Claim, shall:

- (a) be entitled to vote on the Plan;
- (b) be entitled to attend the Meeting; or

- (c) receive any entitlements under this Plan in respect of such Unaffected Creditor's Unaffected Claims (other than its right to have its Unaffected Claim addressed in accordance with section 4.2 hereof).

3.4 Creditors' Meeting

The Meeting shall be held in accordance with the Plan, the Meeting Order and any further Order of the Court. The only Persons entitled to attend and vote on the Plan at the Meeting are those specified in the Meeting Order.

3.5 Approval by Creditors

In order to be approved, the Plan must receive the affirmative vote of the Required Majority of the Affected Creditors Class.

ARTICLE 4 DISTRIBUTIONS, PAYMENTS AND TREATMENT OF CLAIMS

4.1 Affected Creditors

All Affected Creditor Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Each Affected Creditor that has a Proven Claim shall be entitled to receive the following in accordance with the Plan:

- (a) such Affected Creditor's Pro-Rata number of the Newco Shares to be issued by Newco from the Affected Creditors Equity Sub-Pool in accordance with the Plan;
- (b) such Affected Creditor's Pro-Rata amount of the Newco Notes to be issued by Newco in accordance with the Plan; and
- (c) such Affected Creditor's Pro-Rata share of the Litigation Trust Interests to be allocated to the Affected Creditors in accordance with 4.11 hereof and the terms of the Litigation Trust.

From and after the Plan Implementation Date, each Affected Creditor, in such capacity, shall have no rights as against SFC in respect of its Affected Creditor Claim.

4.2 Unaffected Creditors

Each Unaffected Claim that is finally determined as such, as to status and amount, and that is finally determined to be valid and enforceable against SFC, in each case in accordance with the Claims Procedure Order or other Order:

- (a) subject to sections 4.2(b) and 4.2(c) hereof, shall be paid in full from the Unaffected Claims Reserve and limited to recovery against the Unaffected Claims Reserve, and Persons with Unaffected Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of Unaffected

Claims, other than enforcing such Person's right against SFC to be paid from the Unaffected Claims Reserve;

- (b) in the case of Claims secured by the Administration Charge:
 - (i) if billed or invoiced to SFC prior to the Plan Implementation Date, such Claims shall be paid by SFC in accordance with section 6.4(d) hereof; and
 - (ii) if billed or invoiced to SFC on or after the Plan Implementation Date, such Claims shall be paid from the Administration Charge Reserve, and all such Claims shall be limited to recovery against the Administration Charge Reserve, and any Person with such Claims shall have no right to, and shall not, make any claim or seek any recoveries from any Person in respect of such Claims, other than enforcing such Person's right against the Administration Charge Reserve; and
- (c) in the case of Lien Claims:
 - (i) at the election of the Initial Consenting Noteholders, and with the consent of the Monitor, SFC shall satisfy such Lien Claim by the return of the applicable property of SFC that is secured as collateral for such Lien Claim, and the applicable Lien Claimant shall be limited to its recovery against such secured property in respect of such Lien Claim.
 - (ii) if the Initial Consenting Noteholders do not elect to satisfy such Lien Claim by the return of the applicable secured property: (A) SFC shall repay the Lien Claim in full in cash on the Plan Implementation Date; and (B) the security held by the applicable Lien Claimant over the property of SFC shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred; and
 - (iii) upon the satisfaction of a Lien Claim in accordance with sections 4.2(c)(i) or 4.2(c)(ii) hereof, such Lien Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred.

4.3 Early Consent Noteholders

As additional consideration for the compromise, release, discharge, cancellation and bar of the Affected Creditor Claims in respect of its Notes, each Early Consent Noteholder shall receive (in addition to the consideration it is entitled to receive in accordance with section 4.1 hereof) its Pro-Rata number of the Newco Shares to be issued by Newco from the Early Consent Equity Sub-Pool in accordance with the Plan.

4.4 Noteholder Class Action Claimants

- (a) All Noteholder Class Action Claims against SFC, the Subsidiaries or the Named Directors or Officers (other than any Noteholder Class Action Claims against the Named Directors or Officers that are Section 5.1(2) D&O Claims, Conspiracy

Claims or Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration as against all said Persons on the Plan Implementation Date. Subject to section 4.4(c) hereof, Noteholder Class Action Claimants shall not receive any consideration or distributions under the Plan in respect of their Noteholder Class Action Claims. Noteholder Class Action Claimants shall not be entitled to attend or to vote on the Plan at the Meeting in respect of their Noteholder Class Action Claims.

- (b) Notwithstanding anything to the contrary in section 4.4(a), Noteholder Class Action Claims as against the Third Party Defendants (x) are not compromised, discharged, released, cancelled or barred, (y) shall be permitted to continue as against the Third Party Defendants and (z) shall not be limited or restricted by this Plan in any manner as to quantum or otherwise (including any collection or recovery for such Noteholder Class Action Claims that relates to any liability of the Third Party Defendants for any alleged liability of SFC), provided that:
 - (i) in accordance with the releases set forth in Article 7 hereof, the collective aggregate amount of all rights and claims asserted or that may be asserted against the Third Party Defendants in respect of any such Noteholder Class Action Claims for which any such Persons in each case have a valid and enforceable Class Action Indemnity Claim against SFC (the “**Indemnified Noteholder Class Action Claims**”) shall not exceed, in the aggregate, the Indemnified Noteholder Class Action Limit, and in accordance with section 7.3 hereof, all Persons shall be permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, from seeking to enforce any liability in respect of the Indemnified Noteholder Class Action Claims that exceeds the Indemnified Noteholder Class Action Limit; and
 - (ii) subject to section 4.4(d), any Class Action Indemnity Claims against SFC by the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims shall be treated as Affected Creditor Claims against SFC, but only to the extent that any such Class Action Indemnity Claims that are determined to be properly indemnified by SFC, enforceable against SFC and are not barred or extinguished by the Claims Procedure Order, and further provided that the aggregate liability of SFC in respect of all such Class Action Indemnity Claims shall be limited to the lesser of: (A) the actual aggregate liability of the Third Party Defendants pursuant to any final judgment, settlement or other binding resolution in respect of the Indemnified Noteholder Class Action Claims; and (B) the Indemnified Noteholder Class Action Limit.
- (c) Each Noteholder Class Action Claimant shall be entitled to receive its share of the Litigation Trust Interests to be allocated to Noteholder Class Action Claimants in accordance with the terms of the Litigation Trust and section 4.11 hereof, as such

Noteholder Class Action Claimant's share is determined by the applicable Class Action Court.

- (d) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that Class Action Indemnity Claims in respect of Noteholder Class Action Claims or any other Claims of the Third Party Defendants should receive the same or similar treatment as is afforded to Class Action Indemnity Claims in respect of Equity Claims under the terms of this Plan.

4.5 Equity Claimants

All Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. Equity Claimants shall not receive any consideration or distributions under the Plan and shall not be entitled to vote on the Plan at the Meeting.

4.6 Claims of the Trustees and Noteholders

For purposes of this Plan, all claims filed by the Trustees in respect of the Noteholder Claims (other than any Trustee Claims) shall be treated as provided in section 4.1 and the Trustees and the Noteholders shall have no other entitlements in respect of the guarantees and share pledges that have been provided by the Subsidiaries, or any of them, all of which shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date as against the Subsidiaries pursuant to Article 7 hereof.

4.7 Claims of the Third Party Defendants

For purposes of this Plan, all claims filed by the Third Party Defendants against SFC and/or any of its Subsidiaries shall be treated as follows:

- (a) all such claims against the Subsidiaries shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date in accordance with Article 7 hereof;
- (b) all such claims against SFC that are Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims shall be treated as set out in section 4.4(b)(ii) hereof;
- (c) all such claims against SFC for indemnification of Defence Costs shall be treated in accordance with section 4.8 hereof; and
- (d) all other claims shall be treated as Equity Claims.

4.8 Defence Costs

All Claims against SFC for indemnification of defence costs incurred by any Person (other than a Named Director or Officer) in connection with defending against Shareholder Claims (as defined in the Equity Claims Order), Noteholder Class Action Claims or any other claims of any kind relating to SFC or the Subsidiaries (“**Defence Costs**”) shall be treated as follows:

- (a) as Equity Claims to the extent they are determined to be Equity Claims under any Order; and
- (b) as Affected Creditor Claims to the extent that they are not determined to be Equity Claims under any Order, provided that:
 - (i) if such Defence Costs were incurred in respect of a claim against the applicable Person that has been successfully defended and the Claim for such Defence Costs is otherwise valid and enforceable against SFC, the Claim for such Defence Costs shall be treated as a Proven Claim, provided that if such Claim for Defence Costs is a Class Action Indemnity Claim of a Third Party Defendant against SFC in respect of any Indemnified Noteholder Class Action Claim, such Claim for Defence Costs shall be treated in the manner set forth in section 4.4(b)(ii) hereof;
 - (ii) if such Defence Costs were incurred in respect of a claim against the applicable Person that has not been successfully defended or such Defence Costs are determined not to be valid and enforceable against SFC, the Claim for such Defence Costs shall be disallowed and no consideration will be payable in respect thereof under the Plan; and
 - (iii) until any such Claim for Defence Costs is determined to be either a Claim within section 4.8(b)(i) or a Claim within section 4.8(b)(ii), such Claim shall be treated as an Unresolved Claim,

provided that nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek an Order that Claims against SFC for indemnification of any Defence Costs should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.

4.9 D&O Claims

- (a) All D&O Claims against the Named Directors and Officers (other than Section 5.1(2) D&O Claims, Conspiracy Claims and Non-Released D&O Claims) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.
- (b) All D&O Claims against the Other Directors and/or Officers shall not be compromised, released, discharged, cancelled or barred by this Plan and shall be permitted to continue as against the applicable Other Directors and/or Officers

(the “**Continuing Other D&O Claims**”), provided that any Indemnified Noteholder Class Action Claims against the Other Directors and/or Officers shall be limited as described in section 4.4(b)(i) hereof.

- (c) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Named Directors and Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date.
- (d) All D&O Indemnity Claims and any other rights or claims for indemnification held by the Other Directors and/or Officers shall be deemed to have no value and shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date, except that: (i) any such D&O Indemnity Claims for Defence Costs shall be treated in accordance with section 4.8 hereof; and (ii) any Class Action Indemnity Claim of an Other Director and/or Officer against SFC in respect of the Indemnified Noteholder Class Action Claims shall be treated in the manner set forth in section 4.4(b)(ii) hereof.
- (e) All Section 5.1(2) D&O Claims and all Conspiracy Claims shall not be compromised, released, discharged, cancelled or barred by this Plan, provided that any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person (including SFC, any of the Subsidiaries, Newco or Newco II), other than enforcing such Persons’ rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).
- (f) All D&O Claims against the Directors and Officers of SFC or the Subsidiaries for fraud or criminal conduct shall not be compromised, discharged, released, cancelled or barred by this Plan and shall be permitted to continue as against all applicable Directors and Officers (“**Non-Released D&O Claims**”).
- (g) Notwithstanding anything to the contrary herein, from and after the Plan Implementation Date, a Person may only commence an action for a Non-Released D&O Claim against a Named Director or Officer if such Person has first obtained (i) the consent of the Monitor or (ii) leave of the Court on notice to the applicable Directors and Officers, SFC, the Monitor, the Initial Consenting Noteholders and any applicable insurers. For the avoidance of doubt, the foregoing requirement for the consent of the Monitor or leave of the Court shall not apply to any Non-Released D&O Claim that is asserted against an Other Director and/or Officer.

4.10 Intercompany Claims

All SFC Intercompany Claims (other than those transferred to SFC Barbados pursuant to section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) shall be deemed to be assigned by SFC to Newco on the Plan Implementation Date pursuant to section 6.4(m) hereof, and shall then be deemed to be assigned by Newco to Newco II pursuant to section 6.4(x) hereof. The obligations of SFC to the applicable Subsidiaries and Greenheart in respect of all Subsidiary Intercompany Claims (other than those set-off pursuant to section 6.4(l) hereof) shall be assumed by Newco on the Plan Implementation Date pursuant to 6.4(m) hereof, and then shall be assumed by Newco II pursuant to section 6.4(x) hereof. Notwithstanding anything to the contrary herein, Newco II shall be liable to the applicable Subsidiaries and Greenheart for such Subsidiary Intercompany Claims and SFC shall be released from such Subsidiary Intercompany Claims from and after the Plan Implementation Date, and the applicable Subsidiaries and Greenheart shall be liable to Newco II for such SFC Intercompany Claims from and after the Plan Implementation Date. For greater certainty, nothing in this Plan affects any rights or claims as between any of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries.

4.11 Entitlement to Litigation Trust Interests

- (a) The Litigation Trust Interests to be created in accordance with this Plan and the Litigation Trust shall be allocated as follows:
 - (i) the Affected Creditors shall be collectively entitled to 75% of such Litigation Trust Interests; and
 - (ii) the Noteholder Class Action Claimants shall be collectively entitled to 25% of such Litigation Trust Interests,

which allocations shall occur at the times and in the manner set forth in section 6.4 hereof and shall be recorded by the Litigation Trustee in its registry of Litigation Trust Interests.

- (b) Notwithstanding anything to the contrary in section 4.11(a) hereof, if any of the Noteholder Class Action Claims against any of the Third Party Defendants are finally resolved (whether by final judgment, settlement or any other binding means of resolution) within two years of the Plan Implementation Date, then the Litigation Trust Interests to which the applicable Noteholder Class Action Claimants would otherwise have been entitled in respect of such Noteholder Class Action Claims pursuant to section 4.11(a)(ii) hereof (based on the amount of such resolved Noteholder Class Action Claims in proportion to all Noteholder Class Action Claims in existence as of the Claims Bar Date) shall be fully, finally, irrevocably and forever cancelled.

4.12 Litigation Trust Claims

- (a) At any time prior to the Plan Implementation Date, SFC and the Initial Consenting Noteholders may agree to exclude one or more claims, actions or causes of action from the Litigation Trust Claims and/or to specify that any

claims, actions or causes of action against a specified Person will not constitute Litigation Trust Claims (“Excluded Litigation Trust Claims”), in which case, any such claims, actions or causes of action shall not be transferred to the Litigation Trust on the Plan Implementation Date. Any such Excluded Litigation Trust Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date as Affected Claims in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to such treatment of Excluded Litigation Trust Claims pursuant to this section 4.12(a).

- (b) At any time from and after the Plan Implementation Date, and subject to the prior consent of the Initial Consenting Noteholders and the terms of the Litigation Trust Agreement, the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, including a release that fully, finally, irrevocably and forever compromises, releases, discharges, cancels and bars the applicable Litigation Trust Claims as if they were Affected Claims released in accordance with Article 7 hereof. All Affected Creditors shall be deemed to consent to any such treatment of any Litigation Trust Claims pursuant to this section 4.12(b).

4.13 Multiple Affected Claims

On the Plan Implementation Date, any and all liabilities for and guarantees and indemnities of the payment or performance of any Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by any of the Subsidiaries, and any purported liability for the payment or performance of such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim by Newco or Newco II, will be deemed eliminated and cancelled, and no Person shall have any rights whatsoever to pursue or enforce any such liabilities for or guarantees or indemnities of the payment or performance of any such Affected Claim, Unaffected Claim, Section 5.1(2) D&O Claim, Conspiracy Claim, Continuing Other D&O Claim or Non-Released D&O Claim against any Subsidiary, Newco or Newco II.

4.14 Interest

Subject to section 11.4 hereof, no holder of an Affected Claim shall be entitled to interest accruing on or after the Filing Date.

4.15 Existing Shares

Holders of Existing Shares and Equity Interests shall not receive any consideration or distributions under the Plan in respect thereof and shall not be entitled to vote on the Plan at the Meeting. Unless otherwise agreed between the Monitor, SFC and the Initial Consenting

Noteholders, all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled in accordance with and at the time specified in section 6.5 hereof.

4.16 Canadian Exempt Plans

If an Affected Creditor is a trust governed by a plan which is exempt from tax under Part I of the Canadian Tax Act (including, for example, a registered retirement savings plan), such Affected Creditor may make arrangements with Newco (if Newco so agrees) and the Litigation Trustee (if the Litigation Trustee so agrees) to have the Newco Shares, Newco Notes and Litigation Trust Interests to which it is entitled under this Plan directed to (or in the case of Litigation Trust Interests, registered in the name of) an affiliate of such Affected Creditor or the annuitant or controlling person of the governing tax-deferred plan.

ARTICLE 5 DISTRIBUTION MECHANICS

5.1 Letters of Instruction

In order to issue (i) Newco Shares and Newco Notes to Ordinary Affected Creditors and (ii) Newco Shares to Early Consent Noteholders, the following steps will be taken:

- (a) with respect to Ordinary Affected Creditors with Proven Claims or Unresolved Claims:
 - (i) on the next Business Day following the Distribution Record Date, the Monitor shall send blank Letters of Instruction by prepaid first class mail, courier, email or facsimile to each such Ordinary Affected Creditor to the address of each such Ordinary Affected Creditor (as specified in the applicable Proof of Claim) as of the Distribution Record Date, or as evidenced by any assignment or transfer in accordance with section 5.10;
 - (ii) each such Ordinary Affected Creditor shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and
 - (iii) any such Ordinary Affected Creditor that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(a)(ii) shall be deemed to have requested that such Ordinary Affected Creditor's Newco Shares and Newco Notes be registered or distributed, as applicable, in accordance with the information set out in such Ordinary Affected Creditor's Proof of Claim; and
- (b) with respect to Early Consent Noteholders:
 - (i) on the next Business Day following the Distribution Record Date the Monitor shall send blank Letters of Instruction by prepaid first class mail,

courier, email or facsimile to each Early Consent Noteholder to the address of each such Early Consent Noteholder as confirmed by the Monitor on or before the Distribution Record Date;

- (ii) each Early Consent Noteholder shall deliver to the Monitor a duly completed and executed Letter of Instruction that must be received by the Monitor on or before the date that is seven (7) Business Days after the Distribution Record Date or such other date as the Monitor may determine; and
- (iii) any such Early Consent Noteholder that does not return a Letter of Instruction to the Monitor in accordance with section 5.1(b)(ii) shall be deemed to have requested that such Early Consent Noteholder's Newco Shares be distributed or registered, as applicable, in accordance with information confirmed by the Monitor on or before the Distribution Record Date.

5.2 Distribution Mechanics with respect to Newco Shares and Newco Notes

- (a) To effect distributions of Newco Shares and Newco Notes, the Monitor shall deliver a direction at least two (2) Business Days prior to the Initial Distribution Date to Newco or its agent, as applicable, directing Newco or its agent, as applicable, to issue on such Initial Distribution Date or subsequent Distribution Date:
 - (i) in respect of the Ordinary Affected Creditors with Proven Claims:
 - (A) the number of Newco Shares that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof; and
 - (B) the amount of Newco Notes that each such Ordinary Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Ordinary Affected Creditors and distributed in accordance with this Article 5;

- (ii) in respect of the Ordinary Affected Creditors with Unresolved Claims:
 - (A) the number of Newco Shares that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(a) hereof had such Ordinary Affected Creditor's Unresolved Claim been a Proven Claim on the Plan Implementation Date; and

- (B) the amount of Newco Notes that each such Ordinary Affected Creditor would have been entitled to receive in accordance with section 4.1(b) hereof had such Ordinary Affected Creditor's Unresolved Claim been a Proven Claim on the Plan Implementation Date,

all of which Newco Shares and Newco Notes shall be issued in the name of the Unresolved Claims Escrow Agent for the benefit of the Persons entitled thereto under the Plan, which Newco Shares and Newco Notes shall comprise part of the Unresolved Claims Reserve and shall be held in escrow by the Unresolved Claims Escrow Agent until released and distributed in accordance with this Article 5;

- (iii) in respect of the Noteholders:

- (A) the number of Newco Shares that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the number of Newco Shares to which it is entitled in accordance with section 4.1(a) hereof; and
- (B) the amount of Newco Notes that the Trustees are collectively required to receive such that, upon distribution to the Noteholders in accordance with this Article 5, each individual Noteholder receives the amount of Newco Notes to which it is entitled in accordance with section 4.1(b) hereof,

all of which Newco Shares and Newco Notes shall be issued to such Noteholders and distributed in accordance with this Article 5; and

- (iv) in respect of Early Consent Noteholders, the number of Newco Shares that each such Early Consent Noteholder is entitled to receive in accordance with section 4.3 hereof, all of which Newco Shares shall be issued to such Early Consent Noteholders and distributed in accordance with this Article 5.

The direction delivered by the Monitor in respect of the applicable Ordinary Affected Creditors and Early Consent Noteholders shall: (A) indicate the registration and delivery details of each applicable Ordinary Affected Creditor and Early Consent Noteholder based on the information prescribed in section 5.1; and (B) specify the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes to be issued to each such Person on the applicable Distribution Date. The direction delivered by the Monitor in respect of the Noteholders shall: (C) indicate that the registration and delivery details with respect to the number of Newco Shares and amount of Newco Notes to be distributed to each Noteholder will be the same as the registration and delivery details in effect with respect to the Notes held by each Noteholder as of

the Distribution Record Date; and (D) specify the number of Newco Shares and the amount of Newco Notes to be issued to each of the Trustees for purposes of satisfying the entitlements of the Noteholders set forth in sections 4.1(a) and 4.1(b) hereof. The direction delivered by the Monitor in respect of the Newco Shares and Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, for purposes of the Unresolved Claims Reserve shall specify the number of Newco Shares and the amount of Newco Notes to be issued in the name of the Unresolved Claims Escrow Agent for that purpose.

- (b) If the registers for the Newco Shares and/or Newco Notes are maintained by the Transfer Agent in a direct registration system (without certificates), the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:
 - (i) instruct the Transfer Agent to record, and the Transfer Agent shall record, in the Direct Registration Account of each applicable Ordinary Affected Creditor and each Early Consent Noteholder the number of Newco Shares and, in the case of Ordinary Affected Creditors, the amount of Newco Notes that are to be distributed to each such Person, and the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall send or cause to be sent to each such Ordinary Affected Creditor and Early Consent Noteholder a Direct Registration Transaction Advice based on the delivery information as determined pursuant to section 5.1; and
 - (ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:
 - (A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register, and the Transfer Agent shall register, the applicable Newco Shares and/or Newco Notes in the name of DTC (or its nominee) for the benefit of the Noteholders, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and
 - (B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall instruct the Transfer Agent to register the applicable Newco Shares and/or Newco Notes in the Direct Registration Accounts of the applicable Noteholders pursuant to the registration instructions obtained through DTC and the DTC participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial

Consenting Noteholders), and the Transfer Agent shall (A) register such Newco Shares and/or Newco Notes, in the applicable amounts, in the Direct Registration Accounts of the applicable Noteholders; and (B) send or cause to be sent to each Noteholder a Direct Registration Transaction Advice in accordance with customary practices and procedures; provided that the Transfer Agent shall not be permitted to effect the foregoing registrations without the prior written consent of the Trustees.

- (c) If the registers for the Newco Shares and/or Newco Notes are not maintained by the Transfer Agent in a direct registration system, Newco shall prepare and deliver to the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, and the Monitor and/or the Unresolved Claims Escrow Agent, as applicable, shall promptly thereafter, on the Initial Distribution Date or any subsequent Distribution Date, as applicable:
- (i) deliver to each Ordinary Affected Creditor and each Early Consent Noteholder Newco Share Certificates and, in the case of Ordinary Affected Creditors, Newco Note Certificates representing the applicable number of Newco Shares and the applicable amount of Newco Notes that are to be distributed to each such Person; and
 - (ii) with respect to the distribution of Newco Shares and/or Newco Notes to Noteholders:
 - (A) if the Newco Shares and/or Newco Notes are DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to DTC (or its nominee), for the benefit of the Noteholders, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall provide their consent to DTC to the distribution of such Newco Shares and Newco Notes to the applicable Noteholders, in the applicable amounts, through the facilities of DTC in accordance with customary practices and procedures; and
 - (B) if the Newco Shares and/or Newco Notes are not DTC eligible, the Monitor and/or Newco and/or the Unresolved Claims Escrow Agent, as applicable, shall distribute to the applicable Trustees, Newco Share Certificates and/or Newco Note Certificates representing the aggregate of all Newco Shares and/or Newco Notes to be distributed to the Noteholders on such Distribution Date, and the Trustees shall make delivery of such Newco Share Certificates and Newco Note Certificates, in the applicable amounts, directly to the applicable Noteholders pursuant to the delivery instructions obtained through DTC and the DTC

participants (by way of a letter of transmittal process or such other process as agreed by SFC, the Monitor, the Trustees and the Initial Consenting Noteholders), all of which shall occur in accordance with customary practices and procedures.

- (d) Upon receipt of and in accordance with written instructions from the Monitor, the Trustees shall instruct DTC to and DTC shall: (i) set up an escrow position representing the respective positions of the Noteholders as of the Distribution Record Date for the purpose of making distributions on the Initial Distribution Date and any subsequent Distribution Dates (the “**Distribution Escrow Position**”); and (ii) block any further trading of the Notes, effective as of the close of business on the day immediately preceding the Plan Implementation Date, all in accordance with DTC’s customary practices and procedures.
- (e) The Monitor, Newco, Newco II, the Trustees, SFC, the Named Directors and Officers and the Transfer Agent shall have no liability or obligation in respect of deliveries by DTC (or its nominee) to the DTC participants or the Noteholders pursuant to this Article 5.

5.3 Allocation of Litigation Trust Interests

The Litigation Trustee shall administer the Litigation Trust Claims and the Litigation Funding Amount for the benefit of the Persons that are entitled to the Litigation Trust Interests and shall maintain a registry of such Persons as follows:

- (a) with respect to Affected Creditors:
 - (i) the Litigation Trustee shall maintain a record of the amount of Litigation Trust Interests that each Ordinary Affected Creditor is entitled to receive in accordance with sections 4.1(c) and 4.11(a) hereof;
 - (ii) the Litigation Trustee shall maintain a record of the aggregate amount of all Litigation Trust Interests to which the Noteholders are collectively entitled in accordance with sections 4.1(c) and 4.11(a) hereof, and if cash is distributed from the Litigation Trust to Persons with Litigation Trust Interests, the amount of such cash that is payable to the Noteholders will be distributed through the Distribution Escrow Position (such that each beneficial Noteholder will receive a percentage of such cash distribution that is equal to its entitlement to Litigation Trust Interests (as set forth in section 4.1(c) hereof) as a percentage of all Litigation Trust Interests); and
 - (iii) with respect to any Litigation Trust Interests to be allocated in respect of the Unresolved Claims Reserve, the Litigation Trustee shall record such Litigation Trust Interests in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto in accordance with this Plan, which shall be held by the Unresolved Claims Escrow Agent in

escrow until released and distributed unless and until otherwise directed by the Monitor in accordance with this Plan;

- (b) with respect to the Noteholder Class Action Claimants, the Litigation Trustee shall maintain a record of the aggregate of all Litigation Trust Interests that the Noteholder Class Action Claimants are entitled to receive pursuant to sections 4.4(c) and 4.11(a) hereof, provided that such record shall be maintained in the name of the Noteholder Class Action Representative, to be allocated to individual Noteholder Class Action Claimants in any manner ordered by the applicable Class Action Court, and provided further that if any such Litigation Trust Interests are cancelled in accordance with section 4.11(b) hereof, the Litigation Trustee shall record such cancellation in its registry of Litigation Trust Interests.

5.4 Treatment of Undeliverable Distributions

If any distribution under section 5.2 or section 5.3 of Newco Shares, Newco Notes or Litigation Trust Interests is undeliverable (that is, for greater certainty, that it cannot be properly registered or delivered to the Applicable Affected Creditor because of inadequate or incorrect registration or delivery information or otherwise) (an “**Undeliverable Distribution**”), it shall be delivered to SFC Escrow Co., which shall hold such Undeliverable Distribution in escrow and administer it in accordance with this section 5.4. No further distributions in respect of an Undeliverable Distribution shall be made unless and until SFC and the Monitor are notified by the applicable Person of its current address and/or registration information, as applicable, at which time the Monitor shall direct SFC Escrow Co. to make all such distributions to such Person, and SFC Escrow Co. shall make all such distributions to such Person. All claims for Undeliverable Distributions must be made on or before the date that is six months following the final Distribution Date, after which date the right to receive distributions under this Plan in respect of such Undeliverable Distributions shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, without any compensation therefore, notwithstanding any federal, state or provincial laws to the contrary, at which time any such Undeliverable Distributions held by SFC Escrow Co. shall be deemed to have been gifted by the owner of the Undeliverable Distribution to Newco or the Litigation Trust, as applicable, without consideration, and, in the case of Newco Shares, Newco Notes and Litigation Trust Interests, shall be cancelled by Newco and the Litigation Trustee, as applicable. Nothing contained in the Plan shall require SFC, the Monitor, SFC Escrow Co. or any other Person to attempt to locate any owner of an Undeliverable Distribution. No interest is payable in respect of an Undeliverable Distribution. Any distribution under this Plan on account of the Notes, other than any distributions in respect of Litigation Trust Interests, shall be deemed made when delivered to DTC or the applicable Trustee, as applicable, for subsequent distribution to the applicable Noteholders in accordance with section 5.2.

5.5 Procedure for Distributions Regarding Unresolved Claims

- (a) An Affected Creditor that has asserted an Unresolved Claim will not be entitled to receive a distribution under the Plan in respect of such Unresolved Claim or any portion thereof unless and until such Unresolved Claim becomes a Proven Claim.

- (b) Distributions in respect of any Unresolved Claim in existence at the Plan Implementation Date will be held in escrow by the Unresolved Claims Escrow Agent in the Unresolved Claims Reserve until settlement or final determination of the Unresolved Claim in accordance with the Claims Procedure Order, the Meeting Order or this Plan, as applicable.
- (c) To the extent that Unresolved Claims become Proven Claims or are finally disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver (or in the case of Litigation Trust Interests, cause to be registered) the following from the Unresolved Claims Reserve (on the next Distribution Date, as determined by the Monitor with the consent of SFC and the Initial Consenting Noteholders):
 - (i) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to be Proven Claims, the Unresolved Claims Escrow Agent shall release from escrow and deliver to such Affected Creditor that number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that such Affected Creditor is entitled to receive in respect of its Proven Claim pursuant to section 4.1 hereof;
 - (ii) in the case of Affected Creditors whose Unresolved Claims are ultimately determined, in whole or in part, to be disallowed, the Unresolved Claims Escrow Agent shall release from escrow and deliver to all Affected Creditors with Proven Claims the number of Newco Shares, Newco Notes and Litigation Trust Interests (and any income or proceeds therefrom) that had been reserved in the Unresolved Claims Reserve for such Affected Creditor whose Unresolved Claims has been disallowed, Claims such that, following such delivery, all of the Affected Creditors with Proven Claims have received the amount of Newco Shares, Newco Notes and Litigation Trust Interests that they are entitled to receive pursuant to section 4.1 hereof, which delivery shall be effected in accordance with sections 5.2 and 5.3 hereof.
- (d) As soon as practicable following the date that all Unresolved Claims have been finally resolved and any required distributions contemplated in section 5.5(c) have been made, the Unresolved Claims Escrow Agent shall distribute (or in the case of Litigation Trust Interests, cause to be registered) any Litigation Trust Interests, Newco Shares and Newco Notes (and any income or proceeds therefrom), as applicable, remaining in the Unresolved Claims Reserve to the Affected Creditors with Proven Claims such that after giving effect to such distributions each such Affected Creditor has received the amount of Litigation Trust Interests, Newco Shares and Newco Notes that it is entitled to receive pursuant to section 4.1 hereof.
- (e) During the time that Newco Shares, Newco Notes and/or Litigation Trust Interests are held in escrow in the Unresolved Claims Reserve, any income or proceeds

received therefrom or accruing thereon shall be added to the Unresolved Claims Reserve by the Unresolved Claims Escrow Agent and no Person shall have any right to such income or proceeds until such Newco Shares, Newco Notes or Litigation Trust Interests, as applicable, are distributed (or in the case of Litigation Trust Interests, registered) in accordance with section 5.5(c) and 5.5(d) hereof, at which time the recipient thereof shall be entitled to any applicable income or proceeds therefrom.

- (f) The Unresolved Claims Escrow Agent shall have no beneficial interest or right in the Unresolved Claims Reserve. The Unresolved Claims Escrow Agent shall not take any step or action with respect to the Unresolved Claims Reserve or any other matter without the consent or direction of the Monitor or the direction of the Court. The Unresolved Claims Escrow Agent shall forthwith, upon receipt of an Order of the Court or instruction of the Monitor directing the release of any Newco Shares, Newco Notes and/or Litigation Trust Interests from the Unresolved Claims Reserve, comply with any such Order or instruction.
- (g) Nothing in this Plan impairs, affects or limits in any way the ability of SFC, the Monitor or the Initial Consenting Noteholders to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that any Unresolved Claims should be disallowed in whole or in part or that such Unresolved Claims should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan.
- (h) Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Noteholders (in their capacity as Affected Creditors with Proven Claims).

5.6 Tax Refunds

Any input tax credits or tax refunds received by or on behalf of SFC after the Effective Time shall, immediately upon receipt thereof, be paid directly by, or on behalf of, SFC to Newco without consideration.

5.7 Final Distributions from Reserves

- (a) If there is any cash remaining in: (i) the Unaffected Claims Reserve on the date that all Unaffected Claims have been finally paid or otherwise discharged and/or (ii) the Administration Charge Reserve on the date that all Claims secured by the Administration Charge have been finally paid or otherwise discharged, the Monitor shall, in each case, forthwith transfer all such remaining cash to the Monitor's Post-Implementation Reserve.
- (b) The Monitor will not terminate the Monitor's Post-Implementation Reserve prior to the termination of each of the Unaffected Claims Reserve and the Administration Charge Reserve. The Monitor may, at any time, from time to time

and at its sole discretion, release amounts from the Monitor's Post-Implementation Reserve to Newco. Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall be permitted to apply for an Order of the Court directing the Monitor to make distributions from the Monitor's Post-Implementation Reserve. Once the Monitor has determined that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering SFC or the Claims Procedure, the Monitor shall forthwith transfer any such remaining cash (the "**Remaining Post-Implementation Reserve Amount**") to Newco.

5.8 Other Payments and Distributions

All other payments and distributions to be made pursuant to this Plan shall be made in the manner described in this Plan, the Sanction Order or any other Order, as applicable.

5.9 Note Indentures to Remain in Effect Solely for Purpose of Distributions

Following completion of the steps in the sequence set forth in section 6.4, all debentures, indentures, notes (including the Notes), certificates, agreements, invoices and other instruments evidencing Affected Claims will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be cancelled and will be null and void. Any and all obligations of SFC and the Subsidiaries under and with respect to the Notes, the Note Indentures and any guarantees or indemnities with respect to the Notes or the Note Indentures shall be terminated and cancelled on the Plan Implementation Date and shall not continue beyond the Plan Implementation Date. Notwithstanding the foregoing and anything to the contrary in the Plan, the Note Indentures shall remain in effect solely for the purpose of and only to the extent necessary to allow the Trustees to make distributions to Noteholders on the Initial Distribution Date and, as necessary, each subsequent Distribution Date thereafter, and to maintain all of the rights and protections afforded to the Trustees as against the Noteholders under the applicable Note Indentures, including their lien rights with respect to any distributions under this Plan, until all distributions provided for hereunder have been made to the Noteholders. The obligations of the Trustees under or in respect of this Plan shall be solely as expressly set out herein. Without limiting the generality of the releases, injunctions and other protections afforded to the Trustees under this Plan and the applicable Note Indentures, the Trustees shall have no liability whatsoever to any Person resulting from the due performance of their obligations hereunder, except if such Trustee is adjudged by the express terms of a non-appealable judgment rendered on a final determination on the merits to have committed gross negligence or wilful misconduct in respect of such matter.

5.10 Assignment of Claims for Distribution Purposes

(a) Assignment of Claims by Ordinary Affected Creditors

Subject to any restrictions contained in Applicable Laws, an Ordinary Affected Creditor may transfer or assign the whole of its Affected Claim after the Meeting provided that neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall be obliged to make distributions to any such transferee or assignee or otherwise deal with such

transferee or assignee as an Ordinary Affected Creditor in respect thereof unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment and such other documentation as SFC and the Monitor may reasonably require, has been received by SFC and the Monitor on or before the Plan Implementation Date, or such other date as SFC and the Monitor may agree, failing which the original transferor shall have all applicable rights as the “Ordinary Affected Creditor” with respect to such Affected Claim as if no transfer of the Affected Claim had occurred. Thereafter, such transferee or assignee shall, for all purposes in accordance with this Plan, constitute an Ordinary Affected Creditor and shall be bound by any and all notices previously given to the transferor or assignor in respect of such Claim. For greater certainty, SFC shall not recognize partial transfers or assignments of Claims.

(b) *Assignment of Notes*

Only those Noteholders who have beneficial ownership of one or more Notes as at the Distribution Record Date shall be entitled to receive a distribution under this Plan on the Initial Distribution Date or any Distribution Date. Noteholders who have beneficial ownership of Notes shall not be restricted from transferring or assigning such Notes prior to or after the Distribution Record Date (unless the Distribution Record Date is the Plan Implementation Date), provided that if such transfer or assignment occurs after the Distribution Record Date, neither SFC nor Newco nor Newco II nor the Monitor nor the Unresolved Claims Escrow Agent shall have any obligation to make distributions to any such transferee or assignee of Notes in respect of the Claims associated therewith, or otherwise deal with such transferee or assignee as an Affected Creditor in respect thereof. Noteholders who assign or acquire Notes after the Distribution Record Date shall be wholly responsible for ensuring that Plan distributions in respect of the Claims associated with such Notes are in fact delivered to the assignee, and the Trustees shall have no liability in connection therewith.

5.11 Withholding Rights

SFC, Newco, Newco II, the Monitor, the Litigation Trustee, the Unresolved Claims Escrow Agent and/or any other Person making a payment contemplated herein shall be entitled to deduct and withhold from any consideration payable to any Person such amounts as it is required to deduct and withhold with respect to such payment under the Canadian Tax Act, the United States Internal Revenue Code of 1986 or any provision of federal, provincial, territorial, state, local or foreign Tax laws, in each case, as amended. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Taxing Authority. To the extent that the amounts so required or permitted to be deducted or withheld from any payment to a Person exceed the cash portion of the consideration otherwise payable to that Person: (i) the payor is authorized to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to enable it to comply with such deduction or withholding requirement or entitlement, and the payor shall notify the applicable Person thereof and remit to such Person any unapplied balance of the net proceeds of such sale; or (ii) if such sale is not reasonably possible, the payor shall not be required to make such excess payment until the Person has directly satisfied any such withholding obligation and provides evidence thereof to the payor.

5.12 Fractional Interests

No fractional interests of Newco Shares or Newco Notes (“**Fractional Interests**”) will be issued under this Plan. For purposes of calculating the number of Newco Shares and Newco Notes to be issued by Newco pursuant to this Plan, recipients of Newco Shares or Newco Notes will have their entitlements adjusted downwards to the nearest whole number of Newco Shares or Newco Notes, as applicable, to eliminate any such Fractional Interests and no compensation will be given for the Fractional Interest.

5.13 Further Direction of the Court

The Monitor shall, in its sole discretion, be entitled to seek further direction of the Court, including a plan implementation order, with respect to any matter relating to the implementation of the plan including with respect to the distribution mechanics and restructuring transaction as set out in Articles 5 and 6 of this Plan.

ARTICLE 6 RESTRUCTURING TRANSACTION

6.1 Corporate Actions

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate action of SFC will occur and be effective as of the Plan Implementation Date, other than such matters occurring on the Equity Cancellation Date which will occur and be effective on such date, and in either case will be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by shareholders, Directors or Officers of SFC. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of SFC, as applicable, including the deemed passing by any class of shareholders of any resolution or special resolution and no shareholders’ agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated by the Plan shall be deemed to be effective and shall have no force and effect, provided that, subject to sections 11.6 and 11.7 hereof, where any matter expressly requires the consent or approval of SFC, the Initial Consenting Noteholders or SFC’s board of directors pursuant to this Plan, such consent or approval shall not be deemed to be given unless actually given.

6.2 Incorporation of Newco and Newco II

- (a) Newco shall be incorporated prior to the Plan Implementation Date. Newco shall be authorized to issue an unlimited number of Newco Shares and shall have no restrictions on the number of its shareholders. At the time that Newco is incorporated, Newco shall issue one Newco Share to the Initial Newco Shareholder, as the sole shareholder of Newco, and the Initial Newco Shareholder shall be deemed to hold the Newco Share for the purpose of facilitating the

Restructuring Transaction. For greater certainty, the Initial Newco Shareholder shall not hold such Newco Share as agent of or for the benefit of SFC, and SFC shall have no rights in relation to such Newco Share. Newco shall not carry on any business or issue any other Newco Shares or other securities until the Plan Implementation Date, and then only in accordance with section 6.4 hereof. The Initial Newco Shareholder shall be deemed to have no liability whatsoever for any matter pertaining to its status as the Initial Newco Shareholder, other than its obligations under this Plan to act as the Initial Newco Shareholder.

- (b) Newco II shall be incorporated prior to the Plan Implementation Date as a wholly-owned subsidiary of Newco. The memorandum and articles of association of Newco II will be in a form customary for a wholly-owned subsidiary under the applicable jurisdiction and the initial board of directors of Newco II will consist of the same Persons appointed as the directors of Newco on or prior to the Plan Implementation Date.

6.3 Incorporation of SFC Escrow Co.

SFC Escrow Co. shall be incorporated prior to the Plan Implementation Date. SFC Escrow Co. shall be incorporated under the laws of the Cayman Islands, or such other jurisdiction as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. The sole director of SFC Escrow Co. shall be Codan Services (Cayman) Limited, or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. At the time that SFC Escrow Co. is incorporated, SFC Escrow Co. shall issue one share (the “SFC Escrow Co. Share”) to SFC, as the sole shareholder of SFC Escrow Co. and SFC shall be deemed to hold the SFC Escrow Co. Share for the purpose of facilitating the Restructuring Transaction. SFC Escrow Co. shall have no assets other than any assets that it is required to hold in escrow pursuant to the terms of this Plan, and it shall have no liabilities other than its obligations as set forth in this Plan. SFC Escrow Co. shall not carry on any business or issue any shares or other securities (other than the SFC Escrow Co. Share). The sole activity and function of SFC Escrow Co. shall be to perform the obligations of the Unresolved Claims Escrow Agent as set forth in this Plan and to administer Undeliverable Distributions as set forth in section 5.4 of this Plan. SFC Escrow Co. shall not make any sale, distribution, transfer or conveyance of any Newco Shares, Newco Notes or any other assets or property that it holds unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC Escrow Co. shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC shall not sell, transfer or convey the SFC Escrow Co. Share nor effect or cause to be effected any liquidation, dissolution, merger or other corporate reorganization of SFC Escrow Co. unless it is directed to do so by an Order of the Court or by a written direction from the Monitor, in which case SFC shall promptly comply with such Order of the Court or such written direction from the Monitor. SFC Escrow Co. shall not exercise any voting rights (including any right to vote at a meeting of shareholders or creditors held or in any written resolution) in respect of Newco Shares or Newco Notes held in the Unresolved Claims Reserve. SFC Escrow Co. shall not be entitled to receive any compensation for the performance of its obligations under this Plan.

6.4 Plan Implementation Date Transactions

The following steps and compromises and releases to be effected shall occur, and be deemed to have occurred in the following manner and order (sequentially, each step occurring five minutes apart, except that within such order steps (a) to (f) (Cash Payments) shall occur simultaneously and steps (t) to (w) (Releases) shall occur simultaneously) without any further act or formality, on the Plan Implementation Date beginning at the Effective Time (or in such other manner or order or at such other time or times as SFC, the Monitor and the Initial Consenting Noteholders may agree):

Cash Payments and Satisfaction of Lien Claims

- (a) SFC shall pay required funds to the Monitor for the purpose of funding the Unaffected Claims Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying the Unaffected Claims pursuant to the Plan.
- (b) SFC shall pay the required funds to the Monitor for the purpose of funding the Administration Charge Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of paying Unaffected Claims secured by Administration Charge.
- (c) SFC shall pay the required funds to the Monitor for the purpose of funding the Monitor's Post-Implementation Reserve, and the Monitor shall hold and administer such funds in trust for the purpose of administering SFC, as necessary, from and after the Plan Implementation Date.
- (d) SFC shall pay to the Noteholder Advisors and the Initial Consenting Noteholders, as applicable, each such Person's respective portion of the Expense Reimbursement. SFC shall pay all fees and expenses owing to each of the SFC Advisors, the advisors to the current Board of Directors of SFC, Chandler Fraser Keating Limited and Spencer Stuart and SFC or any of the Subsidiaries shall pay all fees and expenses owing to each of Indufor Asia Pacific Limited and Stewart Murray (Singapore) Pte. Ltd. If requested by the Monitor (with the consent of the Initial Consenting Noteholders) no more than 10 days prior to the Plan Implementation Date and provided that all fees and expenses set out in all previous invoices rendered by the applicable Person to SFC have been paid, SFC and the Subsidiaries, as applicable, shall, with respect to the final one or two invoices rendered prior to the Plan Implementation Date, pay any such fees and expenses to such Persons for all work up to and including the Plan Implementation Date (including any reasonable estimates of work to be performed on the Plan Implementation Date) first by applying any such monetary retainers currently held by such Persons and then by paying any remaining balance in cash.
- (e) If requested by the Monitor (with the consent of the Initial Consenting Noteholders) prior to the Plan Implementation Date, any Person with a monetary retainer from SFC that remains outstanding following the steps and payment of all

fees and expenses set out in section 6.4(d) hereof shall pay to SFC in cash the full amount of such remaining retainer, less any amount permitted by the Monitor (with the Consent of the Initial Consenting Noteholders and after prior discussion with the applicable Person as to any remaining work that may reasonably be required) to remain as a continuing monetary retainer in connection with completion of any remaining work after the Plan Implementation Date that may be requested by the Monitor, SFC or the Initial Consenting Noteholders (each such continuing monetary retainer being a “**Permitted Continuing Retainer**”). Such Persons shall have no duty or obligation to perform any further work or tasks in respect of SFC unless such Persons are satisfied that they are holding adequate retainers or other security or have received payment to compensate them for all fees and expenses in respect of such work or tasks. The obligation of such Persons to repay the remaining amounts of any monetary retainers (including the unused portions of any Permitted Continuing Retainers) and all cash received therefrom shall constitute SFC Assets.

- (f) The Lien Claims shall be satisfied in accordance with section 4.2(c) hereof.

Transaction Steps

- (g) All accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration, and from and after the occurrence of this step, no Person shall have any entitlement to any such accrued and unpaid interest.
- (h) All of the Affected Creditors shall be deemed to assign, transfer and convey to Newco all of their Affected Creditor Claims, and from and after the occurrence of this step, Newco shall be the legal and beneficial owner of all Affected Creditor Claims. In exchange for the assignment, transfer and conveyance of the Affected Creditor Claims to Newco:
- (i) with respect to Affected Creditor Claims that are Proven Claims at the Effective Time:
- (A) Newco shall issue to each applicable Affected Creditor the number of Newco Shares that each such Affected Creditor is entitled to receive in accordance with section 4.1(a) hereof;
- (B) Newco shall issue to each applicable Affected Creditor the amount of Newco Notes that each such Affected Creditor is entitled to receive in accordance with section 4.1(b) hereof;
- (C) Newco shall issue to each of the Early Consent Noteholders the number of Newco Shares that each such Early Consent Noteholder is entitled to receive pursuant to section 4.3 hereof;

- (D) such Affected Creditors shall be entitled to receive the Litigation Trust Interests to be acquired by Newco in section 6.4(q) hereof, following the establishment of the Litigation Trust;
- (E) such Affected Creditors shall be entitled to receive, at the time or times contemplated in sections 5.5(c) and 5.5(d) hereof, the Newco Shares, Newco Notes and Litigation Trust Interests that are subsequently distributed to (or in the case of Litigation Trust Interests registered for the benefit of) Affected Creditors with Proven Claims pursuant to sections 5.5(c) and 5.5(d) hereof (if any),

and all such Newco Shares and Newco Notes shall be distributed in the manner described in section 5.2 hereof; and

- (ii) with respect to Affected Creditor Claims that are Unresolved Claims as at the Effective Time, Newco shall issue in the name of the Unresolved Claims Escrow Agent, for the benefit of the Persons entitled thereto under the Plan, the Newco Shares and the Newco Notes that would have been distributed to the applicable Affected Creditors in respect of such Unresolved Claims if such Unresolved Claims had been Proven Claims at the Effective Time; such Newco Shares, Newco Notes and Litigation Trust Interests acquired by Newco in section 6.4(q) and assigned to and registered in the name of the Unresolved Claims Escrow Agent in accordance with section 6.4(r) shall comprise part of the Unresolved Claims Reserve and the Unresolved Claims Escrow Agent shall hold all such Newco Shares, Newco Notes and Litigation Trust Interests in escrow for the benefit of those Persons entitled to receive distributions thereof pursuant to the Plan.
- (i) The initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be redeemed and cancelled for no consideration.
 - (j) SFC shall be deemed to assign, transfer and convey to SFC Barbados those SFC Intercompany Claims and/or Equity Interests in one or more Direct Subsidiaries as agreed to by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date (the “**Barbados Property**”) first in full repayment of the Barbados Loans and second, to the extent the fair market value of the Barbados Property exceeds the amount owing under the Barbados Loans, as a contribution to the capital of SFC Barbados by SFC. Immediately after the time of such assignment, transfer and conveyance, the Barbados Loans shall be considered to be fully paid by SFC and no longer outstanding.
 - (k) SFC shall be deemed to assign, transfer and convey to Newco all shares and other Equity Interests (other than the Barbados Property) in the capital of (i) the Direct Subsidiaries and (ii) any other Subsidiaries that are directly owned by SFC immediately prior to the Effective Time, other than SFC Escrow Co. (all such

shares and other equity interests being the “**Direct Subsidiary Shares**”) for a purchase price equal to the fair market value of the Direct Subsidiary Shares and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of the Direct Subsidiary Shares, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of the Direct Subsidiary Shares (the “**Newco Promissory Note 1**”). At the time of such assignment, transfer and conveyance, all prior rights that Newco had to acquire the Direct Subsidiary Shares, under the Plan or otherwise, shall cease to be outstanding. For greater certainty, SFC shall not assign, transfer or convey the SFC Escrow Co. Share, and the SFC Escrow Co. Share shall remain the property of SFC.

- (l) If the Initial Consenting Noteholders and SFC agree prior to the Plan Implementation Date, there will be a set-off of any SFC Intercompany Claim so agreed against a Subsidiary Intercompany Claim owing between SFC and the same Subsidiary. In such case, the amounts will be set-off in repayment of both claims to the extent of the lesser of the two amounts, and the excess (if any) shall continue as an SFC Intercompany Claim or a Subsidiary Intercompany Claim, as applicable.
- (m) SFC shall be deemed to assign, transfer and convey to Newco all SFC Intercompany Claims (other than the SFC Intercompany Claims transferred to SFC Barbados in section 6.4(j) hereof or set-off pursuant to section 6.4(l) hereof) for a purchase price equal to the fair market value of such SFC Intercompany Claims and, in consideration therefor, Newco shall be deemed to pay SFC consideration equal to the fair market value of the SFC Intercompany Claims, which consideration shall be comprised of the following: (i) the assumption by Newco of all of SFC’s obligations to the Subsidiaries in respect of Subsidiary Intercompany Claims (other than the Subsidiary Intercompany Claims set-off pursuant to section 6.4(l) hereof); and (ii) if the fair market value of the transferred SFC Intercompany Claims exceeds the fair market value of the assumed Subsidiary Intercompany Claims, Newco shall issue to SFC a U.S. dollar denominated demand non-interest-bearing promissory note having a principal amount equal to such excess (the “**Newco Promissory Note 2**”).
- (n) SFC shall be deemed to assign, transfer and convey to Newco all other SFC Assets (namely, all SFC Assets other than the Direct Subsidiary Shares and the SFC Intercompany Claims (which shall have already been transferred to Newco in accordance with sections 6.4(k) and 6.4(m) hereof)), for a purchase price equal to the fair market value of such other SFC Assets and, in consideration therefor, Newco shall be deemed to pay to SFC consideration equal to the fair market value of such other SFC Assets, which consideration shall be comprised of a U.S. dollar denominated demand non-interest-bearing promissory note issued to SFC by Newco having a principal amount equal to the fair market value of such other SFC Assets (the “**Newco Promissory Note 3**”).

- (o) SFC shall establish the Litigation Trust and SFC and the Trustees (on behalf of the Noteholders) shall be deemed to convey, transfer and assign to the Litigation Trustee all of their respective rights, title and interest in and to the Litigation Trust Claims. SFC shall advance the Litigation Funding Amount to the Litigation Trustee for use by the Litigation Trustee in prosecuting the Litigation Trust Claims in accordance with the Litigation Trust Agreement, which advance shall be deemed to create a non-interest bearing receivable from the Litigation Trustee in favour of SFC in the amount of the Litigation Funding Amount (the “**Litigation Funding Receivable**”). The Litigation Funding Amount and Litigation Trust Claims shall be managed by the Litigation Trustee in accordance with the terms and conditions of the Litigation Trust Agreement.
- (p) The Litigation Trust shall be deemed to be effective from the time that it is established in section 6.4(o) hereof. Initially, all of the Litigation Trust Interests shall be held by SFC. Immediately thereafter, SFC shall assign, convey and transfer a portion of the Litigation Trust Interests to the Noteholder Class Action Claimants in accordance with the allocation set forth in section 4.11 hereof.
- (q) SFC shall settle and discharge the Affected Creditor Claims by assigning Newco Promissory Note 1, Newco Promissory Note 2 and Newco Promissory Note 3 (collectively, the “**Newco Promissory Notes**”), the Litigation Funding Receivable and the remaining Litigation Trust Interests held by SFC to Newco. Such assignment shall constitute payment, by set-off, of the full principal amount of the Newco Promissory Notes and of a portion of the Affected Creditor Claims equal to the aggregate principal amount of the Newco Promissory Notes, the Litigation Trust Receivable and the fair market value of the Litigation Trust Interests so transferred (with such payment being allocated first to the Noteholder Claims and then to the Ordinary Affected Creditor Claims). As a consequence thereof:
 - (i) Newco shall be deemed to discharge and release SFC of and from all of SFC’s obligations to Newco in respect of the Affected Creditor Claims, and all of Newco’s rights against SFC of any kind in respect of the Affected Creditor Claims shall thereupon be fully, finally, irrevocably and forever compromised, released, discharged and cancelled; and
 - (ii) SFC shall be deemed to discharge and release Newco of and from all of Newco’s obligations to SFC in respect of the Newco Promissory Notes, and the Newco Promissory Notes and all of SFC’s rights against Newco in respect thereof shall thereupon be fully, finally, irrevocably and forever released, discharged and cancelled.
- (r) Newco shall cause a portion of the Litigation Trust Interests it acquired in section 6.4(q) hereof to be assigned to and registered in the name of the Affected Creditors with Proven Claims as contemplated in section 6.4(h), and with respect to any Affected Creditor Claims that are Unresolved Claims as at the Effective Time, the remaining Litigation Trust Interests held by Newco that would have been allocated to the applicable Affected Creditors in respect of such Unresolved

Claims if such Unresolved Claims had been Proven Claims at the Effective Time shall be assigned and registered by the Litigation Trustee to the Unresolved Claims Escrow Agent and in the name of the Unresolved Claims Escrow Agent, in escrow for the benefit of Persons entitled thereto, and such Litigation Trust Interests shall comprise part of the Unresolved Claims Reserve. The Litigation Trustee shall record entitlements to the Litigation Trust Interests in the manner set forth in section 5.3.

Cancellation of Instruments and Guarantees

- (s) Subject to section 5.9 hereof, all debentures, indentures, notes, certificates, agreements, invoices, guarantees, pledges and other instruments evidencing Affected Claims, including the Notes and the Note Indentures, will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and shall be cancelled and will thereupon be null and void. The Trustees shall be directed by the Court and shall be deemed to have released, discharged and cancelled any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

Releases

- (t) Each of Newco and Newco II shall be deemed to have no liability or obligation of any kind whatsoever for: any Claim (including, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares or other Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing, provided only that Newco shall assume SFC's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(l) hereof and Newco II shall assume Newco's obligations to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims pursuant to section 6.4(x) hereof.

- (u) Each of the Charges shall be discharged, released and cancelled.
- (v) The releases and injunctions referred to in Article 7 of the Plan shall become effective in accordance with the Plan.
- (w) Any contract defaults arising as a result of the CCAA Proceedings and/or the implementation of the Plan (including, notwithstanding anything to the contrary herein, any such contract defaults in respect of the Unaffected Claims) shall be deemed to be cured.

Newco II

- (x) Newco shall be deemed to assign, transfer and convey to Newco II all of Newco's right, title and interest in and to all of its properties, assets and rights of every kind and description (namely the SFC Assets acquired by Newco pursuant to the Plan) for a purchase price equal to the fair market value thereof and, in consideration therefor, Newco II shall be deemed to pay to Newco consideration equal to the fair market value of such properties, assets and rights (the "**Newco II Consideration**"). The Newco II Consideration shall be comprised of: (i) the assumption by Newco II of any and all indebtedness of Newco other than the indebtedness of Newco in respect of the Newco Notes (namely, any indebtedness of Newco in respect of the Subsidiary Intercompany Claims); and (ii) the issuance to Newco of that number of common shares in Newco II as is necessary to ensure that the value of the Newco II Consideration is equal to the fair market value of the properties, assets and rights conveyed by Newco to Newco II pursuant to this section 6.4(x).

6.5 Cancellation of Existing Shares and Equity Interests

Unless otherwise agreed between the Monitor, SFC and the Initial Consenting Noteholders, on the Equity Cancellation Date all Existing Shares and Equity Interests shall be fully, finally and irrevocably cancelled, and the following steps will be implemented pursuant to the Plan as a plan of reorganization under section 191 of the *CBCA*, to be effected by articles of reorganization to be filed by SFC, subject to the receipt of any required approvals from the Ontario Securities Commission with respect to the trades in securities contemplated by the following:

- (a) SFC will create a new class of common shares to be called Class A common shares that are equivalent to the current Existing Shares except that they carry two votes per share;
- (b) SFC will amend the share conditions of the Existing Shares to provide that they are cancellable for no consideration at such time as determined by the board of directors of SFC;
- (c) prior to the cancellation of the Existing Shares, SFC will issue for nominal consideration one Class A common share of SFC to the SFC Continuing Shareholder;

- (d) SFC will cancel the Existing Shares for no consideration on the Equity Cancellation Date; and
- (e) SFC will apply to Canadian securities regulatory authorities for SFC to cease to be a reporting issuer effective immediately before the Effective Time.

Unless otherwise agreed by SFC, the Monitor and the Initial Consenting Noteholders or as otherwise directed by Order of the Court, SFC shall maintain its corporate existence at all times from and after the Plan Implementation Date until the later of the date: (i) on which SFC Escrow Co. has completed all of its obligations as Unresolved Claims Escrow Agent under this Plan; (ii) on which SFC escrow Co. no longer holds any Undeliverable Distributions delivered to it in accordance with the section 5.4 hereof; and (iii) as determined by the Litigation Trustee.

6.6 Transfers and Vesting Free and Clear

- (a) All of the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned, transferred and conveyed to Newco and/or Newco II pursuant to section 6.4) shall be deemed to vest absolutely in Newco or Newco II, as applicable, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco or Newco II. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and/or Newco II, as applicable, and the expunging and discharging that occurs by operation of this paragraph shall only apply to SFC's ownership interests in the Subsidiaries, Greenheart and Greenheart's subsidiaries; and (ii) except as provided for in the Plan (including this section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.
- (b) Any issuance, assignment, transfer or conveyance of any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Affected Creditor Claims, will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Affected

Claims, Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims, Non-Released D&O Claims; Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. For greater certainty, with respect to the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries: (i) the vesting free and clear in Newco and Newco II that occurs by operation of this paragraph shall only apply to SFC's direct and indirect ownership interests in the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries; and (ii) except as provided for in the Plan (including section 6.6(a) and sections 4.9(g), 6.4(k), 6.4(l) and 6.4(m) hereof and Article 7 hereof) and the Sanction Order, the assets, liabilities, business and property of the Subsidiaries, Greenheart and Greenheart's direct and indirect subsidiaries shall remain unaffected by the Restructuring Transaction.

ARTICLE 7 RELEASES

7.1 Plan Releases

Subject to 7.2 hereof, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date:

- (a) all Affected Claims, including all Affected Creditor Claims, Equity Claims, D&O Claims (other than Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims and Non-Released D&O Claims), D&O Indemnity Claims (except as set forth in section 7.1(d) hereof) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);
- (b) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;
- (c) all Class Action Claims (including the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers of SFC or the Subsidiaries (other than Class Action Claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims);
- (d) all Class Action Indemnity Claims (including related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (including any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit pursuant to the releases set out in section 7.1(f) hereof and the injunctions set out in section 7.3 hereof;

- (e) any portion or amount of or liability of the Third Party Defendants for the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all Indemnified Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (f) any portion or amount of, or liability of SFC for, any Class Action Indemnity Claims by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;
- (g) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any committee or governance council), partner or employee of any of the foregoing, for or in connection with or in any way relating to: any Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims); Affected Claims; Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims; Non-Released D&O Claims; Class Action Claims; Class Action Indemnity Claims; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, claims for contribution, share pledges or Encumbrances related to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;
- (h) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, Newco II, the directors and officers of Newco, the directors and officers of Newco II, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, the Named Directors and Officers, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including members of any

committee or governance council), partner or employee of any of the foregoing, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date (or, with respect to actions taken pursuant to the Plan after the Plan Implementation Date, the date of such actions) in any way relating to, arising out of, leading up to, for, or in connection with the CCAA Proceeding, RSA, the Restructuring Transaction, the Plan, any proceedings commenced with respect to or in connection with the Plan, or the transactions contemplated by the RSA and the Plan, including the creation of Newco and/or Newco II and the creation, issuance or distribution of the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, provided that nothing in this paragraph shall release or discharge any of the Persons listed in this paragraph from or in respect of any obligations any of them may have under or in respect of the RSA, the Plan or under or in respect of any of Newco, Newco II, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

- (i) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against the Subsidiaries for or in connection with any Claim (including, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any indemnification obligation to Directors or Officers of SFC or the Subsidiaries pertaining to SFC, the Notes, the Note Indentures, the Existing Shares, the Equity Interests, any other securities of SFC or any other right, claim or liability for or in connection with the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC (whenever or however conducted), the administration and/or management of SFC, or any public filings, statements,

disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing; and

- (j) all Subsidiary Intercompany Claims as against SFC (which are assumed by Newco and then Newco II pursuant to the Plan).

7.2 Claims Not Released

Notwithstanding anything to the contrary in section 7.1 hereof, nothing in this Plan shall waive, compromise, release, discharge, cancel or bar any of the following:

- (a) SFC of its obligations under the Plan and the Sanction Order;
- (b) SFC from or in respect of any Unaffected Claims (provided that recourse against SFC in respect of Unaffected Claims shall be limited in the manner set out in section 4.2 hereof);
- (c) any Directors or Officers of SFC or the Subsidiaries from any Non-Released D&O Claims, Conspiracy Claims or any Section 5.1(2) D&O Claims, provided that recourse against the Named Directors or Officers of SFC in respect of any Section 5.1(2) D&O Claims and any Conspiracy Claims shall be limited in the manner set out in section 4.9(e) hereof;
- (d) any Other Directors and/or Officers from any Continuing Other D&O Claims, provided that recourse against the Other Directors and/or Officers in respect of the Indemnified Noteholder Class Action Claims shall be limited in the manner set out in section 4.4(b)(i) hereof;
- (e) the Third Party Defendants from any claim, liability or obligation of whatever nature for or in connection with the Class Action Claims, provided that the maximum aggregate liability of the Third Party Defendants collectively in respect of the Indemnified Noteholder Class Action Claims shall be limited to the Indemnified Noteholder Class Action Limit pursuant to section 4.4(b)(i) hereof and the releases set out in section 7.1(e) hereof and the injunctions set out in section 7.3 hereof;
- (f) Newco II from any liability to the applicable Subsidiaries in respect of the Subsidiary Intercompany Claims assumed by Newco II pursuant to section 6.4(x) hereof;
- (g) the Subsidiaries from any liability to Newco II in respect of the SFC Intercompany Claims conveyed to Newco II pursuant to section 6.4(x) hereof;
- (h) SFC of or from any investigations by or non-monetary remedies of the Ontario Securities Commission, provided that, for greater certainty, all monetary rights, claims or remedies of the Ontario Securities Commission against SFC shall be

treated as Affected Creditor Claims in the manner described in section 4.1 hereof and released pursuant to section 7.1(b) hereof;

- (i) the Subsidiaries from their respective indemnification obligations (if any) to Directors or Officers of the Subsidiaries that relate to the ordinary course operations of the Subsidiaries and that have no connection with any of the matters listed in section 7.1(g) hereof;
- (j) SFC or the Directors and Officers from any Insured Claims, provided that recovery for Insured Claims shall be irrevocably limited to recovery solely from the proceeds of Insurance Policies paid or payable on behalf of SFC or its Directors and Officers in the manner set forth in section 2.4 hereof;
- (k) insurers from their obligations under insurance policies; and
- (l) any Released Party for fraud or criminal conduct.

7.3 Injunctions

All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan.

7.4 Timing of Releases and Injunctions

All releases and injunctions set forth in this Article 7 shall become effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof.

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.

ARTICLE 8 COURT SANCTION

8.1 Application for Sanction Order

If the Plan is approved by the Required Majority, SFC shall apply for the Sanction Order on or before the date set for the hearing of the Sanction Order or such later date as the Court may set.

8.2 Sanction Order

The Sanction Order shall, among other things:

- (a) declare that: (i) the Plan has been approved by the Required Majority in conformity with the CCAA; (ii) the activities of SFC have been in reasonable compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects; (iii) the Court is satisfied that SFC has not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) declare that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved, binding and effective as herein set out as of the Plan Implementation Date;
- (c) confirm the amount of each of the Unaffected Claims Reserve, the Administration Charge Reserve and the Monitor's Post-Implementation Reserve;
- (d) declare that, on the Plan Implementation Date, all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions to which they are entitled pursuant to the Plan;
- (e) declare that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to any such matter shall be permanently stayed;
- (f) declare that the steps to be taken, the matters that are deemed to occur and the compromises and releases to be effective on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated by section 6.4, beginning at the Effective Time;

- (g) declare that, on the Plan Implementation Date, the SFC Assets vest absolutely in Newco and that, in accordance with section 6.4(x) hereof, the SFC Assets transferred by Newco to Newco II vest absolutely in Newco II, in each case in accordance with the terms of section 6.6(a) hereof;
- (h) confirm that the Court was satisfied that: (i) the hearing of the Sanction Order was open to all of the Affected Creditors and all other Persons with an interest in SFC and that such Affected Creditors and other Persons were permitted to be heard at the hearing in respect of the Sanction Order; (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the service list in respect of the CCAA Proceeding were given adequate notice thereof;
- (i) provide that the Court was advised prior to the hearing in respect of the Sanction Order that the Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan;
- (j) declare that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco and/or Newco II becomes a party as a result of the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets to Newco II on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation or agreement shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation or agreement, by reason:
 - (i) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;
 - (ii) that SFC sought or obtained relief or has taken steps as part of the Plan or under the CCAA;
 - (iii) of any default or event of default arising as a result of the financial condition or insolvency of SFC;
 - (iv) of the completion of any of the transactions contemplated under the Plan, including the transfer, conveyance and assignment of the SFC Assets to Newco and the further transfer, conveyance and assignment of the SFC Assets by Newco to Newco II; or

- (v) of any compromises, settlements, restructurings, recapitalizations or reorganizations effected pursuant to the Plan;
- (k) stay the commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims;
- (l) declare that in no circumstances will the Monitor have any liability for any of SFC's tax liability regardless of how or when such liability may have arisen;
- (m) authorize the Monitor to perform its functions and fulfil its obligations under the Plan to facilitate the implementation of the Plan;
- (n) direct and deem the Trustees to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures;
- (o) declare that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA and the Orders, the Monitor may file with the Court a certificate of Plan Implementation stating that all of its duties in respect of SFC pursuant to the CCAA and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor; and
- (p) declare that, on the Plan Implementation Date, each of the Charges shall be discharged, released and cancelled, and that any obligations secured thereby shall satisfied pursuant to section 4.2(b) hereof, and that from and after the Plan Implementation Date the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge;
- (q) declare that the Monitor may not make any payment from the Monitor's Post-Implementation Plan Reserve to any third party professional services provider (other than its counsel) that exceeds \$250,000 (alone or in a series of related payments) without the prior consent of the Initial Consenting Noteholders or an Order of the Court;
- (r) declare that SFC and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan;
- (s) declare that, subject to the due performance of its obligations as set forth in the Plan and subject to its compliance with any written directions or instructions of the Monitor and/or directions of the Court in the manner set forth in the Plan, SFC Escrow Co. shall have no liabilities whatsoever arising from the performance of its obligations under the Plan;

- (t) order and declare that all Persons with Unresolved Claims shall have standing in any proceeding in respect of the determination or status of any Unresolved Claim, and that Goodmans LLP (in its capacity as counsel to the Initial Consenting Noteholders) shall have standing in any such proceeding on behalf of the Initial Consenting Noteholders (in their capacity as Affected Creditors with Proven Claims);
- (u) order and declare that, from and after the Plan Implementation Date, Newco will be permitted, in its sole discretion and on terms acceptable to Newco, to advance additional cash amounts to the Litigation Trustee from time to time for the purpose of providing additional financing to the Litigation Trust, including the provision of such additional amounts as a non-interest bearing loan to the Litigation Trust that is repayable to Newco on similar terms and conditions as the Litigation Funding Receivable;
- (v) order and declare that: (i) subject to the prior consent of the Initial Consenting Noteholders, each of the Monitor and the Litigation Trustee shall have the right to seek and obtain an order from any court of competent jurisdiction, including an Order of the Court in the CCAA or otherwise, that gives effect to any releases of any Litigation Trust Claims agreed to by the Litigation Trustee in accordance with the Litigation Trust Agreement, and (ii) in accordance with this section 8.2(v), all Affected Creditors shall be deemed to consent to any such releases in any such proceedings;
- (w) order that releases and injunctions set forth in Article 7 of this Plan are effective on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 hereof; and
- (x) declare that section 95 to 101 of the BIA shall not apply to any of the transactions implemented pursuant to the Plan.

If agreed by SFC, the Monitor and the Initial Consenting Noteholders, any of the relief to be included in the Sanction Order pursuant to this section 8.2 in respect of matters relating to the Litigation Trust may instead be included in a separate Order of the Court satisfactory to SFC, the Monitor and the Initial Consenting Noteholders granted prior to the Plan Implementation Date.

ARTICLE 9 CONDITIONS PRECEDENT AND IMPLEMENTATION

9.1 Conditions Precedent to Implementation of the Plan

The implementation of the Plan shall be conditional upon satisfaction or waiver of the following conditions prior to or at the Effective Time, each of which is for the benefit of SFC and the Initial Consenting Noteholders and may be waived only by SFC and the Initial Consenting Noteholders collectively; provided, however, that the conditions in sub-paragraphs (g), (h), (n), (o), (q), (r), (u), (z), (ff), (gg), (mm), (ll) and (nn) shall only be for the benefit of the Initial Consenting Noteholders and, if not satisfied on or prior to the Effective Time, may be waived only by the Initial Consenting Noteholders; and provided further that such conditions

shall not be enforceable by SFC if any failure to satisfy such conditions results from an action, error, omission by or within the control of SFC and such conditions shall not be enforceable by the Initial Consenting Noteholders if any failure to satisfy such conditions results from an action, error, omission by or within the control of the Initial Consenting Noteholders:

Plan Approval Matters

- (a) the Plan shall have been approved by the Required Majority and the Court, and in each case the Plan shall have been approved in a form consistent with the RSA or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;
- (b) the Sanction Order shall have been made and shall be in full force and effect prior to December 17, 2012 (or such later date as may be consented to by SFC and the Initial Consenting Noteholders), and all applicable appeal periods in respect thereof shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;
- (c) the Sanction Order shall be in a form consistent with the Plan or otherwise acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably;
- (d) all filings under Applicable Laws that are required in connection with the Restructuring Transaction shall have been made and any regulatory consents or approvals that are required in connection with the Restructuring Transaction shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated; without limiting the generality of the foregoing, such filings and regulatory consents or approvals include:
 - (i) any required filings, consents and approvals of securities regulatory authorities in Canada;
 - (ii) a consultation with the Executive of the Hong Kong Securities and Futures Commission that is satisfactory to SFC, the Monitor and the Initial Consenting Noteholders confirming that implementation of the Restructuring Transaction will not result in an obligation arising for Newco, its shareholders, Newco II or any Subsidiary to make a mandatory offer to acquire shares of Greenheart;
 - (iii) the submission by SFC and each applicable Subsidiary of a Circular 698 tax filing with all appropriate tax authorities in the PRC within the requisite time prior to the Plan Implementation Date, such filings to be in form and substance satisfactory to the Initial Consenting Noteholders; and
 - (iv) if notification is necessary or desirable under the *Antimonopoly Law of People's Republic of China* and its implementation rules, the submission of all antitrust filings considered necessary or prudent by the Initial Consenting Noteholders and the acceptance and (to the extent required)

approval thereof by the competent Chinese authority, each such filing to be in form and substance satisfactory to the Initial Consenting Noteholders;

- (e) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Restructuring Transaction that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or prohibit) the Restructuring Transaction or any material part thereof or requires or purports to require a variation of the Restructuring Transaction, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of SFC, without personal liability on the part of such officer, certifying compliance with this Section 9.1(e) as of the Plan Implementation Date;

Newco and Newco II Matters

- (f) the organization, incorporating documents, articles, by-laws and other constating documents of Newco and Newco II (including any shareholders agreement, shareholder rights plan and classes of shares (voting and non-voting)) and any affiliated or related entities formed in connection with the Restructuring Transaction or the Plan, and all definitive legal documentation in connection with all of the foregoing, shall be acceptable to the Initial Consenting Noteholders and in form and in substance reasonably satisfactory to SFC;
- (g) the composition of the board of directors of Newco and Newco II and the senior management and officers of Newco and Newco II that will assume office, or that will continue in office, as applicable, on the Plan Implementation Date shall be acceptable to the Initial Consenting Noteholders;
- (h) the terms of employment of the senior management and officers of Newco and Newco II shall be acceptable to the Initial Consenting Noteholders;
- (i) except as expressly set out in this Plan, neither Newco nor Newco II shall have:
 - (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) become liable to pay any indebtedness or liability of any kind (other than as expressly set out in section 6.4 hereof); or (iv) entered into any Material agreement;
- (j) any securities that are formed in connection with the Plan, including the Newco Shares and the Newco Notes, when issued and delivered pursuant to the Plan, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance and distribution thereof shall be exempt from all prospectus and registration requirements of any applicable securities, corporate or other law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance,

notice, policy or other pronouncement having the effect of law applicable in the provinces of Canada;

- (k) Newco shall not be a reporting issuer (or equivalent) in any province of Canada or any other jurisdiction;
- (l) all of the steps, terms, transactions and documents relating to the conveyance of the SFC Assets to Newco and the further conveyance of the SFC Assets by Newco to Newco II in accordance with the Plan shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders;
- (m) all of the following shall be in form and in substance acceptable to the Initial Consenting Noteholders and reasonably satisfactory to SFC: (i) the Newco Shares; (ii) the Newco Notes (including the aggregate principal amount of the Newco Notes); (iii) any trust indenture or other document governing the terms of the Newco Notes; and (iv) the number of Newco Shares and Newco Notes to be issued in accordance with this Plan;

Plan Matters

- (n) the Indemnified Noteholder Class Action Limit shall be acceptable to the Initial Consenting Noteholders;
- (o) the aggregate amount of the Proven Claims held by Ordinary Affected Creditors shall be acceptable to the Initial Consenting Noteholders;
- (p) the amount of each of the Unaffected Claims Reserve and the Administration Charge Reserve shall, in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;
- (q) the amount of the Monitor's Post-Implementation Reserve and the amount of any Permitted Continuing Retainers shall be acceptable to the Initial Consenting Noteholders, and the Initial Consenting Noteholders shall be satisfied that all outstanding monetary retainers held by any SFC Advisors (net of any Permitted Continuing Retainers) have been repaid to SFC on the Plan Implementation Date;
- (r) **[Intentionally deleted];**
- (s) the amount of each of the following shall be acceptable to SFC, the Monitor and the Initial Consenting Noteholders: (i) the aggregate amount of Lien Claims to be satisfied by the return to the applicable Lien Claimants of the applicable secured property in accordance with section 4.2(c)(i) hereof; and (ii) the aggregate amount of Lien Claims to be repaid in cash on the Plan Implementation Date in accordance with section 4.2(c)(ii) hereof;
- (t) the aggregate amount of Unaffected Claims, and the aggregate amount of the Claims listed in each subparagraph of the definition of "Unaffected Claims" shall,

in each case, be acceptable to SFC, the Monitor and the Initial Consenting Noteholders;

- (u) the aggregate amount of Unresolved Claims and the amount of the Unresolved Claims Reserve shall, in each case, be acceptable to the Initial Consenting Noteholders and shall be confirmed in the Sanction Order;
- (v) Litigation Trust and the Litigation Trust Agreement shall be in form and in substance acceptable to SFC and the Initial Consenting Noteholders, each acting reasonably, and the Litigation Trust shall be established in a jurisdiction that is acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;
- (w) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the proposed use of proceeds and payments relating to all aspects of the Restructuring Transaction and the Plan, including, without limitation, any change of control payments, consent fees, transaction fees, third party fees or termination or severance payments, in the aggregate of \$500,000 or more, payable by SFC or any Subsidiary to any Person (other than a Governmental Entity) in respect of or in connection with the Restructuring Transaction or the Plan, including without limitation, pursuant to any employment agreement or incentive plan of SFC or any Subsidiary;
- (x) SFC, the Monitor and the Initial Consenting Noteholders, each acting reasonably, shall be satisfied with the status and composition of all liabilities, indebtedness and obligations of the Subsidiaries and all releases of the Subsidiaries provided for in the Plan and the Sanction Order shall be binding and effective as of the Plan Implementation Date;

Plan Implementation Date Matters

- (y) the steps required to complete and implement the Plan shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders;
- (z) the Noteholders and the Early Consent Noteholders shall receive, on the Plan Implementation Date, all of the consideration to be distributed to them pursuant to the Plan;
- (aa) all of the following shall be in form and in substance satisfactory to SFC and the Initial Consenting Noteholders: (i) all materials filed by SFC with the Court or any court of competent jurisdiction in the United States, Canada, Hong Kong, the PRC or any other jurisdiction that relates to the Restructuring Transaction; (ii) the terms of any court-imposed charges on any of the assets, property or undertaking of any of SFC, including without limitation any of the Charges; (iii) the Initial Order; (iv) the Claims Procedure Order; (v) the Meeting Order; (vi) the Sanction Order; (vii) any other Order granted in connection with the CCAA Proceeding or the Restructuring Transaction by the Court or any other court of competent jurisdiction in Canada, the United States, Hong Kong, the PRC or any other

jurisdiction; and (viii) the Plan (as it is approved by the Required Majority and the Sanction Order);

- (bb) any and all court-imposed charges on any assets, property or undertaking of SFC, including the Charges, shall be discharged on the Plan Implementation Date on terms acceptable to the Initial Consenting Noteholders and SFC, each acting reasonably;
- (cc) SFC shall have paid, in full, the Expense Reimbursement and all fees and costs owing to the SFC Advisors on the Plan Implementation Date, and neither Newco nor Newco II shall have any liability for any fees or expenses due to the SFC Advisors or the Noteholder Advisors either as at or following the Plan Implementation Date;
- (dd) SFC or the Subsidiaries shall have paid, in full all fees owing to each of Chandler Fraser Keating Limited and Spencer Stuart on the Plan Implementation Date, and neither Newco nor Newco II shall have any liability for any fees or expenses due to either Chandler Fraser Keating Limited and Spencer Stuart as at or following the Plan Implementation Date;
- (ee) SFC shall have paid all Trustee Claims that are outstanding as of the Plan Implementation Date, and the Initial Consenting Noteholders shall be satisfied that SFC has made adequate provision in the Unaffected Claims Reserve for the payment of all Trustee Claims to be incurred by the Trustees after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan;
- (ff) there shall not exist or have occurred any Material Adverse Effect, and SFC shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of the Company, without any personal liability on the part of such officer, certifying compliance with this section 9.1(ff) as of the Plan Implementation Date;
- (gg) there shall have been no breach of the Noteholder Confidentiality Agreements (as defined in the RSA) by SFC or any of the Sino-Forest Representatives (as defined therein) in respect of the applicable Initial Consenting Noteholder;
- (hh) the Plan Implementation Date shall have occurred no later than January 15, 2013 (or such later date as may be consented to by SFC and the Initial Consenting Noteholders);

RSA Matters

- (ii) all conditions set out in sections 6 and 7 of the RSA shall have been satisfied or waived in accordance with the terms of the RSA;
- (jj) the RSA shall not have been terminated;

Other Matters

- (kk) the organization, incorporating documents, articles, by-laws and other constating documents of SFC Escrow Co. and all definitive legal documentation in connection with SFC Escrow Co., shall be acceptable to the Initial Consenting Noteholders and the Monitor and in form and in substance reasonably satisfactory to SFC;
- (ll) except as expressly set out in this Plan, SFC Escrow Co. shall not have: (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) acquired any assets or become liable to pay any indebtedness or liability of any kind (other than as expressly set out in this Plan); or (iv) entered into any agreement;
- (mm) the Initial Consenting Noteholders shall have completed due diligence in respect of SFC and the Subsidiaries and the results of such due diligence shall be acceptable to the Initial Consenting Noteholders prior to the date for the hearing of the Sanction Order, except in respect of any new material information or events arising or discovered on or after the date of the hearing for the Sanction Order of which the Initial Consenting Noteholders were previously unaware, in respect of which the date for the Initial Consenting Noteholders to complete such due diligence shall be the Plan Implementation Date, provided that “new material information or events” for purposes of this Section 9.1(mm) shall not include any information or events disclosed prior to the date of the hearing for the Sanction Order in a press release issued by SFC, an affidavit filed with the Court by SFC or a Monitor’s Report filed with the Court;
- (nn) if so requested by the Initial Consenting Noteholders, the Sanction Order shall have been recognized and confirmed as binding and effective pursuant to an order of a court of competent jurisdiction in Canada, the United States, and any other jurisdiction requested by the Initial Consenting Noteholders, and all applicable appeal periods in respect of any such recognition order shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;
- (oo) all press releases, disclosure documents and definitive agreements in respect of the Restructuring Transaction or the Plan shall be in form and substance satisfactory to SFC and the Initial Consenting Noteholders, each acting reasonably; and
- (pp) Newco and SFC shall have entered into arrangements reasonably satisfactory to SFC and the Initial Consenting Noteholders for ongoing preservation and access to the books and records of SFC and the Subsidiaries in existence as at the Plan Implementation Date, as such access may be reasonably requested by SFC or any Director or Officer in the future in connection with any administrative or legal proceeding, in each such case at the expense of the Person making such request.

9.2 Monitor's Certificate

Upon delivery of written notice from SFC and Goodmans LLP (on behalf of the Initial Consenting Noteholders) of the satisfaction of the conditions set out in section 9.1, the Monitor shall deliver to Goodmans LLP and SFC a certificate stating that the Plan Implementation Date has occurred and that the Plan and the Sanction Order are effective in accordance with their respective terms. Following the Plan Implementation Date, the Monitor shall file such certificate with the Court.

ARTICLE 10 ALTERNATIVE SALE TRANSACTION

10.1 Alternative Sale Transaction

At any time prior to the Plan Implementation Date (whether prior to or after the granting of the Sanction Order), and subject to the prior written consent of the Initial Consenting Noteholders, SFC may complete a sale of all or substantially all of the SFC Assets on terms that are acceptable to the Initial Consenting Noteholders (an “**Alternative Sale Transaction**”), provided that such Alternative Sale Transaction has been approved by the Court pursuant to section 36 of the CCAA on notice to the service list. In the event that such an Alternative Sale Transaction is completed, the terms and conditions of this Plan shall continue to apply in all respects, subject to the following:

- (a) The Newco Shares and Newco Notes shall not be distributed in the manner contemplated herein. Instead, the consideration paid or payable to SFC pursuant to the Alternative Sale Transaction (the “**Alternative Sale Transaction Consideration**”) shall be distributed to the Persons entitled to receive Newco Shares hereunder, and such Persons shall receive the Alternative Sale Transaction Consideration in the same proportions and subject to the same terms and conditions as are applicable to the distribution of Newco Shares hereunder.
- (b) All provisions in this Plan that address Newco or Newco II shall be deemed to be ineffective to the extent that they address Newco or Newco II, given that Newco and Newco II will not be required in connection with an Alternative Sale Transaction.
- (c) All provisions addressing the Newco Notes shall be deemed to be ineffective to the extent such provisions address the Newco Notes, given that the Newco Notes will not be required in connection with an Alternative Sale Transaction.
- (d) All provisions relating to the Newco Shares shall be deemed to address the Alternative Sale Transaction Consideration to the limited extent such provisions address the Newco Shares.
- (e) SFC, with the written consent of the Monitor and the Initial Consenting Noteholders, shall be permitted to make such amendments, modifications and supplements to the terms and conditions of this Plan as are necessary to: (i) facilitate the Alternative Sale Transaction; (ii) cause the Alternative Sale

Transaction Consideration to be distributed in the same proportions and subject to the same terms and conditions as are subject to the distribution of Newco Shares hereunder; and (iii) complete the Alternative Sale Transaction and distribute the Alternative Sale Transaction Proceeds in a manner that is tax efficient for SFC and the Affected Creditors with Proven Claims, provided in each case that (y) a copy of such amendments, modifications or supplements is filed with the Court and served upon the service list; and (z) the Monitor is satisfied that such amendments, modifications or supplements do not materially alter the proportionate entitlements of the Affected Creditors, as amongst themselves, to the consideration distributed pursuant to the Plan.

Except for the requirement of obtaining the prior written consent of the Initial Consenting Noteholders with respect to the matters set forth in this section 10.1 and subject to the approval of the Alternative Sale Transaction by the Court pursuant to section 36 of the CCAA (on notice to the service list), once this Plan has been approved by the Required Majority of Affected Creditors, no further meeting, vote or approval of the Affected Creditors shall be required to enable SFC to complete an Alternative Sale Transaction or to amend the Plan in the manner described in this 10.1.

ARTICLE 11 GENERAL

11.1 Binding Effect

On the Plan Implementation Date:

- (a) the Plan will become effective at the Effective Time;
- (b) the Plan shall be final and binding in accordance with its terms for all purposes on all Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (c) each Person named or referred to in, or subject to, the Plan will be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety and shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

11.2 Waiver of Defaults

- (a) From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of SFC then existing or previously committed by SFC, or caused by SFC, the commencement of the CCAA Proceedings by SFC, any matter pertaining to the CCAA Proceedings, any of the provisions in the Plan or steps contemplated in the Plan, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, indenture, note, lease,

guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and SFC, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under any such agreement shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse SFC from performing its obligations under the Plan or be a waiver of defaults by SFC under the Plan and the related documents.

- (b) Effective on the Plan Implementation Date, any and all agreements that are assigned to Newco and/or to Newco II as part of the SFC Assets shall be and remain in full force and effect, unamended, as at the Plan Implementation Date, and no Person shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations under, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand against Newco, Newco II or any Subsidiary under or in respect of any such agreement with Newco, Newco II or any Subsidiary, by reason of:
- (i) any event that occurred on or prior to the Plan Implementation Date that would have entitled any Person thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of SFC);
 - (ii) the fact that SFC commenced or completed the CCAA Proceedings;
 - (iii) the implementation of the Plan, or the completion of any of the steps, transactions or things contemplated by the Plan; or
 - (iv) any compromises, arrangements, transactions, releases, discharges or injunctions effected pursuant to the Plan or this Order.

11.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

11.4 Non-Consummation

SFC reserves the right to revoke or withdraw the Plan at any time prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders. If SFC so revokes or withdraws the Plan, or if the Sanction Order is not issued or if the Plan Implementation Date does not occur, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan, including the fixing or limiting to an amount certain any Claim, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against SFC or any other Person; (ii) prejudice in any manner the rights of SFC or any other Person in any further proceedings involving SFC; or (iii) constitute an admission of any sort by SFC or any other Person.

11.5 Modification of the Plan

- (a) SFC may, at any time and from time to time, amend, restate, modify and/or supplement the Plan with the consent of the Monitor and the Initial Consenting Noteholders, provided that: any such amendment, restatement, modification or supplement must be contained in a written document that is filed with the Court and:
 - (i) if made prior to or at the Meeting: (A) the Monitor, SFC or the Chair (as defined in the Meeting Order) shall communicate the details of any such amendment, restatement, modification and/or supplement to Affected Creditors and other Persons present at the Meeting prior to any vote being taken at the Meeting; (B) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and (C) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website forthwith and in any event prior to the Court hearing in respect of the Sanction Order; and
 - (ii) if made following the Meeting: (A) SFC shall provide notice to the service list of any such amendment, restatement, modification and/or supplement and shall file a copy thereof with the Court; (B) the Monitor shall post an electronic copy of such amendment, restatement, modification and/or supplement on the Website; and (C) such amendment, restatement, modification and/or supplement shall require the approval of the Court following notice to the Affected Creditors and the Trustees.
- (b) Notwithstanding section 11.5(a), any amendment, restatement, modification or supplement may be made by SFC: (i) if prior to the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders; and (ii) if after the Sanction Date, with the consent of the Monitor and the Initial Consenting Noteholders and upon approval by the Court, provided in each case that it concerns a matter that, in the opinion of SFC, acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order or to cure any errors, omissions or ambiguities and is not materially adverse to the financial or economic interests of the Affected Creditors or the Trustees.
- (c) Any amended, restated, modified or supplementary plan or plans of compromise filed with the Court and, if required by this section, approved by the Court, shall, for all purposes, be and be deemed to be a part of and incorporated in the Plan.

11.6 Actions and Approvals of SFC after Plan Implementation

- (a) From and after the Plan Implementation Date, and for the purpose of this Plan only:

- (i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and
- (ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

11.7 Consent of the Initial Consenting Noteholders

For the purposes of this Plan, any matter requiring the agreement, waiver, consent or approval of the Initial Consenting Noteholders shall be deemed to have been agreed to, waived, consented to or approved by such Initial Consenting Noteholders if such matter is agreed to, waived, consented to or approved in writing by Goodmans LLP, provided that Goodmans LLP expressly confirms in writing (including by way of e-mail) to the applicable Person that it is providing such agreement, consent or waiver on behalf of Initial Consenting Noteholders.

11.8 Claims Not Subject to Compromise

Nothing in this Plan, including section 2.4 hereof, shall prejudice, compromise, release, discharge, cancel, bar or otherwise affect any: (i) Non-Released D&O Claims (except to the extent that such Non-Released D&O Claim is asserted against a Named Director or Officer, in which case section 4.9(g) applies); (ii) Section 5.1(2) D&O Claims or Conspiracy Claims (except that, in accordance with section 4.9(e) hereof, any Section 5.1(2) D&O Claims against Named Directors and Officers and any Conspiracy Claims against Named Directors and Officers shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s)); or (iii) any Claims that are not permitted to be compromised under section 19(2) of the *CCAA*.

11.9 Paramountcy

From and after the Effective Time on the Plan Implementation Date, any conflict between:

- (a) the Plan; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for

sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between any Person and SFC and/or the Subsidiaries as at the Plan Implementation Date,

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which shall take precedence and priority.

11.10 Foreign Recognition

From and after the Plan Implementation Date, if requested by the Initial Consenting Noteholders or Newco, the Monitor (at the Monitor's election) or Newco (if the Monitor does not so elect) shall and is hereby authorized to seek an order of any court of competent jurisdiction recognizing the Plan and the Sanction Order and confirming the Plan and the Sanction Order as binding and effective in Canada, the United States, and any other jurisdiction so requested by the Initial Consenting Noteholders or Newco, as applicable.

11.11 Severability of Plan Provisions

If, prior to the Sanction Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of SFC and with the consent of the Monitor and the Initial Consenting Noteholders, shall have the power to either (a) sever such term or provision from the balance of the Plan and provide SFC with the option to proceed with the implementation of the balance of the Plan as of and with effect from the Plan Implementation Date, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that SFC proceeds with the implementation of the Plan, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

11.12 Responsibilities of the Monitor

The Monitor is acting in its capacity as Monitor in the CCAA Proceeding and the Plan with respect to SFC and will not be responsible or liable for any obligations of SFC.

11.13 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder, and will be affected hereunder, in each such capacity. Any action taken by or treatment of a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person, SFC, the Monitor and the Initial Consenting Noteholders in writing, or unless the Person's Claims overlap or are otherwise duplicative.

11.14 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

- (a) if to SFC or any Subsidiary:

Sino-Forest Corporation
Room 3815-29 38/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai, Hong Kong

Attention: Mr. Judson Martin, Executive Vice-Chairman and Chief
Executive Officer
Fax: +852-2877-0062

with a copy by email or fax (which shall not be deemed notice) to:

Bennett Jones LLP
One First Canadian Place, Suite 3400
Toronto, ON M5X 1A4

Attention: Kevin J. Zych and Raj S. Sahni
Email: zychk@bennettjones.com and sahnir@bennettjones.com
Fax: 416-863-1716

- (b) if to the Initial Consenting Noteholders:

c/o Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attention: Robert Chadwick and Brendan O'Neill
Email: rchadwick@goodmans.ca and boneill@goodmans.ca
Fax: 416-979-1234

and with a copy by email or fax (which shall not be deemed notice) to:

Hogan Lovells International LLP
11th Floor, One Pacific Place, 88 Queensway
Hong Kong China

Attention: Neil McDonald
Email: neil.mcdonald@hoganlovells.com
Fax: 852-2219-0222

- (c) if to the Monitor:

FTI Consulting Canada Inc.
TD Waterhouse Tower

79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Greg Watson
Email: greg.watson@fticonsulting.com
Fax: (416) 649-8101

and with a copy by email or fax (which shall not be deemed notice) to:

Gowling Lafleur Henderson LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario M5X 1G5

Attention: Derrick Tay
Email: derrick.tay@gowlings.com
Fax: (416) 862-7661

or to such other address as any party may from time to time notify the others in accordance with this section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. (Toronto time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

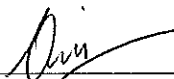
11.15 Further Assurances

SFC, the Subsidiaries and any other Person named or referred to in the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

DATED as of the 28th day of November, 2012.

Tab M

This is Exhibit "M" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

**AFFIDAVIT OF W. JUDSON MARTIN
(Sworn August 14, 2012)**

I, **W. JUDSON MARTIN**, of the City of Hong Kong, Special Administrative Region, People's Republic of China, **MAKE OATH AND SAY:**

1. I am the Vice-Chairman and Chief Executive Officer of Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.
2. This affidavit is made in support of a motion brought by SFC seeking an Order, substantially in the form included in SFC's Motion Record (the "Plan Filing and Meeting Order"), among other things: (i) accepting the filing of a draft plan of compromise and reorganization (the "Plan", attached hereto as Exhibit "A"); (ii) authorizing SFC to establish one class of affected creditors (the "Affected Creditors") for the purposes of considering and voting on the Plan; (iii) authorizing and directing SFC to call, hold and conduct a meeting (the "Meeting") of the Affected Creditors to consider and vote on the Plan (iv) approving the

procedures to be followed with respect to calling and conducting the Meeting; (v) establishing the process to set the date for the hearing of SFC's motion seeking an Order sanctioning the Plan (the "Sanction Hearing"); and (vi) amending the Claims Procedure Order (defined below) to call for monetary claims of the Ontario Securities Commission (the "OSC").

3. SFC believes that the Plan represents the best available outcome in the circumstances and that those with an economic interest in SFC, when considered as a whole, will derive a greater benefit from the implementation of the Plan and the continuation of the business of SFC as a going concern than would result from a bankruptcy or liquidation of SFC. The Plan is the product of extensive negotiation between SFC and the Ad Hoc Noteholders (defined below). The Ad Hoc Noteholders are, by far, the largest creditor constituency of SFC. The negotiations leading up to the Plan were overseen by the Monitor and I understand that the Monitor supports the filing of the Plan and the related relief sought on the within motion.

I. BACKGROUND

4. On March 30, 2012, this Honourable Court made an Initial Order granting a CCAA stay of proceedings against SFC and certain of its subsidiaries and appointing FTI Consulting Canada Inc. as the Monitor in the CCAA proceedings. A copy of the Initial Order is attached hereto as Exhibit "B".

5. At the time the CCAA proceedings were commenced, SFC announced that it had entered into a restructuring support agreement (the "Support Agreement") on March 30, 2012, with certain noteholders (the "Ad Hoc Noteholders") in connection with a proposed comprehensive restructuring of SFC's ownership interest in its business operations. A copy of the Support Agreement (without signature pages) is attached hereto as Exhibit "C".

6. The parties to the Support Agreement have been negotiating a first amendment to the Support Agreement which is intended to conform the Support Agreement to the Plan.

7. As described in my affidavit in support of the Initial Order (attached without Exhibits as Exhibit "D", the "Initial Order Affidavit"), the Support Agreement called for SFC to pursue a plan of compromise on the terms set out in the Support Agreement in order to implement the agreed-upon restructuring transaction (the "Restructuring Transaction") and to simultaneously undertake a sales process as an alternative to the Restructuring Transaction. As such, on March 30, 2012, this Honourable Court granted an order approving the sale process procedures (the "Sale Process Order") and authorizing and directing SFC, the Monitor, and SFC's financial advisor, Houlihan Lokey, to do all things reasonably necessary to perform each of their obligations thereunder. A copy of the Sale Process Order is attached hereto as Exhibit "E".

8. On April 13, 2012, this Honourable Court made an order extending the stay of proceedings contained in the Initial Order to June 1, 2012 and on May 31, 2012, this Honourable Court further extended the stay period to September 28, 2012.

9. On May 14, 2012, this Court issued an order implementing a process for the calling of and resolution of claims against SFC as well as its directors and officers including indemnity claims of the directors and officers against SFC (the "Claims Procedure Order"). A copy of the Claims Procedure Order is attached hereto as Exhibit "F".

Claims Process

10. In accordance with the Claims Procedure Order, SFC and the Monitor have conducted a claims process to determine the aggregate of claims against SFC, its subsidiaries (only with respect to claims related to SFC) and its officers and directors.

11. Under the Claims Procedure Order, the Claims Bar Date was June 20, 2012. SFC and the Monitor are currently in the process of reviewing, reconciling and determining the quantum and the nature of all claims against SFC. The Monitor provided a summary on this issue in the Sixth Report of the Monitor.

Termination of the Sale Process

12. As discussed in my previous affidavits and in the Monitor's previous reports, phase one of the Sale Process established a deadline of June 28, 2012 for the receipt of qualified letters of intent. After this bid deadline, SFC, Houlihan Lokey and the Monitor determined that none of the letters of intent constituted a Qualified Letter of Intent as defined in the Sale Process Order. As such, on July 10, 2012, SFC issued a press release announcing the termination of the Sale Process along with SFC's intention to proceed with the Restructuring Transaction as contemplated by the Support Agreement. A copy of the July 10 press release is attached hereto as Exhibit "G".

II. PLAN OF COMPROMISE AND REORGANIZATION

13. A summary of the key provisions of the Plan are set out in the paragraphs below.

14. All capitalized terms used in this section and not otherwise defined, are as defined in the Plan.

A. Background & Information

15. The Plan is the result of extensive arm's length negotiations between counsel to SFC, counsel to the Board, and the Ad Hoc Noteholders' advisors. The Monitor and its counsel have also been involved throughout the course of negotiations.

16. While the Plan outlines how each relevant constituent group will be treated, there are certain matters (described below) that are not yet fully described therein. It is contemplated, and the proposed Plan Filing and Meeting Order provides, that there will be a supplement to the Plan which will provide those additional details and which will be filed no later than seven days prior to the Meeting to vote on the Plan. As is described more fully below (and referred to in my earlier affidavits and earlier reports of the Monitor), the Plan Filing and Meeting Order is necessary at this time (as opposed to waiting for all of the details to be finalized) in order to implement the Plan within a timeline that will preserve SFC's business as a going concern and thus the inherent value of the enterprise.

B. Overview of the Plan

17. The Plan is premised on SFC's belief that those with an economic interest in SFC will, when considered as a whole, derive greater benefit from the continued operation of the SFC business as a going concern than would result from a bankruptcy or liquidation of SFC.

18. The Plan contemplates that a new company ("Newco") will be incorporated and SFC will transfer substantially all of its assets to Newco. The result will be that Newco will own, directly

or indirectly, all of SFC's Subsidiaries and SFC's interest in the Greenheart Group. Pursuant to the Plan (and as is further explained below), the shares of Newco will be held by the Affected Creditors, a significant percentage of which are expected to be the current noteholders.

C. Consideration Available for Distribution

19. Under the terms of the Plan, the following are the primary "buckets" of consideration to be distributed:

- (a) All of the stock of Newco: Newco will become the owner of all of the stock of the six direct subsidiaries of SFC, which will result in Newco owning all of SFC's assets as well as any intercompany debts owed by the Subsidiaries to SFC;
- (b) Newco Notes (the complete details of which, as discussed below, have not yet been agreed upon); and
- (c) Interests in a litigation trust (the "Litigation Trust") which will hold all claims and actions that have been or may be asserted by or on behalf of (i) SFC against any and all third parties, and (ii) the Note Indenture Trustees, the noteholders or any of their representatives against any and all persons in connection with the notes (other than claims asserted in the class actions that are released pursuant to the Plan).

20. The precise terms of the constating documents of Newco, the Newco Notes and the Litigation Trust Agreement will be included in a Plan supplement that is to be filed no later than seven days prior to the Meeting to vote on the Plan.

D. Classification and Treatment of Certain Claims

21. On July 27, 2012, this Honourable Court granted SFC's motion for an order (the "Equity Claims Order") declaring that any claims arising in respect of the ownership or sale of SFC's shares, and any indemnification claims made in respect of such claims (with the possible exception of indemnity claims for defence costs associated with defending shareholder claims) are "equity claims" under the CCAA and are thus subordinate to the claims of the other creditors of SFC. Attached as Exhibit "H" is a copy of the Equity Claims Order, along with the corresponding endorsement.

22. In accordance with the Equity Claims Order, the Plan:

- (a) does not provide any recovery for current shareholders and shareholder class action claimants. However, the shareholder class action claimants' ability to continue their claims against third party defendants (any defendant other than SFC, its subsidiaries and certain of SFC's directors and officers) is preserved; and
- (b) provides that indemnity claims against SFC in respect of shareholder class action claims (including indemnity claims against SFC by its auditors, underwriters and directors and officers ("Third Party Defendants")) are "equity claims" and are subordinate to the claims of other creditors. As noted above, the Equity Claims Order left open the possibility that indemnification claims for defence costs could potentially be non-subordinated equity claims. Accordingly, the Plan provides that such costs will be "Unresolved Claims" under the Plan.

23. The vast majority of the Third Party Defendants' claims (other than those for defence costs and indemnity claims relating to the plaintiffs' noteholder claims, discussed below) have been classified as equity claims and are dealt with in the context of the Plan. The Plan Filing and Meeting Order provides that no Notices of Revision or Disallowance (as defined in the Claims Procedure Order) will be sent in respect of these Equity Claims and they will instead be fully addressed under the Plan Filing and Meeting Order.

24. Current noteholders and other "Affected Creditors" with "Proven Claims" will receive a *pro rata* share of 92.5% of the Newco Shares, 100% of the Newco Notes and 75% of the Litigation Trust Interests. The remaining 7.5% of the Newco Shares will be granted to Consenting Noteholders (as defined in the Initial Order) who are entitled to the Early Consent Consideration (as defined in the Initial Order).

25. The Plan provides that the claims of former noteholders against SFC, its subsidiaries and certain directors and officers will be released, and that the former noteholders will receive 25% of the Litigation Trust Interests.

26. The claims of former noteholders against the Third Party Defendants who have indemnification claims against SFC will be capped at a maximum claim amount that can be asserted in respect of such claims. The corresponding indemnity claims of the Third Party Defendants against SFC will be similarly capped at that same number. The cap for the former noteholders' claim against the Third party Defendants will be determined as between the Company, the Monitor, the Initial Consenting Noteholders and the class action plaintiffs (or, if necessary, the Court). The contingent claims of the Third Party Defendants for indemnity from SFC in respect of any such noteholder claims shall be treated as "Unresolved Claims" for

purposes of the Plan until they are finally resolved. For voting purposes, these defendants will have a vote equal to the maximum capped amount of the claims against them.

27. The Plan specifically provides that nothing in the Plan affects or is intended to affect any claims that anyone has in respect of any insurance policies (including any rights under any directors' and officers' policy).

28. Certain other claims are "Unaffected Claims". Holders of Unaffected Claims are to be paid in the ordinary course, will not be entitled to vote on the Plan and will not receive any distributions under the Plan. The Unaffected Claims are:

- claims secured by the Administration Charge (i.e. advisor fees) or the Directors' Charge;
- certain government priority claims relating to taxes, if any;
- employee priority claims, if any;
- claims of any employees, former employees, and directors or officers of SFC in respect of wages, vacation pay, bonus, termination pay, severance pay or other remuneration payable to such person by SFC;
- claims of the Note Indenture Trustees for reasonable outstanding fees and expenses; and
- trade payables incurred by SFC after March 30, 2012.

E. Releases

29. The Plan includes releases for a number of parties (the "Released Parties"), including certain current and former directors and officers of SFC (collectively, the "Named Directors"). The identification of the Named Directors was negotiated as part of the negotiation of the Plan.

30. There are, however, three main categories of claims against the Named Directors that will not be released pursuant to the Plan:

1. claims that cannot be released pursuant to subsection 5.1(2) of the CCAA. The Plan limits recovery in respect of such claims to any available coverage under the directors' and officers' insurance policy;
2. claims for fraud and criminal conduct; and
3. non-monetary remedies of the OSC or any other regulatory body.

31. Any individual current or former officer or director that is not a Named Director will not be released under the Plan.

32. In addition to the release of certain other individuals and other persons (such as advisors involved in the restructuring – which I am advised by Kevin Zych of Bennett Jones LLP is common in CCAA plans), the Plan provides for releases of all claims relating to SFC that may be made against the Subsidiaries. As noted in my Initial Order Affidavit, while the Applicant is a holding company, the "business" of Sino-Forest is conducted through its Subsidiaries (which are not CCAA applicants). There can be no effective restructuring of Sino-Forest's business and separation from its Canadian parent (which SFC has said from the outset was the objective of the commencement of these proceedings) if the claims asserted against the Subsidiaries arising or connected to claims against SFC remain outstanding. Just as the claims of SFC's noteholders against the Subsidiaries are to be released under the Plan upon implementation, so are the other claims against the Subsidiaries which relate to claims asserted against SFC.

F. Reserves

33. The Plan contemplates the establishment of five reserves: the Administration Charge Reserve, the Directors' Charge Reserve, the Unaffected Claims Reserve, the Unresolved Claims Reserve and the Monitor's Post-Implementation Reserve. The quantum of these reserves will need to be agreed to prior to the implementation of the Plan. If there is any cash remaining in any of these reserves after the applicable claims allocated to each of the reserves have been resolved, initially all remaining cash will be transferred to the Monitor's Post-Implementation Reserve. The Monitor may, in its discretion, release excess cash from the Monitor's Post-Implementation Reserve to Newco. Once the Monitor determines that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering SFC, the Monitor shall transfer the remaining funds to Newco.

G. Conditions Precedent

34. Section 9.1 of the Plan provides a list of conditions precedent. Two in particular are worth further noting: (i) there is a requirement that the Plan be implemented by November 30, 2012 (or such later date as consented to by SFC and the Ad Hoc Noteholders); and (ii) the Plan is conditional upon the Ad Hoc Noteholders being satisfied with their diligence review prior to the Sanction Hearing.

III. CREDITORS' MEETING

35. SFC is seeking authorization to call and hold the Meeting to vote in respect of the Plan. It is critical that SFC call the Meeting as soon as possible.

36. The Plan Filing and Meeting Order does not set a specific date for the Meeting. This is a result of the fact that the Monitor has 20 days from the date of the Plan Filing and Meeting Order for delivery of the meeting materials. The Meeting will then be held within 30 days of the mailing of the meeting materials. It is currently anticipated that the Meeting will be held in late September or early October.

37. By way of a general overview only, and as more particularly described in the proposed Plan Filing and Meeting Order, the Order provides for the:

- (a) delivery of meeting materials, including the notice of meeting and the information circular to Affected Creditors on a date selected by the Monitor within 20 days of the date of the Plan Filing and Meeting Order, as well as publication of the same on the Monitor's website within 3 business days of the date of the Plan Filing and Meeting Order;
- (b) classification of SFC's Affected Creditors in a single class of creditors for the purposes of voting and considering the Plan;
- (c) voting procedures and conduct of the Meeting;
- (d) delivery of the Monitor's report to the Court outlining the results of the vote; and
- (e) seeking of approval of the Plan and other relief as required.

38. The information circular is still being finalized and will be filed in supplemental motion materials.

39. The Plan Filing and Meeting Order also calls for any claims that the OSC may have against SFC and its directors and officers that will or could give rise to a monetary liability. The Claims Procedure Order that was previously granted by this Honourable Court did not require the OSC to file any such claims. These claims must now be identified given that the OSC was exempted under the Claims Procedure Order.

Plan Process Interaction with Court Ordered Mediation

40. By Order dated July 25, 2012, this Honourable Court ordered that the Ontario and Quebec class action plaintiffs, SFC, the Third Party Defendants, the Monitor, the Ad Hoc Noteholders and any insurers providing coverage for SFC or the Third Party Defendants attend a mediation to resolve the plaintiffs' claims against both SFC and the other defendants and any and all related claims (the "Mediation"). A copy of the Mediation Order dated July 25, 2012 is attached as Exhibit "I".

41. While SFC is certainly hopeful that a comprehensive resolution can be reached in the Mediation, the Plan is not conditional on such a successful resolution being reached. However, for the reasons described above and below, a parallel track whereby SFC pursues this restructuring transaction while the Mediation takes place is appropriate.

IV. PLAN FILING AND MEETING ORDER IS NECESSARY AND APPROPRIATE

42. I believe that the Plan is fair and reasonable in the circumstances and that the contemplated timeline is both necessary and appropriate. As explained in my Initial Order Affidavit, SFC's position has always been that a transfer of ownership of the "business" on an expedited basis was necessary to avoid a piecemeal liquidation. Both SFC and the Monitor have reiterated this

position repeatedly to both stakeholders and this Honourable Court and this Honourable Court recognized this reality, including in its endorsement in respect of the Equity Claims Order.

43. The need for a timely resolution of these proceedings has only been heightened by the adverse developments which have taken place over the past weeks regarding the status of SFC's accounts receivable and the deregistration of certain of the authorized intermediaries all of which is described in the Sixth Report of the Monitor. I believe that the Plan Filing and Meeting Order is necessary if there is to be any prospect for a timely resolution of these proceedings.

SWORN BEFORE ME at the City of Hong
Kong, Special Administrative Region,
People's Republic of China, this 14th day of
August, 2012

Tai Kam Cheung
Deacons
Solicitor, Hong Kong, SAR



W. Judson Martin

**IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE
MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

**AFFIDAVIT OF W. JUDSON MARTIN
(Sworn August 14, 2012)**

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M5X 1A4

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Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

Tab N

This is Exhibit "N" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

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

**AFFIDAVIT OF W. JUDSON MARTIN
(Sworn November 29, 2012)**

I, W. Judson Martin, of the City of Hong Kong, Special Administrative Region, People's Republic of China, **MAKE OATH AND SAY:**

1. I am the Vice-Chairman and Chief Executive Officer of Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true. Where I indicate that I have been advised by counsel, that advice has been provided by Bennett Jones LLP, counsel for SFC in this proceeding.
2. Capitalized terms not defined in this affidavit are as defined in my affidavit sworn March 30, 2012 (the "Initial Order Affidavit") and the Thirteenth Report of the Monitor dated November 22, 2012 (the "Monitor's Thirteenth Report"). A copy of my Initial Order Affidavit (without exhibits) is attached as Exhibit "A".

3. All currency references in this affidavit refer to U.S. Dollars unless otherwise indicated.
4. This affidavit is sworn in support of a motion by SFC for an order (the "Sanction Order") under section 6(1) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "CCAA") sanctioning an amended plan of compromise and reorganization (the "Plan") between SFC and its creditors. I understand that a draft of the form of Sanction Order being sought was included in the Plan Supplement filed by SFC on November 21, 2012, and any further changes to the form of Sanction Order will be filed prior to the hearing.
5. This affidavit identifies a number of affidavits I have previously sworn along with Monitor's reports and other materials that SFC is relying on in support of the Sanction Order motion. Such materials will be filed in a separate brief prior to the hearing.
6. I am advised by counsel that if the Plan is approved, SFC and Newco (defined below) intend to rely on the Sanction Order for the purposes of relying on the exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes, and to the extent they may be deemed to be securities, the Litigation Trust Interest, and any other securities to be issued pursuant to the Plan.

I. BACKGROUND

7. As I explained in greater detail in the Initial Order Affidavit, SFC is an integrated forest plantation operator and forest products company, with most of its assets and the majority of its business operations located in the southern and eastern regions of the People's Republic of China

(the "PRC"). SFC's registered office is in Toronto and its principal business office is in Hong Kong.

A. Muddy Waters and SFC's Independent Committee

8. As a result of a report issued by short-seller Muddy Waters LLC ("Muddy Waters") on June 2, 2011, which alleged that SFC was a "near total fraud" and a "Ponzi scheme", SFC found itself embroiled in multiple class actions across Canada and in the U.S., investigations and regulatory proceedings with the Ontario Securities Commission (the "OSC"), the Hong Kong Securities and Futures Commission and the RCMP.

9. As I have described in prior affidavits filed with the Court and above, immediately after the allegations were made by Muddy Waters, the Board appointed an independent committee (the "IC") of the Board, which in turn engaged professionals in Ontario, Hong Kong and in the PRC to assist in investigating the allegations. The IC retained Osler Hoskin & Harcourt LLP in Canada, Mallesons (an international law firm with offices in Beijing, Shanghai and Hong Kong) and Jun He Law Offices (a PRC law firm). The IC also appointed PricewaterhouseCoopers to assist with the investigations.

10. The Board also retained new company counsel, Bennett Jones LLP, to assist and work with the IC and the IC's advisors, to assist management, to respond to class action claims against SFC and to respond on behalf of SFC to inquiries and demands from securities regulators.

11. The IC was active and met frequently to supervise professionals and receive reports about their progress.

12. The IC and its advisors worked to compile and analyze the vast amount of data required for their review of Sino-Forest's operations and business, the relationships between Sino-Forest and other entities, and Sino-Forest's ownership of assets. The IC supervised the investigation and preparation of three reports that addressed those aspects, described the extensive work of the IC and its advisors and the conclusions that could be reached from the work undertaken by them. Redacted versions of the IC reports were publicly disclosed.

13. The IC set out to address the issues raised by Muddy Waters in three core areas: (i) the verification of timber assets reported by Sino-Forest, (ii) the value of the timber assets held by Sino-Forest, and (iii) revenue recognition. In addition, in its First Interim Report, the IC's accounting advisors confirmed SFC's cash balances in specific account as at June 13, 2011, for accounts located inside and outside of the PRC. The results of the IC's efforts are described in greater detail in my Initial Order Affidavit.

B. Efforts to Obtain Audit Opinions

14. In late August 2011 the IC's efforts uncovered information that raised conduct issues about certain members of former management of Sino-Forest. This information was shared by the IC with staff of the OSC. This information resulted in the OSC imposing a temporary cease trade order (the "TCTO") on the securities of SFC on August 26, 2011, which order was later continued and continues in force.

15. Arising from these developments, certain former members of management were placed on administrative leave. The Board appointed me as Chief Executive Officer of SFC after Allen Chan resigned as Chairman, CEO and a Director, on August 28, 2011.

16. Following the events of late August, 2011, the IC continued its investigative work. From late August 2011 onward, under the Board's oversight, considerable effort was directed at determining if the issues identified by Muddy Waters and by investigative work to date could be resolved with sufficient time to allow SFC to become current in its financial reporting, and to obtain an audit opinion for 2011. Failure to issue quarterly results or to issue audited annual financial results could lead to the possible acceleration and enforcement of approximately \$1.8 billion in notes issued by SFC and guaranteed by many of its Subsidiaries.

17. Notwithstanding considerable efforts by the Board, the IC, management and advisors, in mid-November 2011, SFC's Audit Committee recommended, and the Board agreed, that SFC should defer the release of SFC's third quarter 2011 financial statements until certain conduct issues could be resolved to the satisfaction of the Board and SFC's external auditor.

18. By December 2011, it appeared that it would not be possible to obtain an audit opinion for 2011 in sufficient time to avoid defaults under SFC's Note Indentures, nor would it be possible to issue third quarter 2011 financial results.

19. On December 16, 2011, the Board established a Special Restructuring Committee ("RC") of the Board, comprised exclusively of directors independent of management of SFC, for the purpose of supervising, analyzing and managing the strategic options available to SFC. Subsequent to its appointment, the RC has been fully engaged and active in supervising and supporting SFC's restructuring efforts.

C. Defaults under the Indentures and the Support Agreement

20. SFC's inability to file its third quarter 2011 financial statements ultimately resulted in a default under its note indentures. After extensive discussions with an ad hoc committee of Noteholders (the "Ad Hoc Noteholders"), Noteholders representing a majority in principal amount of SFC's senior notes agreed to waive the default arising from the failure to release the SFC 2011 third quarter results. While the waiver agreements prevented an acceleration of the note indebtedness as a result of SFC's failure to file its 2011 third quarter results, the waiver agreements would have expired on April 30, 2012 (or any earlier termination of the waiver agreements in accordance with their terms). In addition, SFC's pending failure to file its audited financial statements for its fiscal year ended December 31, 2011 by March 30, 2012, would have caused another potential acceleration and enforcement event, creating additional uncertainty around SFC's business.

21. Following extensive arm's length negotiations between SFC and the Ad Hoc Noteholders, the parties agreed on a framework for a consensual resolution of SFC's defaults under its note indentures and the restructuring of its business, and entered into a restructuring support agreement (the "Support Agreement") on March 30, 2012, which was initially executed by holders of SFC's Notes holding approximately 40% of the aggregate principal amount of the Notes.

22. As further discussed below, additional Consenting Noteholders subsequently executed joinder agreements to the Support Agreement, resulting in Noteholders representing more than 72% of the aggregate principal amount of the Notes agreeing to support the restructuring contemplated by the Support Agreement.

23. Throughout this process, the Board and certain members of SFC management engaged with the Ad Hoc Noteholders, both through counsel and directly on a principal-to-principal basis, to assist them in understanding the restructuring challenges faced by SFC and its stakeholders, and to provide information to the Ad Hoc Noteholders in connection with their due diligence efforts.

24. From a commercial perspective, the restructuring contemplated by the Support Agreement was intended to separate Sino-Forest's business operations from the problems facing the parent holding company outside of the PRC, with the intention of saving and preserving the value of SFC's underlying business. To this end, two possible transactions were contemplated:

- (a) First, a court-supervised Sale Process being undertaken to determine if any person or group of persons would purchase SFC's business operations for an amount in excess of a threshold amount of consideration (which was set at 85% of the amount outstanding under the Notes at the CCAA filing date), with the potential for excess above such threshold amount being directed to stakeholders subordinate to the Noteholders. The Sale Process was intended to ensure that SFC pursued all avenues available to it to maximize value for its stakeholders;
- (b) Second, if the Sale Process was not successful, a transfer of the six immediate holding companies that own SFC's business to the Affected Creditors in compromise of their claims against SFC and the creation of a litigation trust (including funding) that would enable SFC's litigation claims against any Person not otherwise released within the CCAA proceedings to be preserved and pursued

for the benefit of SFC's stakeholders in accordance with the Support Agreement (the "Restructuring Transaction").

25. The decision to enter into the Support Agreement was given careful consideration by the Board of SFC. But for the negotiation and execution of the Support Agreement, SFC would have been unable to prevent the acceleration and enforcement of the rights of the Noteholders as soon as April 30, 2012, in which case SFC and Sino-Forest would have been unable to continue as a going concern.

26. The Support Agreement provided that SFC would make an application under the CCAA in order to implement the Sale Process and, failing receipt of a qualified bid, to implement the Restructuring Transaction.

27. Quite apart from the provisions of the Support Agreement, the circumstances facing SFC and its Subsidiaries (as described above and in the Initial Order Affidavit) necessitated the commencement of these CCAA proceedings in order to attempt to separate the business operations of Sino-Forest from the challenges facing the holding company parent in order to allow the business to be saved.

28. SFC applied to this Honourable Court and obtained an Initial Order under the CCAA on March 30, 2012 (the "Initial Order"), pursuant to which a limited stay of proceedings was also granted in respect of the Subsidiaries. The stay of proceedings provided for in the Initial Order was subsequently extended by Orders dated May 31, September 28, October 10, and November 23, 2012, and unless further extended by the Court, will expire on February 1, 2013.

II. THE NATURE OF SFC'S ASSETS AND SFC'S EFFORTS TO MARKET THEM

A. SFC's Assets

29. As described in the Initial Order Affidavit, SFC is a holding company with six direct subsidiaries of SFC (the place of incorporation is indicated in parentheses): Sino-Panel Holdings Limited (BVI); Sino-Global Holdings Inc. (BVI); Sino-Panel Corporation (Canada); Sino-Wood Partners Limited (Hong Kong); Sino-Capital Global Inc. (BVI) and Sino-Forest International (Barbados) Corporation (Barbados) (collectively, the "Direct Subsidiaries"). SFC also holds all of the preference shares of Sino-Forest Resources Inc. (BVI).

30. In addition, SFC holds an indirect majority interest in Greenheart Group Limited (Bermuda), an investment holding company whose shares are listed on the Hong Kong Stock Exchange. Together with its subsidiaries, Greenheart owns certain rights and manages hardwood forest concessions in the Republic of Suriname and a radiata pine plantation on freehold land in New Zealand. Greenheart has its own distinct operations and financing arrangements and is not party to or a guarantor of the notes issued by SFC. Greenheart and SFC operate out of separate office buildings in Hong Kong.

31. Including SFC, Sino-Forest Resources Inc. and the Direct Subsidiaries, there are 137 entities that make up the Sino-Forest companies: 67 companies incorporated in the PRC (with 11 branch companies), 58 BVI incorporated entities, 7 Hong Kong incorporated entities, 2 Canadian entities and 3 entities incorporated in other jurisdictions. Greenheart and its subsidiaries are not included in the foregoing. A list of all of the SFC subsidiaries (the "Subsidiaries") is attached as Exhibit "B" (which does not include subsidiaries of Greenheart, but does contain SFC branch companies). The term "Sino-Forest" is used herein to refer to the global enterprise as a whole.

32. I understand that in addition to claims against SFC, numerous stakeholders have asserted claims against the Subsidiaries in respect of their claims against SFC. As has been apparent from the outset of these proceedings, in order to achieve the commercial objective of separating the Sino-Forest business from the parent holding company, any successful resolution to these proceedings must provide a "clean break" between SFC and the Subsidiaries. Accordingly, as further described below, the Plan provides for the transfer of SFC's assets, including the Direct Subsidiaries, to Newco for the benefit of all of SFC's Affected Creditors as well as a release of the Subsidiaries in respect of such claims.

B. The Sale Process

33. As discussed above, the Support Agreement contemplated the sale of the assets of SFC (i.e. its Subsidiaries) through a court-supervised sale process in which the assets of SFC were offered for an amount of consideration equal to a minimum required threshold as set out in the Support Agreement, which was set at 85% of the outstanding amount of the Notes as of the CCAA filing date.

34. SFC applied for and obtained an order from this Court on March 30, 2012 (the "Sale Process Order") approving the sale process procedures (the "Sale Process Procedures") and authorizing and directing SFC, the Monitor, and SFC's financial advisor, Houlihan Lokey ("Houlihan"), to do all things reasonably necessary to perform each of their obligations under the Sale Process Order.

35. Pursuant to the Sale Process Procedures, SFC, through Houlihan sought out potential qualified strategic and financial purchasers (including existing shareholders and noteholders) of

SFC's assets on a global basis and attempted to engage such potential purchasers in the Sale Process.

36. The Sale Process Procedures approved in the Sale Process Order were carried out by the applicable parties. In particular, as described in the Fourth Report of the Monitor:

- (a) a notice was published in the Globe & Mail and the Wall Street Journal with respect to the Sale Process;
- (b) a teaser letter was sent to 85 potentially interested parties; and
- (c) fourteen confidentiality agreements were negotiated with parties who indicated an interest in the business.

37. The Sale Process Procedures provided SFC with up to 90 days from the day of the Sale Process Order to solicit letters of intent and, if qualified letters of intent were received within the required time period, a further 90 days to solicit qualified bids. As set out in the Sale Process Order, to constitute a Qualified Letter of Intent, the letter of intent must have, among other things, indicated that the bidder was offering to acquire SFC's assets for consideration not less than the Qualified Consideration. Qualified Consideration was defined in the Sale Process Procedures as:

"Qualified Consideration" means cash consideration payable to SFC (or such other form of consideration as may be acceptable to SFC and the Initial Consenting Noteholders) in an amount equal to 85% of the aggregate principal amount of the Notes, plus all accrued and unpaid interest on Notes, at the regular rates provided therefor pursuant to the Note indentures, up to and including March 30, 2012.

38. A number of letters of intent were received by SFC on or about the June 28, 2012 deadline set out in the Sale Process Procedures. However, in accordance with the Sale Process Order, SFC, Houlihan and the Monitor determined that none of the letters of intent constituted a Qualified Letter of Intent, because none of them offered to acquire the assets of SFC for the Qualified Consideration. As such, on July 10, 2012, SFC announced the termination of the Sale Process and SFC's intention to proceed with the Restructuring Transaction.

III. SINO-FOREST'S STAKEHOLDERS

39. In order to move forward with its restructuring efforts in a timely manner, it was critical for SFC to ascertain all claims against SFC, its Subsidiaries and its directors and officers in order to assess what impact such claims may have with respect to its restructuring. Accordingly, SFC, in consultation with the Monitor, developed a claims process, which was approved by Order of this Honourable Court on May 14, 2012 (the "Claims Process Order"). The Claims Process Order was not appealed.

40. Under the Claims Process Order, Proofs of Claim and D&O Proofs of Claim were required to be filed with the Monitor on or before the Claims Bar Date (June 20, 2012), while Restructuring Claims were required to be filed on or before the Restructuring Claims Bar Date (the later of the Claims Bar Date and 30 days after a Person is deemed to receive a Proof of Claim Document Package). D&O Indemnity Proofs of Claim were also required to be filed with the Monitor on a date that was relative to when the director or officer received notice of a D&O Proof of Claim.

41. In order to identify the nature and extent of claims asserted against the Subsidiaries, the Claims Process Order required any claimant that had or intended to assert a right or claim against

one or more Subsidiaries relating to a purported claim made against SFC to so indicate on their Proof of Claim.

42. In its Thirteenth Report, the Monitor described the claims submitted pursuant to the Claims Process Order, certain of which are also discussed below.

A. The Noteholders

43. As indicated, at the date of filing, Sino-Forest had approximately \$1.8 billion of principal amount of debt owing under the Notes, plus accrued and unpaid interest. There are four series of Notes issued and outstanding, as follows:

- (a) *2017 Senior Notes:* There are \$600 million in principal amount of guaranteed senior notes that were issued on October 21, 2010, bearing interest at a rate of 6.25% per annum, payable semi-annually (the "2017 Senior Notes"). These are supported by guarantees from 60 Subsidiaries and share pledges from ten of those same Subsidiaries.
- (b) *2016 Convertible Notes:* There are \$460 million in principal amount of convertible guaranteed notes that were issued on December 17, 2009, bearing interest at a rate of 4.25% payable semi-annually (the "2016 Convertible Notes"). These notes are supported by guarantees from 64 Subsidiaries.
- (c) *2014 Convertible Notes:* There are \$399,517,000 in principal amount of senior notes that were issued on July 27, 2009, bearing interest at a rate of 10.25% per annum, payable semi-annually (the "2014 Senior Notes"). These notes are

supported by guarantees from 60 Subsidiaries and share pledges from ten of those same Subsidiaries.

- (d) *2013 Convertible Notes:* There are \$345 million in principal amount of convertible guaranteed notes that were issued on July 23, 2008, bearing interest at a rate of 5% per annum, payable semi-annually (the "2013 Convertible Notes"). These notes are supported by guarantees from 64 Subsidiaries.

The 2017 Senior Notes, 2016 Convertible Notes, 2014 Senior Notes and 2013 Convertible Notes are collectively referred to herein as the "Notes" and holders of the Notes, the "Noteholders".

44. As of the date of the Support Agreement, the Initial Consenting Noteholders held approximately 40% of the aggregate principal amount of the four series of Notes. Pursuant to certain notice provisions established in the Initial Order, SFC continued to solicit additional Noteholder support and all Noteholders who wished to become Consenting Noteholders and participate in the Early Consent Consideration; (each as defined in the Support Agreement and described below) were given the opportunity to do so by the early consent deadline of May 15, 2012. As of May 15, 2012, Noteholders (including the Initial Consenting Noteholders) holding in aggregate approximately 72% of the principal amount of the Notes, and representing more than 66.67% of the principal amount of each of the four series of Notes, agreed to support the Plan.

B. Shareholders / Former Noteholders

45. As I explained in the Initial Order Affidavit, SFC and certain of its officers, directors and employees, along with SFC's former auditors, technical consultants and the Underwriters

(defined below) involved in prior equity and debt offerings, have been named as defendants in eight class action lawsuits.

46. Five of these class action lawsuits, commenced by three separate groups of counsel, were filed in the Ontario Superior Court of Justice on June 8, 2011, June 20, 2011, July 20, 2011, September 26, 2011 and November 14, 2011. A carriage motion in relation to these actions was heard on December 20 and 21, 2011, and by Order dated January 6, 2012, Justice Perell appointed Koskie Minsky LLP and Siskinds LLP as class counsel. As a result, Koskie Minsky LLP and Siskinds LLP discontinued their earliest action, and their other two actions have been consolidated and will move forward as one proceeding. The other two Ontario actions, commenced by other counsel, have been stayed.

47. Pursuant to Justice Perell's January 6, 2012 Order, Koskie Minsky LLP and Siskinds LLP have filed a fresh as amended Statement of Claim in the consolidated proceeding. A copy of that amended Statement of Claim is attached as Exhibit "C". The plaintiffs in the Ontario Class Action (the "Ontario Class Action Plaintiffs"), on behalf of current and former shareholders of SFC, seek damages against SFC and the other defendants in the Ontario Class Action in the amount of \$6.5 billion for general damages, \$174.8 million in connection with a prospectus issued in June 2007, \$330 million in relation to a prospectus issued in June 2009, and \$319.2 million in relation to a prospectus issued in December 2009. The market cap for SFC during the times of the alleged misrepresentations ranged from \$546.5 million to \$6.15 billion.

48. The Ontario Class Action Plaintiffs also assert claims on behalf of former holders of SFC's Notes in the amounts of \$345 million for the 2013 Convertible Notes, \$400 million for the 2014 Senior Notes, \$460 million for the 2016 Convertible Notes, and \$600 million for the 2017 Senior

Notes, for a total claim of approximately \$1.8 billion. The first class action claim that asserted any claims on behalf of Noteholders was issued on September 26, 2011. The Noteholder component of this claim asserts, among other things, damages for loss of value in the Notes. In the months following the Muddy Waters report, the relevant Notes traded at a range of \$53 to \$64 per \$100 amount of principal owing.

49. A similar class action was filed in Quebec. Attached as Exhibit "D" is a copy of the Quebec pleading. A third class action was filed in Saskatchewan. Attached as Exhibit "E" is a copy of the Saskatchewan Statement of Claim. While a Proof of Claim was filed by the plaintiffs in the Quebec class action, no Proof of Claim was filed by the plaintiffs in the Saskatchewan class action.

50. Additionally, on January 27, 2012, a class action was commenced against SFC and other defendants in the Supreme Court of the State of New York, U.S.A. The complaint alleges that the action is brought on behalf of persons who purchased SFC shares on the over-the-counter market and on behalf of non-Canadian purchasers of SFC debt securities. The quantum of damages sought is not specified in the complaint. Attached as Exhibit "F" is a copy of the most recent version of the Complaint in the New York proceeding. The plaintiffs in the New York proceeding have filed a Proof of Claim in this proceeding.

51. In this proceeding, an "Ad Hoc Committee of Purchasers of the Applicant's Securities" (the "Ad Hoc Securities Purchasers Committee") has appeared to represent the interests of shareholders and noteholders who have asserted class action claims against SFC and others. The Ad Hoc Securities Purchasers Committee is represented in this proceeding by Siskinds LLP, Koskie Minsky, and Paliare Roland Rosenberg Rothstein LLP. As indicated above, two of these

firms won the right to represent the plaintiffs in the Ontario class action, and the Siskind firm is plaintiff counsel in the Quebec class action.

52. On June 26, 2012, SFC brought a motion for an order directing that claims against SFC that arise in connection with the ownership, purchase or sale of an equity interest in SFC and related indemnity claims are "equity claims" as defined in section 2 of the CCAA, including the claims by or on behalf of current or former shareholders asserted in class action proceedings commenced against SFC. The equity claims motion did not purport to deal with the component of the class action proceedings that relate to debt claims.

53. The Ad Hoc Securities Purchasers Committee did not oppose the relief requested. The relief was opposed only by SFC's former auditors and the Underwriters.

54. In reasons released on July 27, 2012, a copy of which is attached as Exhibit "G", this Honourable Court granted the relief sought by SFC (the "Equity Claims Decision"), finding at paragraph 77 that "the claims advanced in the Shareholder Claims are clearly equity claims."

55. The Ad Hoc Securities Purchasers Committee did not appeal this decision. I am advised by counsel that none of the parties who later appealed the decision suggested that the Court's determination on the characterization of the shareholder claims against SFC was incorrect. As further discussed below, the Equity Claims Decision was affirmed by the Court of Appeal for Ontario on November 23, 2012.

56. Consistent with the Equity Claims Decision, shareholder claims against SFC are subordinated and not entitled to vote or receive distributions under the Plan.

57. On October 26, 2012, the Ad Hoc Securities Purchasers Committee stated that they would not directly or indirectly oppose the Plan, so long as no amendment is made to the Plan that in the opinion of the Ad Hoc Securities Purchasers Committee, in the good faith exercise of its discretion, would be materially prejudicial to the interests of the Ad Hoc Securities Purchasers Committee.

58. The Ad Hoc Securities Purchasers Committee will not oppose a Plan which provides that: (i) all shareholder claims against SFC will be subordinated as "Equity Claims" and released without consideration under the Plan; (ii) all former noteholder claims against SFC will be released without consideration under the Plan (other than a 25% interest in the Litigation Trust); and (iii) the quantum of the "Indemnified Noteholder Class Action Limit" in the Plan (as further discussed below) will be set at \$150 million.

59. As discussed below, the Plan preserves all of the aforementioned claims against defendants to the Class Action Claims (present or future) other than SFC, the Subsidiaries, the Named Directors and Officers or the Trustees under the Notes (the "Third Party Defendants"), subject in the case of any Indemnified Noteholder Class Action Claims to the Indemnified Noteholder Class Action Limit.

60. SFC's existing shares will be cancelled pursuant to the Plan and the Plan Sanction Order.

C. Auditors

61. Since 2000 SFC has had two auditors: Ernst & Young LLP ("E&Y"), who acted as auditor from 2000 to 2004 and 2007 to 2012, and BDO Limited ("BDO"), who acted as auditor from 2005 to 2006.

62. I understand from counsel to SFC that the auditors have asserted claims against SFC for contribution and indemnity for any amounts paid or payable in respect of the shareholder class actions, with each of the auditors having asserted claims in excess of \$6.5 billion. In addition the auditors have asserted claims for payment of professional fees associated with SFC after the release of the Muddy Waters report, and generalized claims for damage to reputation. A summary extract from E&Y's Proof of Claim is attached as Exhibit "H". A summary extract from BDO's Proof of Claim is attached as Exhibit "I".

63. In the Equity Claims Decision, the Court stated at paragraph 84 that "the claims of E&Y, BDO and the Underwriters constitutes an 'equity claim' within the meaning of the CCAA. Simply put, but for the Class Action Proceedings, it is inconceivable that claims of this magnitude would have been launched by E&Y, BDO and the Underwriters as against SFC."

64. The auditors and Underwriters appealed the decision to the Court of Appeal for Ontario. The hearing of that appeal was held on November 13, 2012. On November 23, 2012, the Court of Appeal dismissed the appeal. Attached as Exhibit "J" is a copy of the reasons of the Court of Appeal.

65. Consistent with the Equity Claims Decision and the Court of Appeal's dismissal of the appeal, the claims of the auditors for indemnity in respect of the shareholder class action claims are subordinated and are not entitled to vote or receive any distributions under the Plan. The auditors' claims for defence costs relating to the defence of shareholder class actions (which have not yet been determined to be equity or debt claims) are treated as Unresolved Claims under the Plan.

66. The auditors have also asserted indemnification claims in respect of the class action claims against them by the former Noteholders. As these indemnification claims have not been determined to be "equity claims", the Plan provides for these claims by placing Plan consideration in respect of the amount of these claims into the Unresolved Claims Reserve, to be distributed to the defendants if any of these claims become non-contingent Proven Claims. The amount of these potential indemnification claims has been limited to a global limit of \$150 million by operation of the "Indemnified Noteholder Class Action Claim Limit" under the Plan, which limits the amount of the Indemnified Noteholder Class Action Claims against the Third Party Defendants to \$150 million in the first instance. The Plan preserves the right to contest these indemnity claims, including the right to seek an order of the CCAA Court that these indemnification claims in respect of claims by former noteholders should be subordinated in the same manner as the indemnification claims in respect of the shareholders actions have been.

67. The auditors have also asserted claims against the Subsidiaries for, among other things, indemnification in connection with the shareholder class actions. Those claims have tended to treat SFC and the Subsidiaries interchangeably or as one collective entity. These claims are released under the Plan in the same manner as the Noteholders' guarantee claims against the Subsidiaries are released under the Plan.

D. Underwriters

68. In each instance where SFC has had a debt or equity public offering, such offering has been underwritten. The following firms have acted as SFC's underwriters and also have been named as defendants in the Ontario Class Action: Credit Suisse Securities (Canada) Inc., Credit Suisse Securities (USA) LLC, TD Securities Inc., Dundee Securities Corporation, RBC

Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Merill Lynch, Pierce, Fenner & Smith Incorporated, Cannacord Financial Ltd and Maison Placements Canada Inc. (the "Underwriters"). Certain of the Underwriters also are defendants in the New York class action.

69. Like the auditors, the Underwriters have filed claims against SFC seeking contribution and indemnity for the shareholder class actions. A copy of a representative sample of a proof of claim filed by one of the Underwriters is attached as Exhibit "K".

70. The Equity Claims Decision discussed above, upheld by the Court of Appeal for Ontario, applies equally to the Underwriters as it does to the auditors. Accordingly, the Underwriters' indemnity claims in respect of shareholder claims have been subordinated and are not entitled to vote or receive any distributions under the Plan. The Underwriters' claims for defence costs relating to the defence of shareholder class action, together with such claims of the auditors, are treated as Unresolved Claims under the Plan.

71. The Underwriters have also asserted indemnification claims in respect of the class action claims against them by the former Noteholders. For the same reasons and subject to the same terms as described above with respect to the auditors' indemnification claims, the Plan provides for these claims by placing Plan consideration in respect of the amount of these claims into the Unresolved Claims Reserve, limited to a global limit of \$150 million by operation of the Plan.

72. Certain of the Underwriters have also asserted claims against the Subsidiaries in connection with the four Note offerings. Like all other SFC-related claims against the Subsidiaries, these claims are released under the Plan.

E. Ontario Securities Commission

73. On June 8, 2011, six days after the Muddy Waters report was released and the Board of SFC appointed the IC to investigate the allegations contained in that report, the OSC publicly announced that it was investigating matters related to SFC.

74. SFC believes that it has cooperated with the OSC. Under the supervision of the Board, SFC has made extensive production of documents, including documents sourced from jurisdictions outside of the OSC's power to compel production. Under the supervision of the Board, SFC also has facilitated interviews by the OSC with SFC and other Sino-Forest personnel. In circumstances where OSC staff sought to examine Sino-Forest personnel resident in the PRC, outside the OSC's jurisdiction to compel attendance at examination, SFC arranged to bring individuals to Hong Kong to be examined.

75. Absent cooperation from SFC, SFC was at risk that the OSC would seek to exercise additional powers in relation to SFC beyond imposing the TCTO. These additional powers could have extended to the appointment of a receiver over SFC. The Board's decision to inform the OSC of the results of the IC's investigative work, and to cooperate with the OSC's investigation, was important to preserving stakeholder value.

76. SFC has responded to extensive inquiries and has provided periodic oral briefings to OSC staff. The three reports prepared by the IC were provided to OSC staff on an unredacted basis. A significant portion of the professional costs incurred by SFC subsequent to June 2, 2011 relates to the production of documents and other information to OSC staff, and to producing Sino-Forest personnel for interviews with OSC staff.

77. In April 2012, SFC received an Enforcement Notice from OSC staff. Enforcement Notices typically are issued by OSC staff at or near the end of an investigation, identify issues that have been the subject of investigation, and advise that staff contemplate commencing formal proceedings in relation to those issues. Enforcement Notices afford recipients an opportunity to make representations before a decision is taken by staff of the OSC to commence formal proceedings. OSC staff asserted that the Enforcement Notice was protected from disclosure pursuant to sections 16 and 17 of the Ontario *Securities Act*.

78. On May 22, 2012, a Notice of Hearing and Statement of Allegations was issued by OSC staff against SFC, Allen Chan, Albert Ip, Alfred C.T. Hung, George Ho, Simon Yeung, and David Horsley. A copy of the Statement of Allegations is attached as Exhibit "L". OSC staff alleged in the Statement of Allegations that SFC and the other respondents, except David Horsley, had engaged in a complex fraudulent scheme to inflate the assets and revenue of SFC and made materially misleading statements in SFC's public disclosure record. It is further alleged by OSC staff that such conduct was contrary to the Ontario *Securities Act* and contrary to the public interest. No date has been set for a hearing on the merits.

79. On September 25, 2012, SFC received a second "Enforcement Notice" from OSC staff, which OSC staff again asserted was protected from disclosure. SFC issued a press release announcing the receipt of this Enforcement Notice on September 26, 2012, a copy of which is attached as Exhibit "M". The press release describes how the second Enforcement Notice includes a further allegation, which is similar in nature to the allegations in the Statement of Allegations discussed above.

80. By letter dated September 13, 2012, a copy of which is attached as Exhibit "N", counsel for OSC staff advised that OSC staff would not be seeking any monetary sanctions against SFC, and that they would not seek monetary sanctions against any of the directors and officers of SFC in excess of CAD\$100 million. This amount was later reduced to CAD\$84 million, as set out in a further letter dated October 25, 2012, a copy of which is attached as Exhibit "O".

F. Trade Creditors and Other Creditors

81. As SFC is a holding company whose business is substantially carried out through its subsidiaries in the PRC and Hong Kong, SFC has very few trade creditors. The Monitor's Thirteenth Report explains that only three trade claims have been filed pursuant to the Claims Process Order. Other than a claim filed by the former Chief Financial Officer of SFC arising from the termination of his employment, I am not aware of any other creditors of significance that have filed claims pursuant to the Claims Process Order.

IV. EFFORTS AND ACHIEVEMENTS IN ARRIVING AT A NEGOTIATED RESOLUTION

82. The fundamental component of SFC's proposed restructuring, being a complete separation of the Subsidiaries and the Sino-Forest business from SFC in compromise of the claims asserted against SFC, has not changed since the commencement of these proceedings.

83. As indicated above, SFC obtained the support of 72% of the Noteholders to its proposed restructuring at an early stage of this proceeding. On October 26, 2012, SFC also obtained the non-objection to the Plan of the Ad Hoc Securities Purchasers Committee. Significant efforts have been made to arrive at a consensual resolution with the other stakeholders described above.

84. On July 25, 2012, this Honourable Court issued a mediation order (the "Mediation Order"), on the consent of all parties, directing that a mediation take place on September 4 and 5, 2012.

85. In advance of the mediation, SFC established a confidential data room, as contemplated by the Mediation Order. That data room made available to those parties to the mediation who signed non-disclosure agreements with SFC approximately 18,000 documents that had been assembled in order to potentially make them available to participants in the Sale Process and additional documents that were requested by the Ad Hoc Securities Purchasers Committee.

86. The mediation took place on September 4 and 5, 2012. Justice Newbould acted as the mediator. While the mediation did not result in a global resolution, it is my understanding from counsel that all parties appeared to participate in good faith with a view to arriving at a consensual resolution. I am advised by counsel that there have been further discussions continuing among certain of the parties since the conclusion of the mediation, but those discussions have not resulted in a further settlement as at the date of the swearing of this affidavit. I am not aware of the specifics of the matters which may have been discussed by other parties to the mediation.

87. Following the mediation, SFC conducted extensive negotiations with the Ad Hoc Noteholders, with the participation of the Monitor and its counsel, to produce the draft plan that was filed with the Court on October 19, 2012 (the "October 19 Draft Plan"). On October 26, 2012, the Ad Hoc Securities Purchasers Committee confirmed that they would not object to the October 19 Draft Plan.

88. As discussed above, SFC's main creditors consist of (i) the Noteholders and (ii) the Third Party Defendants who claim indemnity from SFC and its subsidiaries on a contingent basis, the

contingency being whether or not they are ultimately found to be liable in the shareholder and noteholder class actions that are pending against them.

89. As a result of the Equity Claims Decision, the Third Party Defendants' indemnity claims in respect of shareholder class action claims are subordinated equity claims (leaving aside that they are contingent and contested in any event). With respect to the Third Party Defendants' indemnity claims in respect of the noteholder class action claims against them, these claims have now been limited to \$150 million, collectively and in the aggregate for all Third Party Defendants, by operation of the Indemnified Noteholder Class Action Limit, which has limited the underlying claims by former noteholders against the Third Party Defendants to \$150 million. As discussed, the Plan provides for these contingent, unresolved claims through the creation of the Unresolved Claims Reserve.

V. THE PLAN

A. Background and Overview

90. On August 28, 2012, SFC brought a motion for an order approving the filing of the Plan (the "Plan Filing and Meeting Order") and for calling a meeting of creditors to vote on the Plan. I swore an affidavit in connection with that motion, a copy of which is attached without exhibits as Exhibit "P".

91. On August 31, 2012, this Honourable Court issued the Plan Filing and Meeting Order as well as an endorsement stating that the Plan Filing and Meeting Order was made without any determination of (a) the test for approval of the Plan; (b) the validity or quantum of any claims; and (c) the classification of creditors for voting purposes. The endorsement also stated that the

Plan Filing and Meeting Order did not prevent or restrict any party from opposing the Sanction Order now being sought. A copy of the endorsement is attached as Exhibit "Q".

92. The Plan sets out to achieve the following purposes:

- (a) to effect a full, final and irrevocable compromise, release, discharge, cancellation and bar of all Affected Claims;
- (b) to effect the distribution of the consideration provided for herein in respect of Proven Claims;
- (c) to transfer ownership of the Sino-Forest business to Newco and then to Newco II, in each case free and clear of all claims against SFC and certain related claims against the Subsidiaries, so as to enable the SFC Business to continue on a viable, going concern basis for the benefit of the Affected Creditors; and
- (d) to allow Affected Creditors and Noteholder Class Action Claimants to benefit from contingent value that may be derived from litigation claims to be advanced by the Litigation Trustee.

93. SFC believes that the Plan represents the best available outcome in the circumstances and that those with an economic interest in SFC, when considered as a whole, will derive a greater benefit from the implementation of the Plan and the continuation of the business of Sino-Forest as a going concern than would result from a bankruptcy or liquidation of SFC and Sino-Forest. SFC also believes that the Plan reasonably takes into account the interests of the Third Party Defendants, who seek indemnity and contribution from SFC and its Subsidiaries on a contingent basis, in the event that they are found to be liable to SFC's stakeholders.

94. Given that the Sale Process was not successful, the Plan contemplates that a new company and a further subsidiary ("Newco" and "Newco II", respectively) will be incorporated and SFC will transfer substantially all of its assets to Newco in compromise and satisfaction of all claims made against it. The result will be that Newco will own, directly or indirectly, all of SFC's Subsidiaries and SFC's interest in Greenheart and its subsidiaries as well as any intercompany debts owed by the Subsidiaries to SFC. Pursuant to the Plan, as explained in further detail below, the shares of Newco will be distributed to the Affected Creditors.

95. The terms of the October 19 Draft Plan were described in greater detail in the Monitor's Thirteenth Report. This Plan was amended on November 28, 2012. Attached as Exhibit "R" is a copy of the Plan, as amended. Attached as Exhibit "S" is a blackline comparison of the Plan to the October 19 Draft Plan filed with the Court. Attached as Exhibit "T" is a copy of the Plan Supplement dated November 21, 2012 (the "Plan Supplement").

B. Distributions Under the Plan

96. The Plan contemplates the distribution of (1) Newco Shares, (2) Newco Notes, and (3) Litigation Trust Interests, each as further described below.

1. Newco Shares

97. Pursuant to the terms of the Plan, Affected Creditors with Proven Claims are entitled to their pro-rata share of 92.5% of the Newco Shares and Early Consenting Noteholders also entitled to their pro-rata share of 7.5% of the Newco Shares.

98. As set out in Exhibit C to the Plan Supplement, Newco will be incorporated as an exempt company under the laws of the Cayman Islands pursuant to the Plan. It will have a single class of voting shares, being the Newco Shares. Newco is not, and there is no current intention for

Newco to become, a reporting issuer in any jurisdiction of Canada or elsewhere and the Newco Shares will not be listed on any stock exchange or quotation service on the Plan Implementation Date. The board of directors of Newco will initially consist of up to five directors that will be satisfactory to the Initial Consenting Noteholders. Thereafter, directors will be elected by shareholders on an annual basis at Newco's annual general meeting. Certain shareholders holding large blocks of shares will be entitled to elect directors.

99. As set out in Exhibit C to the Plan Supplement, prior to the Plan Implementation Date, it is intended that Newco will organize Newco II as a wholly-owned subsidiary and an exempt company under the laws of the Cayman Islands, for the purpose of acquiring from Newco the SFC assets to be transferred by SFC to Newco on the implementation of the Plan. The purpose of this step is to organize Newco (namely, Newco II) in a tax and jurisdictionally efficient manner for purposes of any subsequent sale of all or substantially all of Newco's assets (for example, Newco II will own all of the Direct Subsidiaries in a single jurisdiction, rather than in four separate jurisdictions).

100. Newco will be named Evergreen China Holdings Ltd. and Newco II will be named Evergreen China Holdings II Ltd.

2. *Newco Notes*

101. Pursuant to the terms of the Plan, Affected Creditors with Proven Claims are entitled to their pro-rata share of the Newco Notes.

102. As set out in Exhibit D to the Plan Supplement (which defines the capitalized terms used in this paragraph), Newco Notes in the aggregate principal amount of US\$300 million will be issued under an Indenture. They will be guaranteed by the Subsidiary Guarantors and secured by

pledges, mortgages and/or charges of the Collateral as described in Exhibit D to the Plan Supplement. Interest may be paid in cash or in PIK notes at rates prescribed in the Indenture and described in Exhibit D to the Plan Supplement. The Newco Notes will mature seven (7) years after the Original Issue Date, unless earlier redeemed pursuant to the terms thereof and the Indenture.

3. *Litigation Trust Interests*

103. Pursuant to the terms of the Plan, Affected Creditors with Proven Claims are entitled to their pro-rata share of 75% of the Litigation Trust Interests and the Noteholder Class Action Claimants are entitled to their pro-rata share of 25% of the Litigation Trust Interests.

104. The Litigation Trust will hold the Litigation Trust Claims (each as defined in the Plan), which include all claims and actions that have been or may be asserted by or on behalf of (i) SFC against any and all third parties, and (ii) the Note Indenture Trustees (on behalf of the Noteholders) against any and all persons in connection with the Notes; provided that Litigation Trust Claims will not include claims released under the Plan or claims advanced in the Class Actions.

105. The Litigation Trust will be governed by a Litigation Trust Agreement, a draft form of which was attached as Exhibit B to the Plan Supplement. The Litigation Trust will be funded by SFC with the Litigation Funding Amount, \$1 million. Pursuant to the Plan, Newco may subsequently elect to advance additional funding to the Litigation Trust. The Litigation Trustee (who has not yet been selected) will be charged with the responsibility to preserve and enhance the value of the Litigation Trust Assets (as defined in the Litigation Trust Agreement), through the prosecution, compromise and settlement, abandonment or dismissal of all claims held by the

Litigation Trust. In addition, the Plan contemplates that, prior to the Plan Implementation Date, SFC and the Initial Consenting Noteholders may agree to exclude one or more claims from being transferred to the Litigation Trust in which case such claims will be released on the Plan Implementation Date.

106. I am advised by counsel that the Litigation Trust Claims will be transferred to the Litigation Trust subject to the equities, limitation defences and other defences that otherwise may be asserted against SFC, and none of those equities, litigation defences and other defences are purported to be compromised by the Plan.

107. SFC will also be transferring all respective rights, title and interests in and to any lawyer-client privilege, work product privilege or other privilege or immunity attaching to any documents or communications associated with the Litigation Trust Claims to the Litigation Trust for the benefit of the beneficiaries of the Litigation Trust.

C. Reserves Established Under the Plan

108. The Plan contemplates the establishment of the Administration Charge Reserve, the Unaffected Claims Reserve, the Unresolved Claims Reserve, and the Monitor's Post-Implementation Reserve. Notwithstanding that the Initial Order created a Directors' Charge of \$3.2 million, the Named Directors and Officers have agreed to stand back from making any claims against the Directors' Charge as part of the comprehensive arrangements inherent in the Plan agreed to by the Initial Consenting Noteholders such that the Plan no longer provides for a Directors' Charge Reserve. The Monitor's Thirteenth Report also describes the purpose of each of these Reserves.

109. The amount of the Administration Charge Reserve is \$500,000 or such other amount as may be agreed to by the Monitor and the Initial Consenting Noteholders. The amount of the Unaffected Claims Reserve will be established on the Plan Implementation Date and is estimated to be \$1,800,000. The amount of the Monitor's Post-Implementation Reserve will initially be \$5,000,000 or such other amount as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders.

110. Any funds remaining in the Administration Charge Reserve or the Unaffected Claims Reserve will be transferred to the Monitor's Post-Implementation Reserve. The Monitor may, in its discretion, release excess cash from the Monitor's Post-Implementation Reserve to Newco. Once the Monitor determines that the cash remaining in the Monitor's Post-Implementation Reserve is no longer necessary for administering SFC, the Monitor shall transfer the remaining funds to Newco.

111. The Unresolved Claims Reserve will contain Newco Shares, Newco Notes, and Litigation Trust Interests in respect of any Unresolved Claims. It is expected that the Unresolved Claims as at the Plan Implementation Date will consist primarily of the contingent and unresolved indemnity claims against SFC by the Third Party Defendants in respect of (a) Class Action Indemnity Claims relating to the Indemnified Noteholder Class Action Claims, which have been limited to \$150 million collectively and in the aggregate by operation of the consensual Indemnified Noteholder Class Action Limit; (b) \$30 million in respect of unresolved claims for reimbursement of Defence Claim Costs; and (c) \$500,000 in respect of unresolved claims filed by certain trade and other creditors, some of which have been accepted for voting purposes but not yet for distribution purposes.

112. Pursuant to the Plan and the Sanction Order, each of SFC, the Monitor, and the Initial Consenting Noteholders have reserved all rights to seek or obtain an Order at any time directing that any Unresolved Claims should be disallowed in whole or in part or should receive the same treatment as Equity Claims. The Plan and the Sanction Order provide that all parties with Unresolved Claims will have standing in respect of any proceeding to determine whether or not an Unresolved Claim constitutes a Proven Claim (in whole or in part) entitled to consideration under the Plan.

113. The Plan Supplement also describes the establishment of SFC Escrow Co., which will act as the Unresolved Claims Escrow Agent. Subject to the terms of the Plan, SFC Escrow Co. will hold distributions in respect of any Unresolved Claim in existence at the Plan Implementation Date in escrow until settlement or final determination of the Unresolved Claim in accordance with the Claims Process Order, the Meeting order, the Plan or otherwise, as applicable.

1. Indemnified Noteholder Class Action Claims

114. As I discussed above, there is a component of the class action claims that relates to the debt issuances and, in some respect, some of the class action plaintiffs are former noteholders. Section 4.4(a) of the Plan makes clear that those claims, as against SFC, the Subsidiaries or the Named Directors and Officers (other than those claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims) are fully, finally, irrevocably and forever compromised and released. However, these Noteholder Class Action Claims against Third Party Defendants are not compromised or released and may continue to proceed against the Third Party Defendants, provided that the Class Action Plaintiffs have agreed that the aggregate amount of such claims that may be asserted against Third Party Defendants in respect of

Indemnified Noteholder Class Action Claims shall not exceed the Indemnified Noteholder Class Action Limit, which has been established at a global amount of \$150 million in the aggregate for all Third Party Defendants.

115. The Indemnified Noteholder Class Action Limit was established after extensive and difficult negotiations and discussion spanning many months among the Ad Hoc Securities Purchasers Committee, the Ad Hoc Noteholders and SFC. As a result of the limit, the maximum exposure of the Third Party Defendants with respect to Indemnified Noteholder Class Action Claims is, in the aggregate, \$150 million. Accordingly, the maximum potential indemnity claims of such Third Party Defendants against SFC are likewise limited to \$150 million in the aggregate. Such contingent indemnity claims are treated as Unresolved Claims under the Plan, and the potential Plan consideration that could be distributed in respect of any such indemnity claims that could become Proven Claims will be held in escrow in the Unresolved Claims Reserve.

2. Defence Costs

116. The Equity Claims Decision, as affirmed by the Court of Appeal, did not determine whether Defence Cost Claims of the auditors and Underwriters would be treated in the same manner as their indemnity claims against the company. Accordingly, the Plan treats Defence Cost Claims as Unresolved Claims, with the potential Plan consideration that could be distributed in respect of any such claims that could become Proven Claims to be held in the Unresolved Claims Reserve.

D. Releases Under the Plan

117. The Plan includes releases for certain parties (the "Released Parties"), including certain current and former directors and officers of SFC (collectively, the "Named Directors and Officers"). The identification of the Named Directors and Officers and the scope of the releases were heavily negotiated among various constituents as part of the negotiation of the Plan and form a fundamental element of the commercial deal embodied in the Plan.

118. There are four main categories of claims against the Named Directors and Officers that will not be released pursuant to the Plan:

- (a) Non-Released D&O Claims, being claims for fraud or criminal conduct;
- (b) Conspiracy Claims;
- (c) Section 5.1(2) D&O Claims; and
- (d) Non-monetary remedies of the OSC.

119. The Plan contemplates that recovery in respect of claims against the Named Directors and Officers of SFC in respect of any Section 5.1(2) D&O Claims and any Conspiracy Claims shall be directed to insurance proceeds available from the insurance policies maintained by SFC.

120. SFC maintained director and officer insurance coverage in 2011 providing for a total of \$60 million of coverage, which applies to both defence costs and any damages or settlements. The primary policy is provided by ACE INA Insurance with a policy limit of \$15 million, with excess layers provided by Chubb, ERIS (Lloyds) and Travelers (collectively, the "2011 Insurance Policies"). Slightly in excess of \$10 million of the \$60 million limit has been paid out

on account of insured costs incurred by SFC and by other insured persons under the 2012 policies.

121. When the 2011 policies were not renewed after their expiry on December 31, 2011, SFC obtained coverage from other providers totalling \$55 million for 2012 (the "2012 Insurance Policies"). The 2012 Insurance Policies contain a "prior acts" exclusion, and therefore are not available to respond to claims arising from the Muddy Waters allegations.

122. Both the 2011 Insurance Policies and 2012 Insurance Policies provide for three types of coverage: (a) director and officer liability; (b) corporate liability for indemnifiable loss; and (c) corporate liability arising from securities claims. The insurance policies are subject to a number of exclusions, and contain coverage and claims limits.

123. In addition to the release of the Named Directors and Officers, and advisors involved in these proceedings, the Plan provides for releases of all claims relating to claims against SFC that may be made against the Subsidiaries. As I explained in my Initial Order Affidavit, while SFC is a holding company, the "business" of SFC is conducted through the Subsidiaries (which are not CCAA applicants).

124. There can be no effective restructuring of SFC's business and separation from its Canadian parent (which SFC has said from the outset was the objective of the commencement of these proceedings) if the claims asserted against the Subsidiaries arising out of or connected to claims against SFC remain outstanding. Just as the claims of the Noteholders against the Subsidiaries are to be released under the Plan upon implementation, so are the other claims against the Subsidiaries which relate to claims asserted against SFC (as well as any claims that the Subsidiaries have against SFC).

VI. THE MEETING

125. The Plan Filing and Meeting Order sets out the procedure for the calling and conduct of the meeting of creditors to vote in respect of the Plan.

A. Meeting Materials, Notice, and Mailing

126. The Plan Filing and Meeting Order approved the forms of Information Circular, Notice to Affected Creditors, Ordinary Affected Creditors' Proxy, Noteholders' Proxy, Instructions to Ordinary Affected Creditors, Instructions to Registered Noteholders, Instructions to Unregistered Noteholders and Instructions to Participant Holders (collectively, the "Meeting Materials"). A copy of the Meeting Materials is attached as Exhibit "U".

127. The Mailing Date set out in the Plan Filing and Meeting Order was to be no later than September 20, 2012, provided that such date could be extended by the Monitor with the consent of SFC and the Initial Consenting Noteholders. The Mailing Date was ultimately set as October 24, 2012.

128. A separate order was obtained by the Monitor on October 24, 2012 (the "Revised Noteholder Mailing Process Order") to effect a more efficient process for the mailing of the Meeting Materials to the Noteholders. A copy of the Revised Noteholder Mailing Process Order is attached as Exhibit "V".

129. The Monitor has set out in its Thirteenth Report how the Plan Filing and Meeting Order was complied with and how notice was effected as required.

130. The Plan Filing and Meeting Order permits SFC, with the consent of the Monitor to amend, restate, modify and/or supplement any of such materials, subject to the terms of the Plan, provided that the Monitor, SFC or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the meeting, among other things.

131. The Plan Supplement was distributed in accordance with the terms of the Plan Filing and Meeting Order to Affected Creditors. The Plan (as amended on November 28, 2012) was provided to the CCAA service list as well as posted on the Monitor's website on November 28, 2012.

132. Based on information provided to me by counsel and by the Monitor in its Thirteenth Report, I believe that SFC has complied with all requirements in the Plan Filing and Meeting Order with respect to the mailing of the Meeting Materials.

B. The Meeting

133. The Plan Filing and Meeting Order authorized SFC to call the Meeting and to hold and conduct the Meeting on the Meeting Date at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, for the purpose of seeking approval of the Plan by the Affected Creditors with Voting Claims at the Meeting in the manner set forth in the Plan Filing and Meeting Order.

134. The Meeting Date was set to be November 29, 2012, and this was communicated to Affected Creditors in the Meeting Materials. Further changes to the Plan resulted in the Meeting Date being extended to November 30, 2012. SFC issued a press release announcing this

extension, and the Monitor's counsel also communicated the fact of the extension by way of email to the Service List. The location of the Meeting was moved to the offices of Gowling Lafleur Henderson LLP, counsel to the Monitor, at 1 First Canadian Place, 100 King Street West, 16th Floor, Toronto, Ontario.

135. The outcome of the Meeting will be reported in a further report by the Monitor prior to the Sanction Order hearing.

C. Entitlement to Vote and Classification of Creditors

136. The voting process is described in some detail in the Monitor's Thirteenth Report. By way of general overview only, the Plan Filing and Meeting Order provides that the only Persons entitled to vote at the Meeting are the Beneficial Noteholders with Voting Claims that have beneficial ownership of one or more Notes as at the Voting Record Date (August 31, 2012), and Ordinary Affected Creditors with Voting Claims as at the Voting Record Date.

137. The Plan Filing and Meeting Order provides that each Affected Creditor with an Unresolved Claim could also attend the Meeting and is entitled to one vote at the Meeting in respect of such Unresolved Claim. The Monitor is required to keep a separate record of votes cast by Affected Creditors with Unresolved Claims and to report on such vote at the Sanction Hearing.

138. The Plan Filing and Meeting Order provides that each of the Third Party Defendants is entitled to vote as a member of the Affected Creditors Class in respect of any Class Action Indemnity Claim that it has properly filed in respect of the Indemnified Noteholder Class Action Claims, provided that the aggregate value of all such claims shall, for voting purposes, be

deemed to be limited to the amount of the Indemnified Noteholder Class Action Limit. The Monitor is required to keep a separate record of votes cast by the Third Party Defendants in respect of such Class Action Indemnity Claims and to report to the Court with respect thereto at the Sanction Hearing.

139. The Plan Filing and Meeting Order provides that the following Persons do not have the right to vote at the Meeting: Unaffected Creditors; Noteholder Class Action Claimants; Equity Claimants; any Person with a D&O Claim; any Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of the Indemnified Noteholder Class Action Claims); any Person with a Subsidiary Intercompany Claim; and any other Person asserting Claims against SFC whose Claims do not constitute Affected Creditor Claims on the Voting Record Date.

VII. STEPS TAKEN AT THE OSC WITH RESPECT TO PLAN STEPS

140. The mailing of the Meeting Materials, the holding of the Meeting, and the steps contemplated to implement the Plan could have individually or collectively constituted an act in furtherance of a trade, which would have been contrary to the TCTO first made by the OSC on August 26, 2011.

141. To avoid that result, SFC sought and obtained two orders of the OSC to vary the TCTO. First, on September 18, 2012, the OSC issued an order varying the TCTO to permit the distribution of the Meeting Materials as contemplated by the Plan Filing and Meeting Order. A copy of the September 18, 2012 order is attached as Exhibit "W".

142. Second, on October 26, 2012, the OSC issued an order varying the TCTO to permit: (a) the holding of the Meeting; and (b) the CCAA Plan Trades and all acts in furtherance thereof, other than CCAA Plan Trades required to give effect to an Alternative Sale Transaction, provided that the requisite creditor approval is obtained, this Honourable Court issues a sanction order, and SFC has complied and is in compliance with the terms of all CCAA court orders. A copy of the October 26, 2012 order is attached as Exhibit "X".

143. As a result, except in the circumstances where an Alternative Sale Transaction was being pursued, there are no further regulatory requirements that relate to the OSC that are needed to effectuate the transactions contemplated in the Plan, other than an order from the OSC and other provincial securities regulators for a decision that SFC is not a reporting issuer effective as of the implementation date of the Plan. If granted, that order would result in SFC and Newco not being reporting issuers in Ontario or any other province in Canada following the implementation date of the Plan.

VIII. PLAN SANCTION

A. SFC Has Complied with the CCAA and the Orders Granted in these Proceedings

144. As I explained in my Initial Order Affidavit and as was found by this Honourable Court in its endorsement on the Initial Order, a copy of which is attached as Exhibit "Y", SFC is a "debtor company" under section 2 of the CCAA. It is a "company" continued under the CBCA that has debts far in excess of the CDN \$5 million statutory requirement, and is insolvent with liabilities to creditors far exceeding CDN \$1,000.

145. Since the commencement of these proceedings, SFC has complied with the provisions of the CCAA, the Initial Order and all subsequent Orders of the Court granted in these proceedings. I am not aware, and I am advised by counsel that they are unaware, of any steps taken by SFC that are not authorized by the CCAA.

146. This Honourable Court has been kept up to date with regular updates provided in affidavits that I have sworn and in reports of the Monitor that have been filed with the Court. In particular, SFC made full and timely disclosure of, among other things: (a) developments occurring at the OSC and with OSC Staff; (b) steps taken by SFC in response to various developments in SFC's business, including a number of departures of senior management personnel at SFC; (c) the efforts to negotiate a global resolution of issues among all stakeholders; (d) the efforts to market the assets of SFC pursuant to the Sale Process Order; and (e) developments in SFC's business, including the difficulties SFC has experienced in realizing upon and recovering receivables from third parties.

147. Accordingly, after consulting with counsel and reviewing the documents described above, I believe that all steps taken by SFC since the inception of this proceeding have been authorized by the CCAA.

B. The Plan is Fair and Reasonable

148. Since the Muddy Waters report was issued on June 2, 2011, SFC has expended considerable efforts and resources examining alternatives to find the best possible resolution to the issues facing the company described above.

149. Prior to filing for the protection under the CCAA, SFC did everything within its power to avoid the defaults that ultimately forced it to commence insolvency proceedings. However, as described above and in my Initial Order Affidavit, SFC was in default under certain of the Notes as a result of being unable to issue 2011 third quarter financial statements. While waivers of such defaults were obtained for a period of time, those waivers were set to expire at the end of April, 2012 and the Noteholders, with the guarantees and share pledges described above, would have been in a position to enforce their rights under the Note Indentures. Any alternative to the commencement of CCAA proceedings would have risked the immediate cessation of the Sino-Forest business resulting in significant detriment to SFC's stakeholders.

150. As previously discussed, following the commencement of these CCAA proceedings, SFC conducted a court supervised Sale Process to determine whether there was a potential purchaser willing to purchase the assets of SFC for the Qualified Consideration. With the assistance of Houlihan, the market was thoroughly canvassed and no such bidder could be found. In accordance with the Sale Process Procedures, SFC terminated the Sale Process and proceeded towards developing the Plan to implement the Restructuring Transaction.

151. The Plan that will ultimately be put to Affected Creditors at the Meeting was the subject of significant and extensive negotiations. In negotiating the Plan, the Board of SFC considered the interests of all stakeholders of SFC. Alternatives were explored throughout the negotiations, and the Plan was the product of such negotiations. I do not believe that there are other viable alternatives that would have been acceptable to SFC and its creditors. The Plan represents the best available alternative remaining in these proceedings, and provides a better result for SFC's creditors than could be achieved through a bankruptcy or liquidation.

152. As discussed above, SFC is a holding company and the Sino-Forest business is held through the Subsidiaries. To recover any value in a bankruptcy or liquidation scenario, creditors would need to realize upon the assets where they are resident. The majority of SFC's business operations are located in the PRC, and the majority of SFC's forest plantations are located in the southern and eastern regions of the PRC, primarily in inland regions suitable for large-scale replanting. Other jurisdictions where bankruptcy or liquidations would need to take place would be in Hong Kong or the British Virgin Islands (the "BVI").

153. Beyond the legal hurdles of effecting any bankruptcy or liquidation in these various jurisdictions, any of SFC's creditors seeking a liquidation in the PRC, Hong Kong or BVI, will be confronted with significant difficulties in collecting receivables as has been detailed by the Monitor in its earlier reports and which I described during my cross-examination on an earlier report and in dealing with the substantial claims that have been asserted against the Subsidiaries as identified in the claims process. Significant efforts have been expended by Sino-Forest over the past several months to recover its receivables, and notwithstanding long-standing relationships with many of the parties owing such amounts, SFC has largely been unsuccessful. The ability of third party creditors of a Canadian parent company (or a liquidator appointed outside of the PRC in respect of the Subsidiaries) to collect such receivables in these various regions is speculative, at best.

154. Any creditors in a bankruptcy or liquidation scenario in these various jurisdictions would also have significant challenges in monetizing any of the assets of the Subsidiaries, given the challenges in establishing title capable of being transferred to a buyer that have been described in the reports of the Independent Committee, my earlier affidavits and certain reports of the Monitor. Even if such assets were successfully monetized, insofar as such assets are located in

the PRC, creditors would be faced with the numerous legal and regulatory issues associated with removing funds from the PRC.

155. Any liquidation or bankruptcy of SFC, through its Subsidiaries, would result in loss of value to the creditors of SFC and its Subsidiaries as a going concern. As I have testified on a number of occasions, significantly greater value can be obtained through the Sino-Forest business continuing as a going concern than could be obtained through piecemeal dismantling of the enterprise through a bankruptcy or liquidation.

156. In developing the Plan, I do not believe that SFC or the Board has acted in a manner that unfairly disregards, or is unfairly prejudicial to, or oppresses the interests of any stakeholders. It is not unfair for shareholders to not receive any distribution under the Plan given that there are insufficient funds to satisfy the claims of SFC's creditors. The treatment of shareholder claims and related indemnity claims is fair and consistent with the Equity Claims Decision, as affirmed by the Court of Appeal. As I have described above, a sizeable majority of the Noteholders have agreed to support the Plan, and the Ad Hoc Securities Purchasers Committee and the Quebec Class Action Plaintiffs have stated that they will not oppose it. To the extent that certain claims are Unresolved Claims at the time of the Plan's implementation, such claims are provided for through the creation of the Unresolved Claims Reserve, which will preserve the potential Plan Consideration in respect of such claims, to the extent that any of them (or any part of any of them) becomes a Proven Claim.

157. SFC has stated from the outset of these proceedings that it is necessary to have a clean break for the Subsidiaries from SFC in order for these proceedings to be successful. The primary purpose of the CCAA proceeding was to extricate the business of Sino-Forest, through the

operation of SFC's Subsidiaries, from the cloud of uncertainty surrounding SFC. Accordingly, there is a clear and rational connection between the release of the Subsidiaries and the Plan and it is difficult to see how any viable plan could be made that does not cleanse the Subsidiaries of the claims made against SFC. The Subsidiaries are effectively contributing their assets to SFC to satisfy SFC's obligations under their guarantees of SFC's Note indebtedness, for the benefit of the Affected Creditors (the Subsidiaries are not asserting against SFC for doing so, and in fact are releasing SFC from any such claims and guaranteeing the Newco Notes).

158. The Plan will enable SFC to achieve a going concern outcome for the business of Sino-Forest that fully and finally deals with debt issues and will extract the business of Sino-Forest from the uncertainties surrounding SFC. The Plan will provide stability for Sino-Forest's employees, suppliers, customers and other stakeholders, and provide a path for recovery of the debt owed to SFC's non-subordinated creditors.

159. The Plan preserves the rights of aggrieved parties, including SFC, to pursue those parties that are alleged to share some or all of the responsibility for the problems that caused SFC to file for CCAA protection in the first place. Releases are not being granted to individuals who have been charged by OSC staff, or to other individuals against whom the Ad Hoc Securities Purchasers Committee wishes to preserve litigation claims.

160. The Named Directors and Officers group consists principally of Board members and members of management who have been important to efforts to avoid note defaults and later to facilitate SFC's restructuring efforts. It also included some individuals formerly associated with SFC who, to SFC's knowledge, are not implicated in any conduct issues. The Named Directors and Officers are Andrew Agnew, William E. Ardell, James Bowland, Leslie Chan, Michael

Cheng, Lawrence Hon, James M.E. Hyde, Richard M. Kimel, R. John (Jack) Lawrence, Jay A. Lefton, Edmund Mak, Tom Maradin, Simon Murray, James F. O'Donnell, William P. Rosenfeld, Peter Donghong Wang, Garry West, Kee Y. Wong, and me.

161. I have described above the steps taken to investigate conduct issues, avoid note defaults and ultimately to facilitate the restructuring efforts. These efforts would not have been possible without the active participation of the Board and members of remaining management.

162. In addition to these positive efforts, the Board also dealt with conduct issues as facts came to light. As described above, certain individuals were placed on administrative leave following late August 2011. As described in prior affidavits, since the commencement of these CCAA proceedings, Allen Chan, Alfred Hung, George Ho, Simon Yeung, Albert Ip, and David Horsley have ceased to be employed by Sino-Forest. Other less senior employees also have ceased to be employed by Sino-Forest.

163. Finally, a release of the Named Directors and Officers is necessary to effect a greater recovery for SFC's creditors, rather than preserve indemnification rights and dilutive participation entitlements for the Named Directors and Officers.

164. For the reasons discussed above, SFC believes that the Plan provides a fair and reasonable balance among its stakeholders while providing the ability for the Sino-Forest to continue as a going concern for the benefit of stakeholders.

165. As I have explained in several prior affidavits, to achieve a going concern outcome for the business of Sino-Forest, SFC cannot remain in CCAA for much longer. There have already been considerable strains on Sino-Forest's business relationships and the company's ability to

collect very sizable accounts receivable have been significantly constrained by the fact of these insolvency proceedings. Moreover, as indicated by the Monitor's Thirteenth Report and the proposed cash flow forecast in the Monitor's Twelfth Report, while SFC has sufficient cash to exist to February 1, 2013, SFC's cash position is being rapidly depleted and SFC will likely have insufficient funds to continue operating in these CCAA proceedings for any extended period of time beyond February 1, 2013.

166. Subject to obtaining approval of the Plan by the requisite majority of Affected Creditors with Proven Claims at the Meeting, for the reasons stated above, I believe that the Plan is appropriate and should be sanctioned by this Honourable Court.

SWORN BEFORE ME at the City of Hong)
Kong, Special Administrative Region,)
People's Republic of China, this 29th day of)
November, 2012)


Chan Ching Yee

Solicitor

A Commissioner of Oaths **Reed Smith
Richards Butler
20/F Alexandra House
Hong Kong SAR**



W. Judson Martin

**IN THE MATTER OF THE *COMPANIES CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE
MATTER OF A PLAN OR COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

**AFFIDAVIT OF W. JUDSON MARTIN
(Sworn November 29, 2012)**

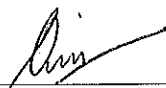
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Lawyers for the Applicant

Tab 0

This is Exhibit "O" to the affidavit of Yonatan Rozenszajn,
sworn before me at the City of Toronto, in the Province
of Ontario, this 28th day of January, 2013.



A Commissioner for taking affidavits.

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED

- AND -

IN THE MATTER OF
ERNST & YOUNG LLP

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated December 3, 2012, Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

Overview

1. Ernst & Young LLP (“Ernst & Young”) were the auditors of Sino-Forest Corporation (“Sino-Forest”) between August 2007 and April 2012. During that time, they audited the annual consolidated financial statements of Sino-Forest and represented to its shareholders that they had performed their audits in accordance with relevant industry standards. Shareholders invested significant sums in Sino-Forest in reliance on these financial statements.
2. Ernst & Young, however, failed to conduct their audits in accordance with relevant industry standards. In particular, as outlined further below, Ernst & Young:
 - (a) failed to perform sufficient audit work to verify Sino-Forest’s ownership of its most significant assets;
 - (b) failed to perform sufficient audit work to verify the existence of Sino-Forest’s most significant assets; and
 - (c) failed to undertake their audit work on the Sino-Forest engagement with a sufficient level of professional skepticism.

3. As the auditors of a publicly traded company, Ernst & Young were required to conduct their audits of Sino-Forest's financial statements in accordance with Canadian generally accepted auditing standards ("GAAS"). Each of Ernst & Young's failures to comply with GAAS in the course of its audits of these financial statements constitutes a breach of section 78 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the "Securities Act").

4. In addition, Sino-Forest filed a number of documents with the Ontario Securities Commission (the "Commission") which contained Ernst & Young's representation that they had conducted their audits in accordance with GAAS. Each of these filings constitutes a breach of section 122 of the Securities Act by Ernst & Young.

Background

5. Sino-Forest is a reporting issuer in the province of Ontario as that term is defined in subsection 1(1) of the Securities Act. Sino-Forest represented that it engaged primarily in the purchase and sale of timber located in the People's Republic of China (the "PRC"). Until May 9, 2012, the common shares of Sino-Forest were listed and posted for trading on the Toronto Stock Exchange.

6. Ernst & Young is a firm of chartered accountants with a head office located in Toronto, Ontario. It has offices located across Canada, and it is a member firm of Ernst & Young Global Limited, a global accounting organization.

7. Ernst & Young was appointed as the auditor of Sino-Forest on August 16, 2007. Ernst & Young audited the consolidated financial statements of Sino-Forest as at and for its fiscal years ended December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 (respectively, the "2007 Financial Statements", the "2008 Financial Statements", the "2009 Financial Statements" and the "2010 Financial Statements" and collectively the "Material Financial Statements").

8. Between February 2003 and October 2010, Sino-Forest raised approximately US \$3.0 billion through the issuance of equity and debt securities to investors. From 2008 onwards, investors relied on the Material Financial Statements in making the decision to purchase Sino-Forest's shares and debt securities in both the primary and secondary markets.

9. Between June 30, 2006 and March 31, 2011, Sino-Forest's share price increased from CDN \$5.75 to CDN \$25.30, an increase of 340%. By March 31, 2011 Sino-Forest's market capitalization was well over CDN \$6.0 billion.

10. On June 2, 2011, the share price of Sino-Forest plummeted after a private analyst made public allegations of fraud against Sino-Forest. On the same day, the Board of Directors of Sino-Forest established an Independent Committee (the "IC") "to independently examine and review the serious and wide-ranging allegations" made in the analyst's report.

11. The IC identified a number of areas of Sino-Forest's business for investigation, including its ownership of trees and the existence of those trees. The IC prepared and released three reports concerning its findings, dated August 10, 2011, November 13, 2011 and January 31, 2012 (the "IC Reports").

12. In the IC Reports, the IC presented its findings regarding the issues of tree ownership and tree existence. The IC Reports concluded that there was uncertainty surrounding the legal certainty of Sino-Forest's claims to a significant proportion of its reported timber assets. In addition, the IC Reports noted significant obstacles to verifying the actual existence of the reported timber assets, including an inability to identify the precise location of the trees which had purportedly been purchased by Sino-Forest.

13. On November 15, 2011, Sino-Forest announced that it would defer the release of its interim filings for the third quarter of 2011. Sino-Forest has not filed these interim filings with the Commission.

14. On January 10, 2012, Sino-Forest took the unusual step of issuing a press release cautioning that its historic financial statements and related audit reports should not be relied upon.

15. Sino-Forest was required to file its consolidated financial statements for the year ended December 31, 2011 (the "2011 Financial Statements") with the Commission by March 30, 2012. On that day, Sino-Forest initiated proceedings in the Ontario Superior Court of Justice requesting protection from its creditors. Sino-Forest has not filed the 2011 Financial Statements with the Commission.

16. On April 4, 2012, Ernst & Young resigned as the auditor of Sino-Forest. In the Change of Auditor Notice dated April 13, 2012, Sino-Forest repeated the caution that its historic financial statements and related audit reports should not be relied upon. The Change of Auditor Notice did not name a successor auditor.

17. On May 22, 2012, Staff issued a Statement of Allegations naming Sino-Forest and six members of its executive management team (the "Sino-Forest SOA"). The Sino-Forest SOA alleged that five of the named members of Sino-Forest's executive management team, including the Chairman and Chief Executive Officer "engaged in a complex fraudulent scheme to inflate the assets and revenue of Sino-Forest and made materially misleading statements in Sino-Forest's public disclosure record related to its primary business".

The Purported Business of Sino-Forest

18. The majority of Sino-Forest's reported business involved the purchase and sale of trees which were categorized on its balance sheet as "Timber Holdings" and commonly referred to as "Standing Timber".

19. Standing Timber was purportedly purchased, held and sold by Sino-Forest through two distinct legal structures or models: the British Virgin Islands Model (the “BVI Model”) and the Wholly Foreign-Owned Enterprises Model (the “WFOE Model”).

20. In the BVI Model, Sino-Forest’s purported purchases and sales of Standing Timber were conducted using wholly owned subsidiaries of Sino-Forest incorporated in the British Virgin Islands (the “BVI Subsidiaries”). The BVI Subsidiaries purported to enter into written purchase contracts with suppliers located in the PRC (the “Purchase Contracts”) and then purported to enter into written sales contracts with customers called “authorized intermediaries” also located in the PRC (the “Sales Contracts”).

21. In the WFOE Model, Sino-Forest used subsidiaries incorporated in the PRC called Wholly Foreign-Owned Enterprises (“WFOEs”) to acquire, cultivate and sell the Standing Timber. The Sino-Forest WFOEs also entered into purchase contracts and sales contracts with other parties in the PRC.

22. Sino-Forest purported to conduct the majority of its business through the BVI Model. At December 31, 2010, Sino-Forest reported total Timber Holdings of US \$3.1 billion comprising 799,700 hectares. Approximately US \$2.5 billion or approximately 80% of the total value of the Timber Holdings were purportedly held in the BVI Model, comprising approximately 467,000 hectares of Standing Timber.

23. Between 2007 and 2010, reported revenue from the BVI Model totalled US \$3.35 billion, representing 94% of Sino-Forest's reported Standing Timber revenue and 70% of Sino-Forest's total revenue. The significance of the revenue from the BVI Model is demonstrated in the following table:

	<i>US \$ (millions)</i>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
BVI Model Revenue	501.4	644.9	882.1	1,326.0	3,354.4
WFOE Model Revenue	20.1	40.5	72.1	75.2	207.9
Standing Timber Revenue	521.5	685.4	954.2	1,401.2	3,562.3
Total Revenue	713.9	896.0	1,238.2	1,923.5	4,771.6
 BVI Model as % of Total Revenue	 70%	 72%	 71%	 69%	 70%

Ernst & Young's Obligations as Auditor

24. As a reporting issuer, Sino-Forest was required by section 78(1) of the Securities Act to file its annual consolidated financial statements with the Commission. Sino-Forest filed its 2007 Financial Statements on March 18, 2008, its 2008 Financial Statements on March 16, 2009, its 2009 Financial Statements on March 16, 2010 and its 2010 Financial Statements on March 15, 2011.

25. As the auditor of a reporting issuer, Ernst & Young was required by section 3 of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*, and by sections 78(2) and 78(3) of the Securities Act to audit the Material Financial Statements in accordance with GAAS and to prepare an auditors' report to accompany the financial statements.

26. Each of the Material Financial Statements was accompanied by an auditors' report, prepared by Ernst & Young, addressed to the shareholders of Sino-Forest (the "Auditors' Report"). In each Auditors' Report, Ernst & Young represented that it had conducted its audits in accordance with GAAS. The Auditors' Reports relating to the Material Financial Statements were dated March 12, 2008, March 13, 2009, March 15,

2010 and March 14, 2011 and were filed with the Commission along with the Material Financial Statements.

27. In addition, Sino-Forest filed two short form prospectuses with the Commission dated June 1, 2009 and December 10, 2009 (the “Short Form Prospectuses”). The Short Form Prospectuses incorporated by reference the 2008 Financial Statements accompanied by the relevant Auditors’ Report. In addition, in letters addressed to and filed with the Commission along with the Short Form Prospectuses (the “Prospectus Consent Letters”), Ernst & Young consented to use of their Auditors’ Report by Sino-Forest and further stated that they had “no reason to believe that there are any misrepresentations” contained in the relevant Auditors’ Report.

Generally Accepted Auditing Standards

28. As set out in GAAS, an auditor’s objective is to identify and assess the risks of material misstatement, whether due to fraud or error, in an entity’s financial statements. An auditor can achieve this objective by understanding the entity and its environment, including the entity’s internal controls. This understanding provides the auditor with a basis for designing and implementing responses to the assessed risks.

(a) Sufficient Audit Evidence Required

29. GAAS requires auditors to obtain reasonable assurance that the entity’s financial statements are free from material misstatements. Reasonable assurance is a high level of assurance. It is achieved when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk to a low level and to provide a reasonable basis to support the content of the audit report. The sufficiency of the audit evidence gathered by the auditor is influenced by the level of materiality set for the audit and the level of risk associated with the audit.

30. The sufficiency and the appropriateness of the audit evidence gathered by the auditor are interrelated. Sufficiency is the measure of the quantity of the audit evidence.

The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of misstatement. That is, the higher the assessed risks, the more audit evidence is likely to be required. The quantity of audit evidence needed is also affected by the quality of the audit evidence. That is, the higher the quality of the audit evidence, the less audit evidence may be required.

31. Obtaining more audit evidence, however, may not compensate for its poor quality. Appropriateness is the measure of the quality of the audit evidence; that is its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based. The reliability of the audit evidence is influenced by its source and by its nature, and is dependent on the circumstances in which it is obtained.

(b) Professional Skepticism Required

32. GAAS requires auditors to plan and perform their audits using professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Professional skepticism requires a questioning attitude which is alert to conditions which may indicate possible misstatement due to error or fraud. Professional skepticism requires an auditor to conduct a critical assessment of the audit evidence.

33. Professional skepticism requires the auditor to be alert to, amongst other things:

- (a) audit evidence that contradicts other audit evidence obtained;
- (b) information that brings into question the reliability of documents and responses to inquiries;
- (c) conditions that may indicate possible fraud; and
- (d) circumstances that suggest the need for additional audit procedures in addition to those required by minimum written professional standards.

Ernst & Young's Failures to Meet Generally Accepted Auditing Standards

34. Ernst & Young failed to comply with GAAS by failing to obtain reasonable assurance that the Material Financial Statements were not materially misstated.

35. In particular, Ernst & Young failed to obtain sufficient appropriate audit evidence with respect to the ownership and existence of the Standing Timber that Sino-Forest purported to hold through the BVI Model (the "Purported Assets").

36. In addition, Ernst & Young failed to exercise sufficient professional skepticism when conducting the audits of the Material Financial Statements. This contributed to the failure to obtain sufficient appropriate audit evidence with respect to the ownership and existence of the Purported Assets.

A. Failure to Adequately Address Ownership of Timber

37. The audit procedures performed by, and the audit evidence obtained by Ernst & Young with respect to Sino-Forest's ownership of the Purported Assets, were deficient in a number of respects.

(i) Flawed Purchase Contracts

38. One of the audit procedures that Ernst & Young performed relating to the ownership of the Purported Assets was a review of all of the Purchase Contracts entered into by Sino-Forest for each fiscal year that it audited. Ernst & Young understood that all of Sino-Forest's Purchase Contracts had been prepared by Sino-Forest from a common template. The Purchase Contracts, however, had two significant deficiencies.

39. To begin, the Purchase Contracts referred to four appendices, titled Stock Volume Report, Resources-Quality Survey Report (the "Survey Report"), Villagers' Letter of Authorization and Decision (the "Villagers' Letters") and Certificate of Forest Proprietorship (the "Certificates").

40. The Villagers' Letters authorized the seller to sell the timber rights set out in the Purchase Contract. The Certificates reflected the contents of the official PRC government registers concerning ownership of the rights to the relevant timber. Ernst & Young never obtained either the Villagers' Letters or the Certificates.

41. The second deficiency was that the specific location of the Purported Assets was not clearly delineated in either the Purchase Contract or any of its available appendices.

42. Both of these deficiencies should have prompted Ernst & Young to make further inquiries of Sino-Forest management and to perform further audit procedures relating to Sino-Forest's ownership of the Purported Assets. In particular, Ernst & Young failed to make further inquiries concerning the two missing appendices, and failed to take steps to understand the process used by Sino-Forest management to precisely identify the location of the Purported Assets.

43. In addition, Ernst & Young failed to consider that all of the Survey Reports had been prepared by the same survey firm, even though the areas purportedly surveyed were widely scattered throughout the PRC. This unusual circumstance should have prompted Ernst & Young to perform further procedures regarding the source and reliability of the surveys.

(ii) Flawed Legal Opinion

44. Ernst & Young failed to obtain a sufficient understanding of the legal basis of Sino-Forest's claim to the Purported Assets. During the audit of the 2007 Financial Statements, Ernst & Young asked Sino-Forest to obtain a legal opinion prepared by Jingtian & Gongchen Attorneys at Law ("Jingtian"). Jingtian were Sino-Forest's corporate counsel located in the PRC. Jingtian prepared an opinion dated March 10, 2008 addressed to Sino-Forest (the "Jingtian Opinion") which was provided to Ernst & Young for its review.

45. The Jingtian Opinion discussed the legal regime relating to forestry assets located in the PRC and evaluated the nature and status of Sino-Forest's legal claim to ownership of the Purported Assets. Ernst & Young had selected the representative Purchase Contract that was sent to Jingtian for its review in preparing the Jingtian Opinion.

46. Ernst & Young failed to appreciate and respond to the limitations of the Jingtian Opinion. In particular:

- (a) Ernst & Young failed to consider the fact that it had never obtained copies of the Villagers' Letters or the Certificates for any Purchase Contract; and
- (b) Ernst & Young failed to consider the implications of, or make further inquiries concerning, the disclaimer contained in the Jingtian Opinion that the Villagers' Letters and the Certificates had not been reviewed by Jingtian.

47. The Jingtian Opinion did discuss the status of the Certificates in the PRC legal regime. It noted that the PRC forestry authorities were reporting significant delays and backlogs in the production of the new form of these Certificates. The Jingtian Opinion went on to report, however, that back in 2002 the PRC authorities had predicted that such Certificates would become available beginning in approximately 2004. Ernst & Young failed to follow up on this statement and failed to inquire why the new Certificates were not available by the time the Jingtian Opinion was produced in 2008.

48. Ernst & Young failed to make further inquiries of Sino-Forest management concerning the absence of both the Villagers' Letters and the Certificates from the Purchase Contracts and failed to perform appropriate additional audit procedures relating to Sino-Forest's ownership of the Purported Assets. In particular, and given that Ernst & Young had reviewed copies of Certificates that had been issued for timber acquisitions made through the WFOE Model, Ernst & Young failed to question the absence of

Certificates relating to the Purported Assets and failed to obtain independent audit evidence to support the absence of the Certificates.

49. Further, given that the Jingtian Opinion had described anticipated changes in the PRC's legal regime relating to timber assets, Ernst & Young failed to obtain an updated independent legal opinion for the audits of the 2008, 2009 and 2010 Financial Statements specifically addressing Sino-Forest's ownership of the Purported Assets and the current status of the Certificates in the PRC legal system.

B. Failure to Adequately Address Existence of Timber

50. Ernst & Young failed to perform sufficient appropriate audit procedures to verify the existence of the Purported Assets. Ernst & Young recognized that several aspects of Sino-Forest's business resulted in higher inherent risks relating to the existence of the Purported Assets, but they failed to adequately respond to these risks.

51. In particular, Sino-Forest did not make direct cash payments for the acquisition of the Purported Assets. Rather, the payments that Sino-Forest should have received from its customers were immediately applied towards the purported purchase of further timber assets. This increased the risks surrounding the audit of the Purchase Contracts as there were no cash transfers that could be traced and verified.

(i) Limited Site Visits

52. Ernst & Young performed only very limited site visits to inspect the Purported Assets, which were represented to be widely scattered throughout the PRC. The audit procedures that Ernst & Young performed in connection with these site visits were both insufficient and inappropriate to respond to the identified risks relating to the existence of the Purported Assets.

(ii) Inappropriate Reliance on Valuations

53. Sino-Forest engaged Pöyry Forest Industry Ltd. (“Poyry”) to prepare periodic valuations of its Timber Holdings. Ernst & Young inappropriately relied on Poyry’s valuation work in obtaining assurance of the existence of the Purported Assets.

54. GAAS sets out explicit requirements to be met when an auditor places reliance on work performed by another entity in the course of an audit. Ernst & Young failed to meet these requirements in placing reliance on Poyry’s valuation work when assessing the existence of the Purported Assets, as set out below.

55. Ernst & Young was not involved in Poyry’s process of selecting the plantations to sample, the determination of the location of the sampled plantations or in the counting or measuring of the trees. Ernst & Young did attend with Poyry staff during a small number of Poyry’s plantation site visits. During these visits, Ernst & Young staff observed Poyry staff’s activities.

56. Ernst & Young failed, however, to perform any independent audit procedures to ensure that the plantations visited by Poyry were owned by Sino-Forest or that the location and dimensions of the sites visited corresponded with the extent of the Purported Assets reported by Sino-Forest.

57. Further, the valuation reports produced by Poyry contained a clear disclaimer that they should only be relied on by Sino-Forest for its own valuation purposes. Ernst & Young, therefore, placed inappropriate reliance on Poyry’s work in its attempt to verify the existence of the Purported Assets.

58. Some of these limitations were acknowledged by Ernst & Young staff in the course of performing their audits of the Material Financial Statements but were never adequately addressed. For example, in an e-mail exchange between the members of Ernst & Young’s audit team, one auditor posed the question “[h]ow do we know that the

trees that Poyry is inspecting (where we attend) are actually trees owned by the company? E.g. could they show us trees anywhere and we would not know the difference?” Another auditor answered “I believe they could show us trees anywhere and we would not know the difference...”.

C. Insufficient Skepticism

59. Finally, Ernst & Young failed to conduct its audits of the Material Financial Statements with a sufficient level of professional skepticism.

60. As outlined above, Ernst & Young failed to adequately respond to a number of unusual facts and findings that came to its attention in the course of conducting the audits of the Material Financial Statements. These facts and findings should have caused Ernst & Young to treat the representations of Sino-Forest management with greater caution and to perform additional audit procedures and to obtain additional evidence from independent sources.

D. Failure to Properly Structure the Audit Team

61. The failures outlined above were facilitated by Ernst & Young’s failure to properly structure its Sino-Forest engagement team. Many Sino-Forest source documents were produced only in Chinese, including the Purchase Contracts, the Sales Contracts and the Jingtian Opinion. Ernst & Young, however, failed to have these and other key documents translated into English.

62. Ernst & Young’s audit team comprised both Chinese speaking and non-Chinese speaking staff. Several of the senior partners involved in the audits of the Material Financial Statements, however, were unable to read or speak Chinese.

63. Ernst & Young’s non-Chinese speaking staff relied on its Chinese speaking staff to provide informal translations of important source documents. As a result, the non-Chinese speaking staff were often not aware that important information was missing from some of Sino-Forest’s key documents.

Consequences of Ernst & Young's Failures

64. Ernst & Young's failures to comply with GAAS, as outlined above, led them to overlook or discount significant flaws in Sino-Forest's assertions relating to the ownership and existence of the Purported Assets. The Purported Assets constituted the vast majority of Sino-Forest's assets and produced nearly all of its reported revenue. Ernst & Young's lack of diligence in these areas therefore resulted in significant negative consequences for Sino-Forest's shareholders.

Breaches of Ontario Securities Law

65. Each of Ernst & Young's failures to meet GAAS in the course of its audits of each of the Material Financial Statements constitutes a breach of sections 78(2) and 78(3) of the Securities Act.

66. Each of Ernst & Young's representations contained in each of the Auditors' Reports, which were repeated in each of the Prospectus Consent Letters, that the audits of the Material Financial Statements had been conducted in accordance with GAAS, constitutes a materially misleading a statement contrary to section 122(1)(b) of the Securities Act.

67. In addition, the audit failures of Ernst & Young outlined above were contrary to the public interest.

68. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, Ontario, this 3rd day of December, 2012.

Court of Appeal File No.: M42068
Court File No.: CV-12-9667-00CL

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

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

COURT OF APPEAL FOR ONTARIO

Proceeding Commenced at Toronto

**MOTION RECORD OF THE APPELLANTS,
INVESCO CANADA LTD., NORTHWEST &
ETHICAL INVESTMENTS L.P., AND
COMITÉ SYNDICAL NATIONAL DE
RETRAITE BÂTIRENTE INC.**

VOLUME 1 OF 2

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