

**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**

MOTION RECORD

(Motion Returnable April 13, 2012)

April 11, 2012

**PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP**

250 University Avenue, Suite 501
Toronto, ON M5H 3E5

Ken Rosenberg (LSUC No. 21102H)

Massimo Starnino (LSUC No. 41048G)

Tel: 416.646.4300 / Fax: 416.646.4301

Email: ken.rosenberg@paliareroland.com

Email: max.starnino@paliareroland.com

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Kirk Baert

Jonathan Bida

Tel: 416.977.8353 / Fax: 416.977.3316

Email: kbaert@kmlaw.ca

Email: jbida@kmlaw.ca

SISKINDS LLP

680 Waterloo Street
London, ON N6A 3V8

A. Dimitri Lascaris

Charles M. Wright

Tel: 519.672.2121 / Fax: 519.672.6065

Email: dimitri.lascaris@siskinds.com

Email: charles.wright@siskinds.com

**Lawyers for an Ad Hoc Committee of
Purchasers of the Applicant's Securities,
including the Representative Plaintiffs in
the Ontario Class Action against the
Applicant**

TO: THE ATTACHED SERVICE LIST

April 10, 2012

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

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

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

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

SERVICE LIST

TO: BENNETT JONES LLP
3400 One First Canadian Place,
P.O. Box 130
Toronto, Ontario M5X 1A4

Robert W. Staley
Tel: 416.777.4857
Fax: 416.863.1716
Email: staleyr@bennettjones.com

Kevin Zych
Tel: 416.777.5738
Email: zychk@bennettjones.com

Derek J. Bell
Tel: 416.777.4638
Email: belld@bennettjones.com

Raj S. Sahni
Tel: 416.777.4804
Email: sahnir@bennettjones.com

Jonathan Bell
Tel: 416.777.6511
Email: bellj@bennettjones.com

Sean Zweig
Tel: 416.777.6254
Email: zweigs@bennettjones.com

Lawyers for the Applicant, Sino-Forest
Corporation

AND GOWLING LAFLEUR HENDERSON LLP

TO: 1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario M5X 1G5

Derrick Tay
Tel: 416.369.7330
Fax: 416.862.7661
Email: derrick.tay@gowlings.com

Clifton Prophet
Tel: 416.862.3509
Email: Clifton.prophet@gowlings.com

Jennifer Stam
Tel: 416.862.5697
Email: Jennifer.stam@gowlings.com

Jason McMurtrie
Tel: 416.862.5627
Email: Jason.mcmurtrie@gowlings.com

Lawyers for the Monitor

April 10, 2012

AND FTI CONSULTING CANADA INC.
TO: T-D Waterhouse Tower
79 Wellington Street West
Toronto-Dominion Centre, Suite 2010,
P.O. Box 104
Toronto, Ontario M5K 1G8

Greg Watson
Tel: 416.649.8100
Fax: 416.649.8101
Email: greg.watson@fticonsulting.com

Jodi Porepa
Tel: 416.649.8070
Email: Jodi.porepa@fticonsulting.com

Monitor

AND BAKER MCKENZIE LLP
TO: Brookfield Place
2100-181 Bay Street
Toronto, Ontario M5J 2T3

David Gadsden
Tel: 416.865.6983
Fax: 416.863.6275
Email: david.gadsden@bakermckenzie.com

John Pirie
Tel: 416.865.2325
Email: john.pirie@bakermckenzie.com

Lawyers for Poyry (Beijing) Consulting
Company Limited

AND AFFLECK GREENE MCMURTY LLP
TO: 365 Bay Street, Suite 200
Toronto, Ontario M5H 2V1

Peter Greene
Tel: 416.360.2800
Fax: 416.360.8767
Email: pgreene@agmlawyers.com

Kenneth Dekker
Tel: 416.360.6902
Fax: 416.360.5960
Email: kdekker@agmlawyers.com

Lawyers for BDO

AND TORYS LLP
TO: 79 Wellington Street West
Suite 3000, Box 270
Toronto-Dominion Centre
Toronto, Ontario M5K 1N2

John Fabello
Tel: 416.865.8228
Fax: 416.865.7380
Email: jfabello@torys.com

David Bish
Tel: 416.865.7353
Fax: 416.865.7380
Email: dbish@torys.com

Scott Bomhof
Tel: 416.865.7370
Fax: 416.865.7380
Email: sbomhof@torys.com

Lawyers for the Underwriters named in Class
Actions

April 10, 2012

AND **LENCZNER SLAGHT ROYCE SMITH**
TO: **GRIFFIN LLP**
Suite 2600, 130 Adelaide Street West
Toronto, Ontario M5H 3P5

Peter H. Griffin
Tel: 416.865.9500
Fax: 416.865.9010
Email: pgriffin@litigate.com

Peter J. Osborne
Tel: 416.865.3094
Email: posborne@litigate.com

Shara Roy
Tel: 416.865.2942
sroy@litigate.com

Lawyers for Ernst & Young

AND **GOODMANS LLP**
TO: 333 Bay Street
Toronto, Ontario M5H 2S7

Benjamin Zarnett
Tel: 416.597.4204
Fax: 416.979.1234
Email: bzarnett@goodmans.ca

Robert Chadwick
Tel: 416.597.4285
Email: rchadwick@goodmans.ca

Caroline Descours
Tel: 416.597.6275
Email: cdescours@goodmans.ca

Brendan O'Neill
Tel: 416.979.2211
Email: boneill@goodmans.ca

Lawyers for Ad Hoc Committee of Bondholders

AND **MERCHANT LAW GROUP LLP**
TO: Saskatchewan Drive Plaza
100-2401 Saskatchewan Drive
Regina, Saskatchewan S4P 4H8

E.F. Anthony Merchant, Q.C.
Tel: 306.359.7777
Fax: 306.522.3299
tmerchant@merchantlaw.com

Lawyers for the Plaintiffs re Saskatchewan
action

AND **ONTARIO SECURITIES COMMISSION**
TO: Suite 1900, 20 Queen Street West
Toronto, Ontario M5H 3S8

Hugh Craig
Senior Litigation Counsel
Tel: 416.593.8259
Email: hcraig@osc.gov.on.ca

April 10, 2012

AND OSLER, HOSKIN & HARCOURT LLP

TO: 1 First Canadian Place
100 King Street West
Suite 6100, P.O. Box 50
Toronto, Ontario M5X 1B8

Larry Lowenstein
Tel: 416.862.6454
Fax: 416.862.6666
Email: llowenstein@osler.com

Edward Sellers
Tel: 416.862.5959
Email: esellers@osler.com

Geoffrey Grove
Tel: (416) 862-4264
Email: ggrove@osler.com

Lawyers for the Board of Directors of Sino-Forest Corporation

AND SISKINDS LLP

TO: 680 Waterloo Street
P.O. Box 2520
London, Ontario N6A 3V8

A. Dimitri Lascaris
Tel: 519.660.7844
Fax: 519.672.6065
Email: dimitri.lascaris@siskinds.com

Charles M. Wright
Tel: 519.660.7753
Email: Charles.wright@siskinds.com

Lawyers for an Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action against the Applicant

AND COHEN MILSTEIN SELLERS & TOLL PLC

TO: 1100 New York, Ave., N.W.
West Tower, Suite 500
Washington, D.C. 20005

Steven J. Toll
Tel: 202.408.4600
Fax: 202.408.4699
Email: stoll@cohenmilstein.com

Matthew B. Kaplan
Tel: 202.408.4600
Email: mkaplan@cohenmilstein.com

Attorneys for the Plaintiff and the Proposed Class re New York action

AND KOSKIE MINSKY LLP

TO: 20 Queen Street West, Suite 900
Toronto, Ontario M5H 3R3

Kirk M. Baert
Tel: 416.595.2117
Fax: 416.204.2899
Email: kbaert@kmlaw.ca

Jonathan Ptak
Tel: 416.595.2149
Fax: 416.204.2903
Email: jptak@kmlaw.ca

Jonathan Bida
Tel: 416.595.2072
Fax: 416.204.2907
Email: jbida@kmlaw.ca

Lawyers for an Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action against the Applicant

April 10, 2012

AND COHEN MILSTEIN SELLERS & TOLL
TO: PLC
88 Pine Street, 14th Floor
New York, NY 10005

Richard S. Speirs
Tel: 212.838.7797
Fax: 212.838.7745
Email: rspeirs@cohenmilstein.com

Kenneth M. Rehns
Tel: 212.838.7797
Email: krehns@cohenmilstein.com

Attorneys for the Plaintiff and the Proposed
Class re New York action

AND THOMPSON HINE LLP
TO: 335 Madison Avenue – 12th Floor
New York, New York 10017-4611

Yesenia D. Batista
Tel: 212.908.3912
Fax: 212.344.6101
Email: yesenia.batista@thompsonhine.com

Irving Apar
Tel: 212.908.3964
Email: irving.apar@thompsonhine.com

Curtis L. Tuggle
3900 Key Center, 127 Public Square
Cleveland, Ohio 44114
Tel: 216.566.5904
Fax: 216.566.5800
Email:
Curtis.tuggle@thompsonhine.com

Lawyers for Senior Note Indenture Trustee

AND LAW DEBENTURE TRUST COMPANY OF
TO: NEW YORK
400 Madison Avenue – 4th Floor
New York, New York 10017

Anthony A. Bocchino, Jr.
Tel: 646-747-1255
Fax: 212.750.1361
Email: anthony.bocchino@lawdeb.com

Senior Note Indenture Trustee

AND THE BANK OF NEW YORK MELLON
TO: 101 Barclay Street – 4th Floor East
New York, New York 10286

Global Corporate Trust
Fax: 212.815.5802 or 212.815.5803

Convertible Note Indenture Trustee

April 10, 2012

AND THE BANK OF NEW YORK MELLON
TO: 320 Bay Street, Suite 1710
Toronto, Ontario M5H 4A6

Global Corporate Trust
Tel: 416.643.3270
Fax: 416.360.1711 or 416.360.1727

Convertible Note Indenture Trustee

AND THE BANK OF NEW YORK MELLON
TO: 12/F Three Pacific Place
1 Queen's Road East, Hong Kong

Tin Wan Chung
Tel: 852.2840.6617
Fax: 852.2295-3283
Email: tin.chung@bnymellon.com

Grace Lau
Email: grace.lau@bnymellon.com

Convertible Note Indenture Trustee

AND WARDLE DALEY BERNSTEIN LLP
TO: 2104 - 401 Bay Street, P.O. Box 21
Toronto Ontario M5H 2Y4

Peter Wardle
Tel: 416.351.2771
Fax: 416.351.9196
Email: pwardle@wdblaw.ca

Simon Bieber
Tel: : 416.351.2781
Email: sbieber@wdblaw.ca

Lawyers for David Horsley

AND LINKLATERS LLP
TO: 10th Floor, Alexandra House
18 Chater Road
Hong Kong China

Melvin Sng
Tel: 852 2901 5234
Fax: 852 2810 8133
Email: Melvin.Sng@linklaters.com

Lawyers for Sino-Forest Corporation (Hong Kong)

AND LINKLATERS LLP
TO: 10th Floor, Alexandra House
18 Chater Road
Hong Kong China

Hyung Ahn
Tel: 852 2842 4199
Fax: 852 2810 8133
Email: hyung.ahn@linklaters.com

Samantha Kim
Tel: 852.2842 4197
Email: Samantha.Kim@Linklaters.com

Jon Gray
Tel: 852.2842.4188
Email: Jon.Gray@linklaters.com

Lawyers for Sino-Forest Corporation (U.S.)

AND APPLEBY GLOBAL
TO: Jayla Place, Wickham's Cay1
P.O. Box 3190, Road Town
Totola VG1110 BVI

Eliot Simpson
Tel: 284.852.5321
Fax: 284.494.7279
Email: esimpson@applebyglobal.com

Andrew Willins
Tel: 284 852 5323
Email: awillins@applebyglobal.com

Andrew Jowett
Tel: 284 852 5316
Email: ajowett@applebyglobal.com

Lawyers for Sino-Forest Corporation (BVI)

April 10, 2012

AND KING AND WOOD MALLESONS
TO: 9th Floor, Hutchison House
Central, Hong Kong Island
Hong Kong (SAR)

Edward Xu
Tel: 852.2848.4848
Fax: 852.2845.2995
Email: Edward.Xu@hk.kwm.com

Helena Huang
Tel: 852.2848.4848
Email: Helena.huang@kingandwood.com

Tata Sun
Tel: 852.2848.4848
Email: tata.sun@kingandwood.com

Lawyers for Sino-Forest Corporation (PRC)

AND McCARTHY TÉTRAULT LLP
TO: Suite 2500, 1000 De La Gauchetiere St.
West
Montreal, Québec, H3B 0A2

Alain N. Tardif
Tel: 514.397.4274
Fax : 514.875.6246
Email: atardif@mccarthy.ca

Mason Poplaw
Tel: 514.397.4155
Email: mpoplaw@mccarthy.ca

Céline Legendre
Tel: 514.397.7848
Email: clegendre@mccarthy.ca

Lawyers for Ernst & Young

AND THORNTON GROUT FINNEGAN LLP
TO: Suite 3200, 100 Wellington Street West
P. O. Box 329, Toronto-Dominion Centre
Toronto, Ontario M5K 1K7

James H. Grout
Tel: 416.304.0557
Fax: 416.304.1313
Email: jgrout@tgf.ca

Lawyers for the Ontario Securities Commission

**AND PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP**
TO: 250 University Ave, Suite 501
Toronto, Ont. M5H 3E5

Ken Rosenberg
Tel: 416.646.4304
Fax: 416.646.4301
Email: ken.rosenberg@paliareroland.com

Massimo (Max) Starnino
Tel: 416.646.7431
Email: max.starnino@paliareroland.com

Lawyers for an Ad Hoc Committee of Purchasers
of the Applicant's Securities, including the
Representative Plaintiffs in the Ontario Class
Action against the Applicant

April 10, 2012

AND **CHAITONS LLP**
TO: 5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

Harvey G. Chaiton
Tel: 416.218.1129
Fax: 416.218.1849
Email: Harvey@chaitons.com

Lawyers for the Law Debenture Trust
Company of New York

T991329\TOR_LAW\ 7884118\7

INDEX

TAB

1	Notice of Motion
2	Affidavit of Daniel Bach sworn April 11, 2012
A	Disk containing an electronic copy of the motion record filed by the Plaintiffs
B	Fresh as Amended Statement of Claim
C	November 4, 2011 press release
D	Reasons of Justice Perell dated January 6, 2012
E	Disk containing an electronic copy of the Settlement Motion Record
F	Disk containing an electronic copy of the Funding Motion Record
G	Reasons of Justice Perell dated March 26, 2012
H	June 3, 2011 press release
I	Final Report of the Independent Committee dated January 31, 2012
J	Article dated February 13, 2012
K	April 5, 2012 press release
L	June 8, 2011 press release
M	OSC temporary cease trade order
N	Printout from Sino-Forest website
O	Article published by Reuters re Sino's CCAA proceeding
P	Ernst & Young's Global Review 2011
Q	Excerpt from Bank of America's 2011 annual report

R	Excerpt from Canaccord Financial Inc.'s 2011 annual report
S	Excerpt from CIBC's 2011 annual report
T	Excerpt from Credit Suisse Group's 2011 annual report
U	Excerpt from DundeeWealth Inc.'s 2010 financial statements
V	Excerpt from Royal Bank of Canada's 2011 annual report
W	Excerpt from ScotiaBank's 2011 annual report
X	Excerpt from Toronto-Dominion Bank's 2011 financial statements
Y	Chart that sets out the claims against each of the defendants in the Ontario Class Action other than the individual defendants
Z	Pöyry Settlement Agreement
AA	Management Information Circulars 2007
BB	Management Information Circulars 2008
CC	Management Information Circulars 2009
DD	Management Information Circulars 2010
EE	SEDI reports
FF	SEDI reports
GG	SEDI reports

**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**

NOTICE OF MOTION

TAKE NOTICE that the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other plaintiffs (the "Ontario Plaintiffs") in the action commenced against Sino-Forest Corporation ("SFC" or the "Applicant") in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Class Action"), will make a motion to a Judge of the Commercial List on April 13, 2012, at 10:00 a.m., 330 University Avenue, 8th Floor, Toronto, Ontario, or at such other time and place as the Court may direct.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order, if necessary, validating and abridging the time for service and filing of this notice of motion and motion record, and dispensing with any further service thereof;
2. The advice and direction of this court regarding the impact of the stay of proceedings imposed by the Initial Order dated March 30, 2012 (the "Initial Order") on the following proceedings in the Ontario Class Action:
 - a. a motion to approve a litigation indemnity agreement, scheduled for April 17, 2012 (the "Funding Motion");

- b. a motion for approval of a settlement of the Ontario Class Action with Pöyry (Beijing) Consulting Company Limited, tentatively scheduled by the Ontario Plaintiffs for April 17, 2012 and a parallel motion in the corresponding class action brought in the Quebec Superior Court (the "Pöyry Settlement Motion"); and,
- c. motions for leave pursuant to Part XXIII.1 of the *Securities Act* (the "Leave Motion"), and certifying the Ontario Class Action pursuant to the *Class Proceedings Act* (the "Certification Motion"), scheduled to be heard together by the Honourable Justice Perell, after hearing argument, from November 21-30, 2012,

and, if necessary, lifting the stay of proceedings herein to permit the Pöyry Settlement Motion, the Funding Motion, the Leave Motion, and the Certification Motion to proceed;
3. An order appointing the Ontario Plaintiffs as representatives of the Class proposed in the Ontario Class Action, for the purposes of these proceedings and any related or ensuing receivership, bankruptcy or other insolvency proceeding that has or may be brought before this Court (the "Insolvency Proceedings"), substantially in accordance with the draft representation order appended hereto as Schedule "A";
4. An order terminating these CCAA proceedings and appointing FTI Consulting Canada Inc. ("FTI"), or such other receiver as the court may direct, as receiver of the assets, undertakings and properties of the Applicant (the "Property"), substantially in accordance with the draft receivership order appended hereto as Schedule "B";
5. In the alternative to the relief sought in paragraph 4, above, an order:

- a. terminating the appointments of the current board of directors and replacing the directors with individuals to be named, or, alternatively, granting the powers of the board to the Monitor;
 - b. declaring that:
 - i. this Court and the Monitor are not bound by, and these proceedings are not premised upon, the terms of the Restructuring Support Agreement dated March 30, 2012, between the Applicant, certain of its subsidiaries and certain of its noteholders (the "RSA");
 - ii. the Applicant remains at liberty to repudiate the RSA; and
 - iii. without limiting the generality of the foregoing, the Property may be sold independent of a plan of compromise or arrangement and in a manner that is otherwise inconsistent with the RSA;
 - c. directing the Monitor to work with the Ontario Plaintiffs to develop an alternative transaction to that contemplated by the Restructuring Support Agreement, which results in the transfer of assets other than the Excluded Assets (as defined in the Restructuring Support Agreement) to a company incorporated by participating noteholders in exchange for their debt, without a plan of arrangement and/or without releases in favour of the Applicant's directors and/or any third party;
 - d. amending the Initial Order so as to permit any stakeholder to have this Court issue an application for a bankruptcy order in respect of the Applicant;
 - e. an order directing the Monitor to send to the attached service list bi-weekly statements outlining the professional fees incurred in the prior two weeks and over the course of the proceedings, by each of the parties funded by the Applicant, broken down by party and by professional firm, and directing that such fees are subject to taxation by the Court, on reference to a Master, at the request of any stakeholder in these proceedings; and,
6. In the alternative to the relief sought in paragraphs 3, 4 and 5, above, an order declaring that the Plan in these proceedings shall not release any claims against

any person who is or may be added as a defendant to Ontario Class Action, other than the uninsured portion of any claim against the directors and officers of SFC, to the extent permitted by the CCAA;

7. Such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. In addition to investigations by a number of securities regulators and police authorities, including the Royal Canadian Mounted Police and the Ontario Securities Commission (the "OSC"), SFC and its directors are the targets of the Ontario Class Action, which is brought by various pension funds on behalf of all persons and entities, wherever they may reside, who acquired SFC's securities between March 19, 2007, to and including June 2, 2011 (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 SFC's securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired SFC's securities outside of Canada, except certain excluded persons (the "Class").
2. The Ontario Class Action was commenced on July 20, 2011, and seeks damages of approximately \$9.18 billion.
3. The Ontario Plaintiffs are predominantly large multi-employer pension funds, and were awarded carriage of the Ontario Class Action to the exclusion of other claims commenced in Ontario by order of the Honourable Mr. Justice Perell dated January 6, 2012.
4. The following motions are pending in the Ontario Class Action:
 - a. the Funding Motion, returnable April 17, 2012, seeking approval of a litigation indemnity agreement;

- b. the Pöyry Settlement Motion, tentatively scheduled by the Ontario Plaintiffs for April 17, 2012, seeking approval of a settlement of the Ontario Class Action with Pöyry (Beijing) Consulting Company Limited; and,
 - c. the Leave Motion and the Certification Motion, scheduled by the Honourable Justice Perell to be heard together from November 21-30, 2012, seeking leave to proceed with the secondary market claims pursuant to Part XXIII.1 of the *Securities Act* (the "Secondary Market Claims") and certification of the Ontario Class Action pursuant to the *Class Proceedings Act*.
5. The Ontario Plaintiffs have entered into a tolling agreement with the relevant defendants to the Ontario Class Action, extending the alleged limitation period in respect of the Secondary Market Claims to February 28, 2013 (the "Alleged Limitation Date").
6. The Ontario Plaintiffs and the other members of the Class in the Ontario Class Action are at risk of having the claims barred in the event that the Leave Motion and Certification Motion are not decided prior to the Alleged Limitation Date.
7. After a lengthy hearing, the Leave Motion and the Certification Motion were scheduled by the Honourable Justice Perell so as to permit those motions to be decided prior to the Alleged Limitation Date.
8. On March 30, 2012, SFC filed for and obtained protection from its creditors under the CCAA.
9. As part of the Initial Order, this Court ordered that until and including April 29, 2012, no proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting SFC's business or property, except with written consent from SFC and the Monitor or with leave of this Court. Any proceedings currently under way against or in respect of the Applicant or affecting SFC's business or property were hereby stayed and suspended pending further Order of this Court.

10. The Ontario Plaintiffs have written to the defendants to the Ontario Class Action, including SFC, asking that the tolling agreement be extended, but to date no response has been received.
11. By its terms, the Initial Order does not have the effect of staying the Funding Motion, the Pöyry Settlement Motion, or the Ontario Class Action as against defendants other than SFC and its officers and directors.
12. Sound reasons exist to lift the stay of proceedings as it applies to the Ontario Class Action and the pending motions therein, including, among other things:
 - a. the Ontario Class Action raises serious claims having a real chance of success;
 - b. material claims forming part of the Ontario Class Action are at risk of becoming statute barred as a result of the stay of proceedings herein;
 - c. any talk of a “restructuring”, whether by way of liquidation or otherwise, and suggestion that this CCAA process will address “the uncertainty created by the [Muddy Waters] Report”, is nothing but a façade—among other things:
 - i. nearly one year after the Muddy Waters Report was issued, and having spent tens of millions of dollars on investigations, SFC’s so-called independent directors have been unable to meaningfully respond to the allegations of fraud contained in that report;
 - ii. SFC has been unable to produce reliable financial statements and their auditor has resigned; and
 - iii. the OSC has given notice of its intention to commence formal enforcement proceedings against SFC and its directors;
 - d. The Ontario Class Action does not interfere with the restructuring—to the contrary it is necessary to bring light to SFC’s affairs and inform stakeholders’ positions.

13. SFC has no future interest to protect.
14. SFC's current directors are operating under a material conflict of interest, and have not acted in good faith. The current directors are likely to unreasonably impair the possibility of a viable compromise or arrangement being made in respect of SFC, and are acting or are likely to act improperly as a director in the circumstances.
15. These proceedings serve no societal or other useful purpose. SFC's assets can be sold through a receivership process.
16. The representation of the interests of the Class by the Ontario Plaintiffs in any Insolvency Proceedings will serve to:
 - a. ensure that a vulnerable group is properly represented in those proceedings;
 - b. facilitate the administration of the proceedings, negotiation and compromise;
 - c. increase efficiency and avoid a multiplicity of legal retainers.
17. Section 101 of the *Courts of Justice Act*;
18. Sections 11, 11.02, 11.5, 23, 32 , *Companies' Creditors Arrangement Act*;
19. Rules 1.04, 3.02, 10, 12, 16.08 and 37 of the *Rules of Civil Procedure*; and
20. Such further grounds as counsel may advise and this Honourable Court may consider.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used on the hearing of the motion:

1. Affidavit of Daniel E. H. Bach, to be sworn;

2. Such further or other material as counsel may advise and this Honourable Court permit.

April 10, 2012

**PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP**

250 University Avenue, Suite 501
Toronto, ON M5H 3E5

Ken Rosenberg (LSUC No. 21102H)

Massimo Starnino (LSUC No. 41048G)

Tel: 416.646.4300 / Fax: 416.646.4301

Email: ken.rosenberg@paliareroland.com

Email: max.starnino@paliareroland.com

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Kirk Baert

Jonathan Bida

Tel: 416.977.8353 / Fax: 416.977.3316

Email: kbaert@kmlaw.ca

Email: jbida@kmlaw.ca

SISKINDS LLP

680 Waterloo Street
London, ON N6A 3V8

A. Dimitri Lascaris

Charles M. Wright

Tel: 519.672.2121 / Fax: 519.672.6065

Email: dimitri.lascaris@siskinds.com

Email: charles.wright@siskinds.com

**Lawyers for an Ad Hoc Committee of
Purchasers of the Applicant's Securities,
including the Representative Plaintiffs in
the Ontario Class Action against the
Applicant**

TO: THE ATTACHED SERVICE LIST

**SCHEDULE A TO NOTICE OF MOTION
DRAFT REPRESENTATION ORDER**

(ATTACHED)

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE 13
)	
JUSTICE MORAWETZ)	DAY OF APRIL, 2012

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

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

REPRESENTATION ORDER

THIS MOTION made by the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other plaintiffs (collectively, the "Ontario Plaintiffs") in the action commenced against Sino-Forest Corporation ("SFC" or the "Applicant") in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Class Action"), for an order appointing the Ontario Plaintiffs as representatives of those persons described in Appendix A hereto (collectively, the "Class Members"), for the purposes of these proceedings and any related or ensuing receivership, bankruptcy or other insolvency proceeding that has or may be brought before this Court in respect of the Applicant (the "Insolvency Proceedings"), was heard this day, on the Commercial List at the courthouse at 330 University Avenue, Toronto, Ontario,

ON READING the Motion Record of the Ontario Plaintiffs and on hearing the submissions of counsel for the Ontario Plaintiffs, Sino-Forest Corporation, the Monitor and other parties,

1. **THIS COURT ORDERS** that further service of the Notice of Motion and Motion Record on any party not already served is hereby dispensed with, such that this motion was properly returnable April 13, 2012.

2. **THIS COURT ORDERS** that Ontario Plaintiffs are hereby appointed as representatives of Class Members in the Insolvency Proceedings, including, without limitation, for the purpose of settling or compromising claims by the Class Members in the Proceedings.
3. **THIS COURT ORDERS** that Koskie Minsky LLP, Siskinds LLP and Paliare Roland Rosenberg Rothstein LLP are hereby appointed as counsel for the Class Members in the Insolvency Proceedings for any issues affecting the Class Members in the Insolvency Proceedings.
4. **THIS COURT ORDERS** that SFC shall provide to the Ontario Plaintiffs and their counsel, without charge:
 - (a) the names, last known addresses and last known e-mail addresses (if any) of all the Class Members, subject to a confidentiality agreement and to only be used for the purposes of the Insolvency Proceedings; and
 - (b) upon request of the Ontario Plaintiffs and their counsel, such documents and data, as may be relevant to matters relating to the issues in the Insolvency Proceedings.
5. **THIS COURT ORDERS** that all reasonable legal, financial expert and advisory fees and all other incidental fees and disbursements, as may have been or shall be incurred by the Ontario Plaintiffs and their counsel, shall be paid out of any recovery made by the Ontario Plaintiffs and their counsel on behalf of the Class Members, whether as part of these proceedings or as part of the Ontario Class Action, in accordance with the applicable retainer agreements and as may be approved by this court, either as part of these proceedings or as part of the Ontario Class Action.
6. **THIS COURT ORDERS** that notice of the granting of this Order be provided to the Class Members by advertisement in the national edition of the Globe and Mail, the Wall Street Journal, and La Presse, at the expense of the Applicant, and under such other terms and conditions as to be agreed upon by the Ontario Plaintiffs, the Applicant and the Monitor.

7. **THIS COURT ORDERS** that the Ontario Plaintiffs, or their counsel on their behalf, are authorized to take all steps and to do all acts necessary or desirable to carry out the terms of this Order, including dealing with any Court, regulatory body and other government ministry, department or agency, and to take all such steps as are necessary or incidental thereto.
 8. **THIS COURT ORDERS** that any individual Class Member who does not wish to be bound by this Order and all other related Orders which may subsequently be made in these proceedings shall, within 30 days of publication of notice of this Order, notify the Monitor, in writing, by facsimile, mail or delivery, and substantially in the form attached as Appendix B hereto and shall thereafter not be bound and shall be represented themselves as an independent individual party to the extent they wish to appear in the Insolvency Proceedings.
 9. **THIS COURT ORDERS** that the Class Members bound by this Order specifically exclude the Excluded Persons as described in Appendix A.
 10. **THIS COURT ORDERS** that the Ontario Plaintiffs, Koskie Minsky LLP, Siskinds LLP and Paliare Roland Rosenberg Rothstein LLP shall have no liability as a result of their respective appointment or the fulfillment of their duties in carrying out the provisions of this Order from and after March 30, 2012, save and except for any gross negligence or unlawful misconduct on their parts.
 11. **THIS COURT ORDERS** that the Representatives shall be at liberty and are authorized at any time to apply to this Honourable Court for advice and directions in the discharge or variation of their powers and duties.
-

APPENDIX A TO REPRESENTATION ORDER
DEFINITION OF CLASS MEMBERS

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

For the purposes of the foregoing:

"Sino" means Sino Forest Corporation, its affiliates and subsidiaries.

"Securities" means Sino's common shares, notes or other securities defined in the *Securities Act*, R.S.O. 1990, c. S.5, as amended.

"Class Period" means the period from and including March 19, 2007 to and including June 2, 2011.

"Excluded Persons" means any defendant to the action commenced in Ontario Superior Court of Justice bearing (Toronto) Court File No. 11-CV-431153CP, 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 the following persons: Allen T.Y. Chan a.k.a Tak Yuen Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M. E. Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry J. West.

APPENDIX "B" TO REPRESENTATION ORDER

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****OPT-OUT LETTER**

FTI Consulting Inc.
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Greg Watson
 Tel: 416.649.8100
 Fax: 416.649.8101
 Email: greg.watson@fticonsulting.com

I, _____, am a Class Member, as defined in the Representation Order of Mr. Justice Morawetz dated April 13, 2012 (the "Order").

Under Paragraph 8 of that Order, Class Members who do not wish to be represented by the Ontario Plaintiffs and/or to have Koskie Minsky LLP, Siskinds LLP and Paliare Roland Rosenberg Rothstein LLP act as their representative counsel may opt out.

I hereby notify the Monitor that I do not wish to be bound by the Order and will be separately represented to the extent I wish to appear in these proceedings.

 Date

 Name:

SCHEDULE "B"
DRAFT RECEIVERSHIP ORDER

820337_3.DOC

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE 13
)	
JUSTICE MORAWETZ)	DAY OF APRIL, 2012

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

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

RECEIVERSHIP ORDER

THIS MOTION made by the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other plaintiffs (the "Ontario Plaintiffs") in the action commenced against Sino-Forest Corporation ("SFC", the "Applicant" or the "Debtor") in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Class Action"), for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA"), appointing • as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of the Applicant acquired for, or used in relation to a business carried on by the Applicant, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME] sworn [DATE] and the Exhibits thereto and on hearing the submissions of counsel for the Ontario Plaintiffs, the Applicant, the proposed Receiver and •, no one appearing for [NAME] although duly served as appears from the affidavit of service of Michelle Jackson sworn [DATE],

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA, • is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby

conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;

- (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, with the approval of this Court, and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.
- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the

foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that, subject to paragraph 8A below, no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

8A. THIS COURT ORDERS that the stay ordered in paragraph 8 above will not apply to the two motions tentatively scheduled for April 17, 2012 in the Ontario Class Action; specifically, a

motion to approve litigation funding, and a motion to approve the settlement of the Ontario Class Action as against Pöyry (Beijing) Consulting Company Limited.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or

such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all

such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$_____ (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in

priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, the British Virgin Islands, the Peoples Republic of China, Suriname, and elsewhere to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that FTI Consulting (Canada) Inc., the receiver (the "Receiver") of the assets, undertakings and properties Sino-Forest Corporation acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 13 of APRIL, 2012 (the "Order") made in an action having Court file number Court File No. CV-12-9667-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

FTI Consulting (Canada) Inc. solely in its
capacity as Receiver of the Property, and not in
its personal capacity

Per: _____

Name:

Title:

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

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

**PROCEEDING COMMENCED AT
TORONTO**

NOTICE OF MOTION

Paliare Roland Rosenberg Rothstein LLP
250 University Avenue
Suite 501
Toronto ON M5H 3E5
Ken Rosenberg / Massimo Starnino
Tel: 416.646.4300 / Fax: 416.646.4301

Koskie Minsky LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3
Kirk Baert / Jonathan Bida
Tel: 416.977.8353 / Fax: 416.977.3316

Siskinds LLP
680 Waterloo Street
London, ON N6A 3V8
A. Dimitri Lascaris / Charles M. Wright
Tel: 519.672.2121 / Fax: 519.672.6065

Lawyers for an Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action against the Applicant

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 DANIEL E. H. BACH

I, Daniel E. H. Bach, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am a lawyer in the class actions department of Siskinds LLP ("Siskinds"), co-counsel for the plaintiffs (the "Plaintiffs") in the class proceeding styled *Trustees of the Labourers' Pension Fund of Central and Eastern Canada v Sino-Forest Corporation et al.*, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Class Action").
2. As such, I have knowledge of the matters to which I hereinafter depose. Where that knowledge is based on information obtained from others, I have so indicated and believe that information to be true.
3. I swear this affidavit in support of the Plaintiffs' motion for an order, *inter alia*, terminating these proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") and appointing a receiver of the assets, undertakings and properties of Sino-

Forest Corporation (“Sino”). No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation or any other privilege.

CLASS ACTION LITIGATION INVOLVING SINO

The Ontario Class Action

Overview of the Ontario Class Action

4. On July 20, 2011, the Trustees of the Labourers’ Pension Fund and the Trustees of the International Union of Operating Engineers commenced the Ontario Class Action by way of a notice of action. In addition to Sino, the action names 25 defendants, including Sino’s former auditors, various underwriters and a forestry valuation company.
5. By way of a notice of action issued on November 14, 2011, Messers. Grant and Wong commenced an action (the “Grant-Wong Action”), arising out of the same facts, against Sino and certain of the other individual and corporate defendants.
6. On December 13, 2011, the plaintiffs in the Grant-Wong Action filed a statement of claim.
7. On January 6, 2012, the Honourable Justice Perell granted the Plaintiffs carriage of the Ontario Class Action, and consolidated the Ontario Class Action and the Grant-Wong Action.
8. On direction from court staff, the Plaintiffs filed an amended notice of action and a statement of claim on January 26, 2012 (the “Claim”). A copy of the Claim is attached and marked as Exhibit “Y” to the affidavit of Judson Martin, sworn March 30, 2012, which Sino has filed in this proceeding (the “Martin Affidavit”).

9. Following the filing of the Claim on January 26, 2012, we undertook to Justice Perell, the case management judge assigned to the Ontario Class Action, to serve and file by no later than April 2, 2012 our clients' motions for certification (the "Certification Motion") under the *Class Proceedings Act, 1992* (the "CPA") and for leave to assert the statutory cause of action for secondary market misrepresentation (the "Leave Motion") under Part XXIII.1 of the Ontario *Securities Act* (the "OSA"). The Plaintiffs brought a motion seeking to have the Certification Motion and Leave Motions heard in late August 2012. This motion was scheduled for March 22, 2012.
10. However, on February 16, 2012, the Ontario Court of Appeal issued its decision in *Sharma v Timminco Limited*, 2012 ONCA 107 (CanLII). In that decision, the Court held, in essence, that the limitation period under Part XXIII.1 of the *OSA* was not tolled in that action by the filing of a pleading wherein the plaintiff declared an intention to seek leave to assert the Part XXIII.1 cause of action (as the Plaintiffs have done from the outset of the Ontario Class Action).
11. Immediately following the issuance of the *Timminco* decision, out of an abundance of caution, Dimitri Lascaris of Siskinds LLP wrote to counsel to those of the defendants in the Ontario Class Action against whom a Part XXIII.1 claim is sought to be asserted (the "Leave Defendants"), and requested that they enter into a tolling agreement, failing which the Plaintiffs would seek to have the Leave Motion heard on March 22, 2012.
12. On March 2, 2012, by which time none of the Leave Defendants had agreed to toll the Part XXIII.1 limitation period, we served upon counsel to the Leave Defendants the Plaintiffs' motion record in support of the Leave Motion. Pursuant to Part XXIII.1 of the *OSA*, a copy of that motion record was also served upon the Ontario Securities

Commission (the “OSC”). Attached and marked as **Exhibit “A”** is a disk containing an electronic copy of the motion record filed by the Plaintiffs in support of the Leave Motion.

13. On March 6, 2012, the Leave Defendants entered into a tolling agreement with the Plaintiffs. Pursuant to the tolling agreement, the parties agreed that the running of time for the purpose of asserting Part XXIII.1 claims was to be suspended as of March 6, 2012 until February 28, 2013. On that basis, the Plaintiffs agreed to postpone the hearing of the Leave Motion and Certification Motion until a date in the summer or fall of 2012 so that the defendants would have time to prepare responding materials and allow for full preparation.
14. The expiration date of February 28, 2013 was carefully crafted by the parties in the Ontario Class Action with the assistance of the Honourable Justice Perell in order for the Leave Motion to be prepared and heard, and for a decision to be rendered by him, before the expiration of the tolling agreement. As such, any interruption or delay to the timetable will have a pass-on effect, with the result being that the decision on the Leave Motion might not be released before February 28, 2013. This puts the Class Members at risk of having some or all of their claims extinguished as a result of the potential expiry of a limitation period.
15. In support of their Leave Motion, the Plaintiffs filed a proposed Fresh as Amended Statement of Claim (the “Amended Claim”). The Amended Claim, which will be filed with the Court in accordance with the reasons of Justice Perell, is different from the Claim. Among other things, the Amended Claim incorporates information revealed to the public for the first time by the special committee established by Sino’s Board to

investigate the Muddy Waters allegations (the “SC”). It also incorporates information obtained through our own, ongoing, investigation and analysis, which was aided by various experts, and which was also aided by investigators based in Hong Kong. A copy of the Amended Claim is marked and attached as **Exhibit “B”**.

16. The Amended Claim alleges that Sino, certain of its officers and directors, its auditors, and its underwriters made material misrepresentations regarding the operations, revenues, net income and assets of Sino. The Claim seeks an aggregate of \$9.2 billion in damages and is brought on behalf of:

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 and who acquired Sino’s Securities outside of Canada, except the Excluded Persons (the “Class” or “Class Members”)

17. The Amended Claim defines “Excluded Persons” as 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.
18. The Amended Claim defines the Class Period as “the period from and including March 19, 2007 to and including June 2, 2011.”

The Evidence Supporting the Leave Motion

19. The Part XXIII.1 cause of action which the Plaintiffs principally seek to assert is set forth in s. 138.3(1) of the *OSA*, which states in part:

138.3(1) Where a responsible issuer or a person or company with actual, implied or apparent authority to act on behalf of a responsible issuer releases a document that contains a misrepresentation, a person or company who acquires or disposes of the issuer's security during the period between the time when the document was released and the time when the misrepresentation contained in the document was publicly corrected has, without regard to whether the person or company relied on the misrepresentation, a right of action for damages against,

- (a) the responsible issuer;
- (b) each director of the responsible issuer at the time the document was released;
- (c) each officer of the responsible issuer who authorized, permitted or acquiesced in the release of the document;

[...]

- (e) each expert where,
 - (i) the misrepresentation is also contained in a report, statement or opinion made by the expert,
 - (ii) the document includes, summarizes or quotes from the report, statement or opinion of the expert, and
 - (iii) if the document was released by a person or company other than the expert, the expert consented in writing to the use of the report, statement or opinion in the document.

- 20. Under s. 138.8(1) of the *OSA*, an action may be commenced under Part XXIII.1 only with leave of the Court, which shall be granted if (1) the plaintiff is acting in good faith; and (2) there is a reasonable possibility that the action will be resolved at trial in favour of the plaintiff. Section 138.8 (2) of the *OSA* stipulates that, in an application for leave, the plaintiff and each defendant shall serve and file one or more affidavits setting forth the material facts upon which each intends to rely.
- 21. In support of the Leave Motion, the Plaintiffs have filed the following affidavits, all of which were served on counsel to Mr. Martin approximately four weeks before he swore the Martin Affidavit:

- (a) One affidavit from each of the five plaintiffs;
- (b) An affidavit sworn by me, to which is attached, among other things, a large number of Sino disclosure documents, and which also touches upon other matters, including Sino's historical results as compared to the results of its peers;
- (c) An affidavit from Steven Chandler, a former senior law enforcement official from Hong Kong (the "Chandler Affidavit");
- (d) An affidavit of Alan Mak, an expert in forensic accounting from the Toronto-based firm of Rosen & Associates;
- (e) An affidavit of Dennis Deng, a lawyer qualified to practice in the PRC, and a partner in a law firm that is one of Beijing's leading law firms and is also one of China's largest law firms (the "Deng Affidavit"); and
- (f) An affidavit of Carol-Ann Tjon-Pian-Gi, a lawyer qualified to practice in the Republic of Suriname (the "Tjon-Pian-Gi Affidavit").

22. Below I summarize the four affidavits on which the Plaintiffs principally rely to establish the merits of their proposed Part XXIII.1 claims.

The Chandler Affidavit

23. Among other things, Mr. Chandler examined various business records that had been filed with the Administration of Industry and Commerce of the PRC (the "AIC"), as well as certain filings with the Courts of Hong Kong. Based in part upon that examination, Mr. Chandler found, *inter alia*, that:

- (a) A company from which Sino had claimed to have generated substantial sales was in fact a shell and never did any business from the time of its establishment;
- (b) Neither Sino nor any of its subsidiaries appeared to have an interest in a Shanghai-based company of which Sino claimed to be part-owner;
- (c) Sino failed to disclose that one of its officers was a major shareholder of a subsidiary of Homix Limited (a company discussed in the Martin Affidavit) at the time that Homix was acquired by Sino; and

- (d) Contrary to statements made in the Final Report of the SC, maps are in fact allowed and have been widely used in the PRC for at least the last three years.

The Tjon-Pian-Gi Affidavit

24. Ms. Tjon-Pian-Gi opines on Sino's assertion that one of its subsidiaries, The Greenheart Group ("Greenheart"), was granted well in excess of 150,000 hectare of forestry concessions in the Republic of Suriname. Ms. Tjon-Pian-Gi's opinion undermines this assertion or, at a minimum, constitutes evidence that Greenheart's concessions may not be compliant with the laws of Suriname. In particular, the *Forest Management Act* of the Republic of Suriname prohibits a person or legal entity, or various legal entities in which a person or legal entity has a majority interest, from being granted more than 150,000 hectares of forestry concessions.

The Deng Affidavit

25. In essence, Mr. Deng opines, *inter alia*, that:
- (a) It is unlawful in the PRC, and potentially punishable with severe criminal penalties, for forestry companies or their representatives to give gifts to employees of forestry bureaus (the SC disclosed that "there are indications in emails and in interviews with [Sino] Suppliers that gifts and cash payments are made to forestry bureaus and forestry bureau officials");
 - (b) Sino's BVI subsidiaries are likely engaging in "business activities" in the PRC in violation of PRC law, and the unauthorized conduct of "business activities" in the PRC is potentially punishable with severe penalties;
 - (c) It is likely that certain of Sino's authorized intermediaries and suppliers refused to produce requested documentation to the SC because that documentation may demonstrate that they were engaging in illegal tax evasion; and
 - (d) In the PRC, standing timber may not be purchased without purchasing land use rights, and because foreign forestry companies are not allowed to purchase land use rights, the standing timber purchase contracts entered into by Sino's BVI subsidiaries are void and unenforceable under PRC law.

The Mak Affidavit

26. Essentially, Mr. Mak opines, *inter alia*, that:

- (a) From an accounting and financial reporting perspective, and based on publicly available information (including the SC's reports), sufficient appropriate evidence does not exist to justify Sino's reporting of timber assets and revenues for the vast majority of Sino's standing timber activities in 2006 to 2010;
- (b) The annual audited financial statements of Sino for much or all of the period 2005-2010 should not have been issued to the public;
- (c) The legal ownership and occurrence of *bona fide* economic transactions have not been established by Sino or by the investigation of the SC;
- (d) Given the 'closed circuit' nature of Sino's standing timber business model, a serious possibility (if not high probability) is that Sino's entire standing timber business is an accounting fiction;
- (e) Sino's timber assets, revenues and profits from at least 2006 to 2010 were grossly overstated;
- (f) In direct contravention of Canadian GAAP, Sino grossly overstated its "cash flows from operating activities," a figure that is extensively relied upon by financial analysts to compute valuations of the company; and
- (g) Ernst & Young and BDO failed to conduct their audits in accordance with Generally Accepted Auditing Standards, and failed to detect material misstatements in Sino's financial statements.

The Proposed Representative Plaintiffs in the Ontario Class Action

27. The trustees of the Labourer's Pension Fund of Central and Eastern Canada ("Labourers") are proposed representative plaintiffs in the Ontario Class Action. Labourers' is a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in

assets, over 39,000 members, over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers' purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino's common shares pursuant to a prospectus and in the distribution to which that prospectus related.

28. The trustees of the International Union of Operating Engineers ("Operating Engineers") are proposed representative plaintiffs in this action. Operating Engineers is a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.
29. Sjunde AP-Fonden ("AP7") is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.
30. David Grant is an individual resident in Calgary, Alberta. During the Class Period, he purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 pursuant to an

offering memorandum. Mr. Grant continued to hold those Notes at the end of the Class Period.

31. Robert Wong is an individual residing in Kincardine, Ontario. During the Class Period, he purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Mr. Wong purchased Sino common shares pursuant to a prospectus and continued to own those shares at the end of the Class Period.
32. Collectively, the Plaintiffs held in excess of 1.1 million Sino shares and 100 Sino notes at the end of the class period (on June 2, 2011).

Other Class Members' Involvement in the Ontario Class Action.

33. Our firm was recently retained by U.S.-based Davis Selected Advisors L.P ("Davis") in connection with, among other matters, the Ontario Class Action and this proceeding. Davis held approximately 31 Sino million shares, or 12.6% of Sino's outstanding shares, as of April 29, 2011, as well as various notes of Sino-Forest. I understand that that Davis is currently Sino's second largest shareholder.
34. Davis has instructed us to advise this Honourable Court that it completely supports the granting of the relief sought in this motion.
35. In addition, on April 10, 2012, I spoke to Richard Edlin of Greenberg Traurig, counsel to U.S.-based Paulson & Co. ("Paulson"). I understand that Paulson held approximately 34 million Sino shares, or 14.1% of Sino's outstanding shares, as of April 29, 2011, but that Paulson sold its Sino stake in June 2011, after publication of the initial Muddy Waters

report. Mr. Edlin advised me that Paulson completely supports the granting of the relief sought in this motion.

36. Finally as of April 11, 2012 Siskinds and Siskinds Desmeules had been contacted by 311 putative class members, and Koskie Minsky had been contacted by 204 putative class members.

The Defendants

37. Sino purports to be a commercial forest plantation operator in the People's Republic of China and elsewhere. Sino is a corporation formed under the *CBCA*. At material times relevant to the Ontario Class Action, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities were also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.
38. Allen Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011.
39. David Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. Mr. Horsley resides in Ontario.

40. Kai Kit Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Mr. Poon resides in Hong Kong, China.
41. Peter Wang is a director of Sino, and has held this position since August 2007. Mr. Wang resides in Hong Kong, China.
42. Judson Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Mr. Martin replaced Allen Chan as Chief Executive Officer of Sino. Mr. Martin was a member of Sino's audit committee prior to early 2011. He resides in Hong Kong, China.
43. Edmund Mak is a director of Sino and has held this position since 1994. Mr. Mak was a member of Sino's audit committee prior to early 2011. Mr. Mak resides in British Columbia.
44. Simon Murray is a director of Sino and has held this position since 1999. Mr. Murray resides in Hong Kong, China.
45. James M.E. Hyde is a director of Sino, and has held this position since 2004. Mr. Hyde was previously a partner of the defendant, Ernst & Young. He is the chairman of Sino's Audit Committee and a member of the Compensation and Nominating Committee. Mr. Hyde resides in Ontario.
46. William E. Ardell is a director of Sino, and has held this position since January 2010. Mr. Ardell is a member of Sino's audit committee. He resides in Ontario.

47. James P. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Mr. Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to Ernst & Young. Mr. Bowland resides in Ontario.
48. Mr. Bowland was initially a member of the SC. However, on November 4, 2011, in the middle of the SC's investigation into the Muddy Waters allegations, Sino issued a press release announcing that Mr. Bowland had resigned as a director of Sino. No reasons were given in that press release for his resignation. Attached and marked as **Exhibit "C"** is a copy of the November 4, 2011 press release.
49. Garry J. West is a director of Sino, and has held this position since February 2011. Mr. West was previously a partner at the defendant, Ernst & Young. Mr. West is a member of Sino's Audit Committee. He resides in Ontario.
50. Ernst & Young was engaged as Sino's auditor from August 13, 2007 to April 4, 2012. Ernst & Young was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when Ernst & Young resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. Ernst & Young was also Sino's auditor from 2000 to 2004, when it was replaced by BDO Limited.
51. BDO Limited is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by Ernst & Young.

52. Pöyry (Beijing) Consulting Company Limited is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino.
53. A number of underwriters are also named as defendants in the Amended Claim. These underwriters include Banc of America Corporation, Cannacord Financial Ltd., CIBC World Markets Inc., Credit Suisse Securities (Canada) Inc., Credit Suisse (USA) LLC, Dundee Securities Corp., Maison Placements Canada Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc.
54. The various defendants are represented in the Ontario Class Action by the following firms:
 - (a) Bennett Jones LLP – Sino, Edmund Mak, Simon Murray, Judson Martin, Kai Kit Poon, Peter Wang;
 - (b) Wardle Daley Bernstein LLP – David Horsley;
 - (c) Miller Thomson – Allen Chan;
 - (d) Osler, Hoskin & Harcourt LLP – William Ardell, James Bowland, James Hyde, Garry West;
 - (e) Lenczner Slaght Royce Smith Griffin LLP – Ernst & Young LLP;
 - (f) Affleck Greene McMurtry LLP – BDO Limited;
 - (g) Baker & McKenzie LLP – Pöyry (Beijing) Consulting Company Limited; and
 - (h) Torys LLP – all Underwriters.

Other Class Proceedings

Parallel Ontario Actions

55. On June 6, 2011, the law firm of Rochon Genova LLP commenced an action (the “Smith Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
56. On September 26, 2011, the law firm of Kim Orr Barristers commenced an action (the “Northwest Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
57. By an order dated January 6, 2012, Justice Perell stayed the Smith Action and the Northwest Action, and carriage of the action was granted to the Plaintiffs. A copy of those reasons are marked and attached as **Exhibit “D”**.

Parallel Quebec Action

58. On June 9, 2011, Siskinds Desmeules, a Quebec City law firm affiliated with Siskinds, filed a petition for an order authorizing the bringing of a class action and granting the status of representative in the Quebec Superior Court (the “Quebec Proceeding”). The petition in the Quebec Proceeding defines the proposed Class as:

all persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including March 19, 2007 to and including June 2, 2011.

59. I am advised by Simon Hebert, the lawyer at Siskinds Desmeules with carriage of the Quebec Proceeding, that he anticipates that, prior to the hearing of the Quebec Proceeding, the class definition will be revised so that it is limited to Quebec residents eligible to participate in a class proceeding under the Quebec *Code of Civil Procedure*, which expressly excludes entities employing more than 50 persons from participating in a class proceeding.
60. By virtue of our relationship with Siskinds Desmeules, we believe we can coordinate the progress of the Quebec Proceeding and the Ontario Class Action in a complimentary and efficient manner.

Parallel United States Action

61. On January 27, 2012, the Washington, DC-based law firm of Cohen Milstein Sellers & Toll PLLC commenced a proposed class action against Sino and certain other defendants in the New York Supreme Court (the "U.S. Action"). The U.S. Action defines the proposed class as:

(i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

62. I am not aware of any material steps having been taken by the plaintiff in the U.S. Action to advance that action.
63. To my knowledge, Sino has no offices or operations in the United States.

Parallel Saskatchewan Action

64. On December 1, 2011 the Merchant Law Group LLP commenced a proposed class action against Sino and certain other defendants in the Saskatchewan Court of Queen's Bench styled as *Haigh v Sino-Forest Corporation* (the "Saskatchewan Action"). The proposed class in the Saskatchewan Action is defined as:

All persons and entities wherever they may reside who acquired securities of Sino during the Class Period either by primary distribution in Canada or an acquisition on the TSX or other secondary market in Canada, other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate family member of an Individual Defendant.

65. I am not aware of any material steps having been taken by the plaintiff in the Saskatchewan Action to advance that action.
66. To my knowledge, Sino has no offices or operations in the Province of Saskatchewan.
67. I am not aware of any other civil actions having been commenced in Canada or elsewhere against any of the Defendants in relation to the facts pleaded in the Claim.

The Status of the Ontario Class Action

Motions Relating to the Ontario Class Action

68. There are currently four motions scheduled to be heard in the Ontario Class Action. These are:
- (a) The Plaintiffs' motion for certification for the purpose of settlement only as against the defendant, Pöyry (Beijing) Consulting Company Limited ("Pöyry"). The Plaintiffs have reached a settlement with Pöyry, and the motion for

certification is brought on consent. The motion is scheduled to be heard on April 17, 2012. In order for this settlement to be effected, it will also have to be approved by way of motion by the Quebec Superior Court. Attached and marked as **Exhibit “E”** is a disk containing an electronic copy of the motion record filed by the plaintiffs in support of the motion for certification for the purpose of settlement. .

- (b) The Plaintiffs’ motion for approval of a litigation funding agreement reached between the Plaintiffs and Claims Funding International, PLC (“CFI”). In the motion, the Plaintiffs also seek an order that all communications between CFI, class counsel and the Plaintiffs are confidential, that CFI provide security for costs, and that class counsel and the Plaintiffs may provide documents to CFI on the condition that CFI and its staff are subject to the deemed undertaking pursuant to Rule 30.1.03 of the *Rules of Civil Procedure*. The motion is also scheduled to be heard on April 17, 2012. Attached and marked as **Exhibit “F”** is a disk containing an electronic copy of the motion record filed by the plaintiffs in support of the litigation funding motion.
- (c) The Leave Motion and the Certification Motion, the latter of which was served on the defendants on April 2, 2012. These motions are scheduled to be heard from November 21 to 30, 2012.

Timetable of Pending Motions

69. On March 22, 2012, the Honourable Justice Perell heard a contested motion regarding the date on which the Leave and Certification Motions would be heard. All of the defendants

made submissions and opposed the scheduling of the certification motion for November 2012.

70. In reasons dated March 26, 2012, the Honourable Justice Perell ordered that any Leave Defendant who elects to file an affidavit in opposition to the Leave Motion would be required to serve a Statement of Defence. The defendants in the Ontario Class Action had opposed an order requiring them to serve a defence before adjudication of the Leave and Certification Motions.
71. In his March 26, 2012 reasons, Justice Perell also set a timetable for the Plaintiffs' motion for funding approval, Leave Motion, and Certification Motion. The reasons for decision are marked and attached as **Exhibit "G"**.
72. The timetable, as set out at paragraph 93 of those reasons, is as follows:

Funding Approval Motion

March 9, 2012: Plaintiffs to deliver motion record (completed)

March 30, 2012: Defendants to deliver responding records, if any

April 6, 2012: Plaintiffs to deliver factum

April 13, 2012: Defendants to deliver factum

April 17, 2012: Hearing of the motion

Leave and Certification Motion

April 10, 2012: Plaintiffs to deliver motion record

June 11, 2012: Defendants to deliver responding records

July 3, 2012: Plaintiffs to deliver reply records, if any

September 14, 2012: Cross-examinations to be completed

October 19, 2012: Plaintiffs to deliver factum

November 9, 2012: Defendants to deliver factum

November 21-30, 2012: Hearing of the motion

Osler's Dual Roles in the SC's Investigation and in the Ontario Class Action

73. Osler, Hoskin & Harcourt LLP ("Osler") is counsel to the defendants William Ardell, James Bowland, James Hyde, and Garry West in the Ontario Class Action. Each of these individuals was a director of Sino during the Class Period.
74. On June 3, 2011, Sino-Forest issued a press release announcing the creation of the SC, which initially consisted of the defendants, William Ardell, James Bowland, and James Hyde. The mandate of the SC was said to be to "thoroughly examine and review the allegations contained in Muddy Waters' report". The SC appointed Osler as its legal counsel. A copy of the June 3, 2011 press release is marked and attached as **Exhibit "H"**.
75. On January 31, 2012, the SC released its final report to Sino's board of directors. The SC concluded that although there remain outstanding issues that have not been fully answered, the SC had reached the point of diminishing returns. Attached and marked as **Exhibit "I"** is a copy of the final report.
76. In an article dated February 13, 2012, William Ardell disclosed that Sino had then spent approximately \$50 million on its internal investigation. Attached and marked as **Exhibit "J"** is a copy of that article.

Sino's Performance from its Listing on the TSX to 2012

77. From 1994, when Sino became a TSX-listed company, to 2010, Sino's reported annual revenues increased from US\$20.5 million to US\$1.9 billion, or 9,291%, and its year-over-year reported revenues decreased only once, in 2000. During that same period, Sino's reported net income increased from US\$3.0 million to US\$395.4 million, or

13,037%, and its year-over-year reported net annual income decreased only twice, in 2000 and 2001. Finally, from 1994 to 2010, Sino's reported total assets as at year-end increased from US\$30.6 million to US\$5.7 billion, or 18,616%. During that period, Sino's year-over-year reported assets never decreased.

78. For none of the sixty quarters comprising the years 1996 to 2010 did Sino report a net loss; rather, for 100% of all such quarters, Sino reported significant net income.
79. From the commencement of 1996 to the current time, Sino's first and only quarter in respect of which it reported a net loss was for the quarter ended March 31, 2011. For that quarter, Sino reported a net loss of \$22.1 million on revenue of \$338.9 million. However, for the subsequent quarter ended June 30, 2011, Sino reported a net profit of \$447.1 million on revenue of \$317.4 million.¹
80. According to Sino's audited annual financial statements for the year ended December 31, 2010, Sino's revenues and net income for each of 2008, 2009 and 2010 were as follows:

Year	Revenue	Net Income
2008	\$901,295,000	\$228,593,000
2009	\$1,238,185,000	\$286,370,000
2010	\$1,923,536,000	\$395,426,000
TOTAL	\$4,063,016,000	\$910,389,000

81. Thus, for the period commencing on January 1, 2008 and ending on June 30, 2011, Sino reported total revenues of approximately \$4.7 billion and total net income of approximately \$1.3 billion.

¹ Sino has filed no interim or annual financial statements on SEDAR for periods ending after June 30, 2011.

CLAIMS AGAINST THE MEMBERS OF SINO'S BOARD AND CERTAIN MEMBERS OF SINO'S MANAGEMENT

82. The following chart sets out the claims being asserted in the Ontario Class Action against the members of Sino's Board and certain members of Sino's senior management:

	OSA s. 130 (prospectus)	OSA s. 138.3 (offering memorandum)	Negligent Misrepresentation (secondary market)	Negligent Misrepresentation (prospectus/offering memo)	Negligence	Unjust Enrichment	CBCA Oppression	Conspiracy
Chan	X	X	X	X	X	X	X	X
Horsley	X	X	X	X	X	X	X	X
Poon	X	X	X	X	X	X	X	X
Wang	X	X	X	X	X		X	
Martin	X	X	X	X	X	X	X	
Mak	X	X	X	X	X	X	X	
Murray	X	X	X	X	X	X	X	
Hyde	X	X	X	X	X		X	
Ardell		X	X				X	
Bowland		X	X				X	
West		X	X				X	

Resignation of Sino-Forest's Auditor

83. On April 5, 2012, Sino issued a press release announcing that Ernst & Young had resigned as the company's auditors effective April 4, 2012. In its resignation letter to Sino, Ernst & Young noted that the company had not prepared December 31, 2011 consolidated financial statements for that audit. It also noted that in Sino's March 30, 2012 filing under the *CCAA*, Sino said that it remained unable to satisfactorily address outstanding issues in relation to its 2011 annual financial statements. Attached and marked as **Exhibit "K"** is a copy of the April 5, 2012 press release.

Actions of the Ontario Securities Commission Relating to Sino-Forest

84. On June 8, 2011 Sino announced that the OSC had commenced an investigation into the company. A copy of the June 8, 2011 press release is marked and attached as **Exhibit "L"**.
85. On August 26, 2011, the OSC issued temporary cease trade order against Sino's securities and in respect of certain members of Sino's management, including the defendant Allen Chan. In recitals to the temporary cease-trade order, the OSC stated that "Sino-Forest, through its subsidiaries, appears to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities law and the public interest", that "Sino-Forest and certain of its officers and directors appear to have misrepresented some of its revenue and/or exaggerated some of its timber holdings by providing information to the public in documents required to be filed or furnished under Ontario securities laws and which may have been false or misleading in a material respect contrary to section 122 or 126.2 of the [Ontario Securities] Act and contrary to the public

interest” and that “Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices, or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the Act and contrary to the public interest.” Attached and marked as **Exhibit “M”** is a copy of the OSC temporary cease trade order.

86. The temporary cease trade order made on August 26, 2011 was later extended and continues in force. On April 5, 2012, Sino received an Enforcement Notice from the OSC staff. Enforcement Notices were also received that day by Allen Chan, David Horsley, Alfred Hung, and George Ho, among others.
87. The Enforcement Notice against Sino alleges conduct contrary to ss.122 and 126.1 of the OSA. Section 126.1 prohibits activities resulting in an artificial price of a security, or which perpetuate a fraud on any person or company. Section 122 provides for a quasi-criminal offence and penalties on conviction of up to \$5 million and imprisonment for a term of up to five years less a day.
88. Enforcement Notices are notices issued by OSC staff that usually identify issues revealed in an investigation, and advise that staff intend to commence a formal proceeding relating to those issues. Recipients of the notices are given the opportunity to make submissions before OSC staff make a final decision to commence formal proceedings.
89. I have reviewed the website of the OSC. It states that the OSC pursues cases in court under s. 122 “in order to seek sanctions and penalties that send a strong message of deterrence to those who try to exploit investors.”

90. According to Sino's website, which I viewed on April 11, 2012:

- (a) Allen Chan currently holds the position of Founding Chairman Emeritus;
- (b) David Horsley currently holds the position of Senior Vice President and Chief Financial Officer;
- (c) Alfred Hung currently holds the position of Vice President, Corporate Planning and Banking; and
- (d) George Ho currently holds the position of Vice President, Finance (China).

Attached and marked as **Exhibit "N"** is a printout from Sino's website which describes these individuals and their positions.

MEDIA COVERAGE OF SINO-FOREST'S CCAA PROCEEDING

91. Attached and marked as **Exhibit "O"** is an article recently published by Reuters regarding Sino's CCAA proceeding.

THE DEFENDANTS' ABILITY TO PAY

92. The Plaintiffs understand that, given the financial position of Sino and the serious doubts as to the legitimacy of its business and, in particular, as to its title to its claimed assets, they are unlikely to obtain any significant recovery from Sino.

93. It appears, however, that all of the remaining defendants (with the possible exception of Pöyry) have the ability to pay significant damages arising out of the Ontario Class Action.

94. The objective of our clients, including Davis, is to pursue their claims against the individual defendants, the underwriter and Sino's former auditors.

Directors and Officers

95. According to Sino's proxy circular of May 30, 2011 (the last proxy circular that Sino filed on SEDAR):

In 2010, the Corporation purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$60,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and its subsidiaries. For the financial year ended December 31, 2010, the Corporation paid a premium of \$230,823 (inclusive of applicable taxes) in respect of such insurance.

Auditors and Underwriters

96. The defendants, other than Sino and its directors and officers, are, or are controlled by, large business organizations each having hundreds of millions to billions of dollars in annual revenues:
- (a) Ernst & Young reported US\$22.9 billion in global revenue for the year ended June 30, 2011. Attached and marked as **Exhibit "P"** is a copy of Ernst & Young's Global Review 2011.
 - (b) Banc of America Corporation and Merrill Lynch Canada Inc are wholly owned subsidiaries of Bank of America Corporation. In 2011, Bank of America reported revenue of US\$94.4 billion and net income (excluding goodwill impairment charges) of US\$4.6 billion. Attached and marked as **Exhibit "Q"** is an excerpt from Bank of America's 2011 annual report.

- (c) Canaccord Financial Ltd. (now Canaccord Genuity) is a subsidiary of Canaccord Financial Inc. In 2011, Canaccord Financial Inc. reported revenue of CAD\$803 million and net income of CAD\$98 million. Attached and marked as **Exhibit “R”** is an excerpt from Canaccord Financial Inc.’s 2011 annual report.
- (d) CIBC World Markets Inc. is a subsidiary of CIBC. In 2011, CIBC reported revenue of CAD\$12.25 billion and net income of CAD\$3 billion. Attached and marked as **Exhibit “S”** is an excerpt from CIBC’s 2011 annual report.
- (e) Credit Suisse Securities (Canada) Inc. and Credit Suisse (USA) LLC are subsidiaries of Credit Suisse Group. In 2011, Credit Suisse Group reported revenue of CHF26.2 billion and net income of CHF 2.79 billion. One CHF is equal to approximately CAD 1.088. Attached and marked as **Exhibit “T”** is an excerpt from Credit Suisse Group’s 2011 annual report.
- (f) Dundee Securities Corp. (now DWM Securities Inc.) is a subsidiary of DundeeWealth Inc. On March 9, 2011, DundeeWealth Inc. became a wholly owned subsidiary of ScotiaBank. In 2010, DundeeWealth Inc. reported revenue of CAD\$1.04 billion and net income of CAD\$118.7 million. Attached and marked as **Exhibit “U”** is an excerpt from DundeeWealth Inc.’s 2010 financial statements.
- (g) RBC Dominion Securities Inc. is a principal subsidiary of the Royal Bank of Canada. In 2011, the Royal Bank of Canada reported revenue of CAD\$27.4 billion and net income of CAD\$4.8 billion. Attached and marked as **Exhibit “V”** is an excerpt from Royal Bank of Canada’s 2011 annual report.

- (h) Scotia Capital Inc. is a principal subsidiary of Scotia Bank. In 2011, ScotiaBank reported revenue of CAD\$17.3 billion and net income of CAD\$5.26 billion. Attached and marked as **Exhibit “W”** is an excerpt from ScotiaBank’s 2011 annual report.
- (i) TD Securities Inc. is a principal subsidiary of the Toronto-Dominion Bank. In 2011, Toronto-Dominion Bank reported revenue of CAD\$21.5 billion and net income of CAD\$5.9 billion. Attached and marked as **Exhibit “X”** is an excerpt from Toronto-Dominion Bank’s 2011 financial statements.

97. Attached and marked as **Exhibit “Y”** is a chart that sets out the claims against each of the defendants in the Ontario Class Action other than the individual defendants.

Pöyry

98. As indicated above, the plaintiffs have entered into a settlement agreement with Pöyry, which is to be reviewed by Justice Perell on April 17, 2012. The settlement agreement essentially provides that Pöyry will provide information and cooperation to the plaintiffs for the purposes of prosecuting the Ontario Class Action against the remaining defendants.

99. In exchange for information and cooperation, there would be a release of claims against Pöyry and a bar order preventing claims for contribution, indemnity and other claims over in respect of the released claims. If it is later determined that the non-settling defendants have such rights of contribution, indemnity, or claim over against Pöyry, then the class members would not be entitled to claim or recover from the non-settling

defendants the proportion of any judgment that the Ontario court would have apportioned to Pöyry.

100. The settlement agreement provides that the parties shall consent to certification for the purpose of settlement and that Pöyry will pay the first \$100,000 of the costs of providing notice of certification and fairness hearing and half of any such costs over \$100,000. A copy of the settlement agreement is marked and attached as **Exhibit “Z”**

Compensation and Proceeds of Stock Sales of Certain Individual Defendants

101. Over the course of their involvement with Sino, the defendants Allen Chan, Kai Kit Poon, and David Horsley received substantial compensation from Sino. The following information regarding these defendants’ salary and bonus from Sino was compiled from the Management Information Circulars from 2007 to 2010, which are marked and attached as **Exhibits “AA” to “DD”**. Information regarding the net proceeds of these defendants’ sale of Sino’s securities was compiled from insider transaction detail reports retrieved from the System for Electronic Disclosure by Insiders (“SEDI”), which are marked and attached as **Exhibits “EE” to “GG”**

102. According to these documents, Allen Chan received
 - (a) \$1,047,947 in net proceeds from his sale of Sino securities; and
 - (b) \$22,698,775 in salary and bonuses between 2007 and 2010.

103. According to these documents, Kai Kit Poon received
 - (a) \$48,522,642 in net proceeds from his sale of Sino securities; and

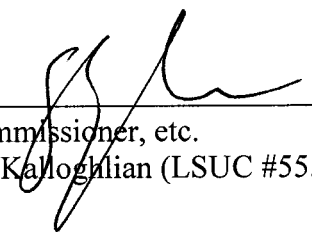
(b) \$3,021,162 in salary and bonuses between 2007 and 2010

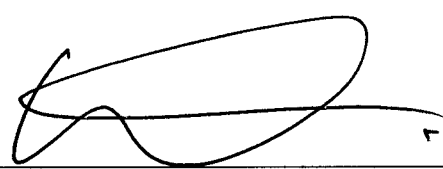
104. According to these documents, David Horsley received

(a) \$5,842,303 in net proceeds from his sale of Sino securities; and

(b) \$7,568,487 in salary and bonuses between 2007 and 2010.

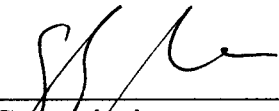
SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 11th day of April, 2012.)
)
)
)
)
)
)
)
)


A Commissioner, etc.
Serge Kaloghlian (LSUC #55557F)


Daniel E. H. Bach

TAB A

This is Exhibit "A" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



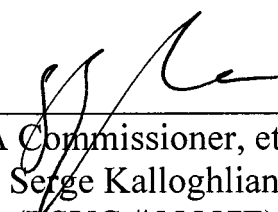
A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

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

**Motion Record of the Plaintiffs
(Motion for Leave – Part XXIII.1
of the *Securities Act*)**

TAB B

This is Exhibit "B" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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

Plaintiffs

- and -

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

Defendants

Proceeding under the Class Proceedings Act, 1992

FRESH AS AMENDED STATEMENT OF CLAIM

(NOTICE OF ACTION ISSUED JULY 20, 2011)

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

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

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

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

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

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

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

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

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

- AND TO: Kai Kit Poon**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Peter Wang**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Garry West**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7
- AND TO: BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, China
- AND TO: Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052
PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9

- AND TO: RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8
- AND TO: Merrill Lynch Canada Inc.**
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8
- AND TO: Canaccord Financial Ltd.**
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1
- AND TO: Maison Placements Canada Inc.**
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5
- AND TO: Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, NY 10010
- AND TO: Banc of America Securities LLC**
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

TABLE OF CONTENTS

I.	Defined Terms	3
II.	Claim.....	11
III.	Overview.....	13
IV.	The Parties	18
	A. <i>The Plaintiffs</i>	18
	B. <i>The Defendants</i>	19
V.	The Offerings	30
VI.	The Misrepresentations.....	34
	A. <i>Misrepresentations relating to Sino’s History and Fraudulent Origins</i>	35
	(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture.....	35
	(ii) Sino’s Fictitious Investment in SJXT	39
	(iii) Sino’s Materially Deficient and Misleading Class Period Disclosures regarding Sino’s History	44
	B. <i>Misrepresentations relating to Sino’s Forestry Assets</i>	46
	(i) Sino Overstates its Yunnan Forestry Assets	46
	(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname	47
	(iii) Sino overstates its Jiangxi Forestry Assets	50
	(iv) Poyry makes Misrepresentations in relation to Sino’s Forestry Assets	51
	C. <i>Misrepresentations relating to Sino’s Related Party Transactions</i>	54
	(i) Related Party Transactions Generally.....	54
	(ii) Sino fails to disclose that Zhonggan was a Related Party.....	54
	(iii) Sino fails to disclose that Homix was a Related Party.....	55
	(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party	57

(v)	Sino fails to disclose that Yuda Wood was a Related Party.....	57
(vi)	Sino fails to Disclose that Major Suppliers were Related Parties.....	58
D.	<i>Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC</i>	59
E.	<i>Misrepresentations relating to Sino's Relationships with its AIs</i>	65
(i)	Sino Misrepresents the Degree of its Reliance on its AIs.....	65
(ii)	Sino Misrepresents the Tax-related Risks Arising from its use of AIs.....	66
(iii)	Sino Misrepresents its Accounting Treatment of its AIs	71
F.	<i>Misrepresentations relating to Sino's Cash Flow Statements</i>	72
G.	<i>Misrepresentations relating to Certain Risks to which Sino was exposed</i>	74
(i)	Sino is conducting "business activities" in China.....	74
(ii)	Sino fails to disclose that no proceeds were paid to it by its AIs.....	74
H.	<i>Misrepresentations relating to Sino's GAAP Compliance and the Auditors' GAAS Compliance</i>	76
(i)	Sino, Chan and Horsley misrepresent that Sino complied with GAAP	76
(ii)	E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS.....	83
(iii)	The Market Relied on Sino's Purported GAAP-compliance and E&Y's and BDO's purported GAAS-compliance in Sino's Financial Reporting.....	85
VII.	Chan's and Horsley's False Certifications.....	86
VIII.	The Truth Is Revealed.....	86
IX.	Sino Rewards Its Experts	100
X.	The Defendants' Relationship to the Class.....	101
XI.	The Plaintiffs' Causes of Action.....	104
A.	<i>Negligent Misrepresentation</i>	104
B.	<i>Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy</i>	105
(i)	Statutory Liability– Secondary Market under the Securities Legislation ..	105

(ii) Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation.....	106
(iii) Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation.....	107
(iv) Negligence Simpliciter – Primary Market for Sino’s Securities.....	107
(v) Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray	111
(vi) Unjust Enrichment of Sino.....	112
(vi) Unjust Enrichment of the Underwriters	112
(vii) Oppression	113
(viii) Conspiracy	115
XII. The Relationship between Sino’s Disclosures and the Price of Sino’s Securities.....	119
XIII. Vicarious Liability	120
A. <i>Sino and the Individual Defendants</i>	120
B. <i>E&Y</i>	121
C. <i>BDO</i>	121
D. <i>Pöyry</i>	121
E. <i>The Underwriters</i>	122
XIV. Real and Substantial Connection with Ontario.....	122
XV. Service Outside of Ontario.....	123
XVI. Relevant Legislation, Place of Trial, Jury Trial and Headings	123

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:
 - (a) “AI” means Authorized Intermediary;

- (b) “**AIF**” means Annual Information Form;
- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Banc of America Securities LLC;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s** Code of Business Conduct;

- (p) “**CPA**” means the Ontario *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;
- (q) “**Credit Suisse**” means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) “**Credit Suisse USA**” means the defendant Credit Suisse Securities (USA) LLC;
- (s) “**Defendants**” means **Sino, the Individual Defendants, Pöyry, BDO, E&Y and the Underwriters**;
- (t) “**December 2009 Offering Memorandum**” means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which **Sino** filed on **SEDAR** on December 11, 2009;
- (u) “**December 2009 Prospectus**” means **Sino**’s Final Short Form Prospectus, dated December 10, 2009, which **Sino** filed on **SEDAR** on December 11, 2009;
- (v) “**Dundee**” means the defendant Dundee Securities Corporation;
- (w) “**E&Y**” means the defendant, Ernst and Young LLP;
- (x) “**Excluded Persons**” means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;
- (y) “**Final Report**” means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) “**GAAP**” means Canadian generally accepted accounting principles;
- (aa) “**GAAS**” means Canadian generally accepted auditing standards;
- (bb) “**Horsley**” means the defendant David J. Horsley;
- (cc) “**Hyde**” means the defendant James M.E. Hyde;

(dd) “**Impugned Documents**” mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements (filed on **SEDAR** on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on **SEDAR** on March 19, 2007), 2006 AIF (filed on **SEDAR** on March 30, 2007), 2006 Annual **MD&A** (filed on **SEDAR** on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on **SEDAR** on May 4, 2007), Q1 2007 **MD&A** (filed on **SEDAR** on May 14, 2007), Q1 2007 Financial Statements (filed on **SEDAR** on May 14, 2007), **June 2007 Prospectus**, Q2 2007 **MD&A** (filed on **SEDAR** on August 13, 2007), Q2 2007 Financial Statements (filed on **SEDAR** on August 13, 2007), Q3 2007 **MD&A** (filed on **SEDAR** on November 12, 2007), Q3 2007 Financial Statements (filed on **SEDAR** on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on **SEDAR** on March 18, 2008), 2007 AIF (filed on **SEDAR** on March 28, 2008), 2007 Annual **MD&A** (filed on **SEDAR** on March 18, 2008), Amended 2007 Annual **MD&A** (filed on **SEDAR** on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on **SEDAR** on May 6, 2008), Q1 2008 **MD&A** (filed on **SEDAR** on May 13, 2008), Q1 2008 Financial Statements (filed on **SEDAR** on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 **MD&A** (filed on **SEDAR** on August 12, 2008), Q2 2008 Financial Statements (filed on **SEDAR** on August 12, 2008), Q3 2008 **MD&A** (filed on **SEDAR** on November 13, 2008), Q3 2008 Financial Statements (filed on **SEDAR** on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on **SEDAR** on March 16, 2009), 2008 Annual **MD&A** (filed on **SEDAR** on March 16, 2009), Amended 2008 Annual **MD&A** (filed on **SEDAR** on March 17, 2009), 2008 AIF (filed on **SEDAR** on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on **SEDAR** on May 4, 2009), Q1 2009 **MD&A** (filed on **SEDAR** on May 11, 2009), Q1 2009 Financial Statements (filed on **SEDAR** on May 11, 2009), **June 2009 Prospectus**, **June 2009 Offering Memorandum**, Q2 2009 **MD&A** (filed on **SEDAR** on August 10, 2009), Q2 2009 Financial Statements (filed on **SEDAR** on August 10, 2009), Q3 2009 **MD&A** (filed on **SEDAR** on November 12, 2009),

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

- (ee) **“Individual Defendants”** means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West**, collectively;
- (ff) **“July 2008 Offering Memorandum”** means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which **Sino** filed on **SEDAR** as a schedule to a material change report on July 25, 2008;
- (gg) **“June 2007 Prospectus”** means **Sino’s** Short Form Prospectus, dated June 5, 2007, which **Sino** filed on **SEDAR** on June 5, 2007;
- (hh) **“June 2009 Offering Memorandum”** means **Sino’s** Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which **Sino** filed on **SEDAR** as a schedule to a material change report on June 25, 2009;

- (ii) “**June 2009 Prospectus**” means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on **SEDAR** on June 1, 2009;
- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s **Securities** that occurred during the **Class Period** including the public offerings of Sino’s common shares pursuant to the **June 2007, June 2009 and December 2009 Prospectuses**, as well as the offerings of Sino’s notes pursuant to **the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda**, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in

Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;

- (vv) “**Poon**” means the defendant Kai Kit Poon;
- (ww) “**Pöyry**” means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) “**PRC**” means the People’s Republic of China;
- (yy) “**Representation**” means the statement that Sino’s financial statements complied with **GAAP**;
- (zz) “**RBC**” means the defendant RBC Dominion Securities Inc.;
- (aaa) “**Scotia**” means the defendant Scotia Capital Inc.;
- (bbb) “**Second Report**” means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) “**Securities**” means Sino’s common shares, notes or other securities, as defined in the *OSA*;
- (ddd) “**Securities Legislation**” means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act, 1988*, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) “**SEDAR**” means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

- (fff) **“Sino”** means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) **“TD”** means the defendant TD Securities Inc.;
- (hhh) **“TSX”** means the Toronto Stock Exchange;
- (iii) **“Underwriters”** means **Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD,** collectively;
- (jjj) **“Wang”** means the defendant Peter Wang;
- (kkk) **“West”** means the defendant Garry J. West; and
- (lll) **“WFOE”** means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

II. CLAIM

2. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;
- (b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;
- (c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;
- (d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;
- (e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;
- (f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of \$6.5 billion;
- (g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of \$175,835,000;
- (h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

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

- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of \$319,200,000;
- (j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$345 million;
- (k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$400 million;
- (l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US\$460 million;
- (m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US\$600 million;

- (n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of \$50 million;
- (o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;
- (p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;
- (q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;
- (r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;
- (s) Prejudgment and post judgment interest;
- (t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (u) Such further and other relief as to this Honourable Court may seem just.

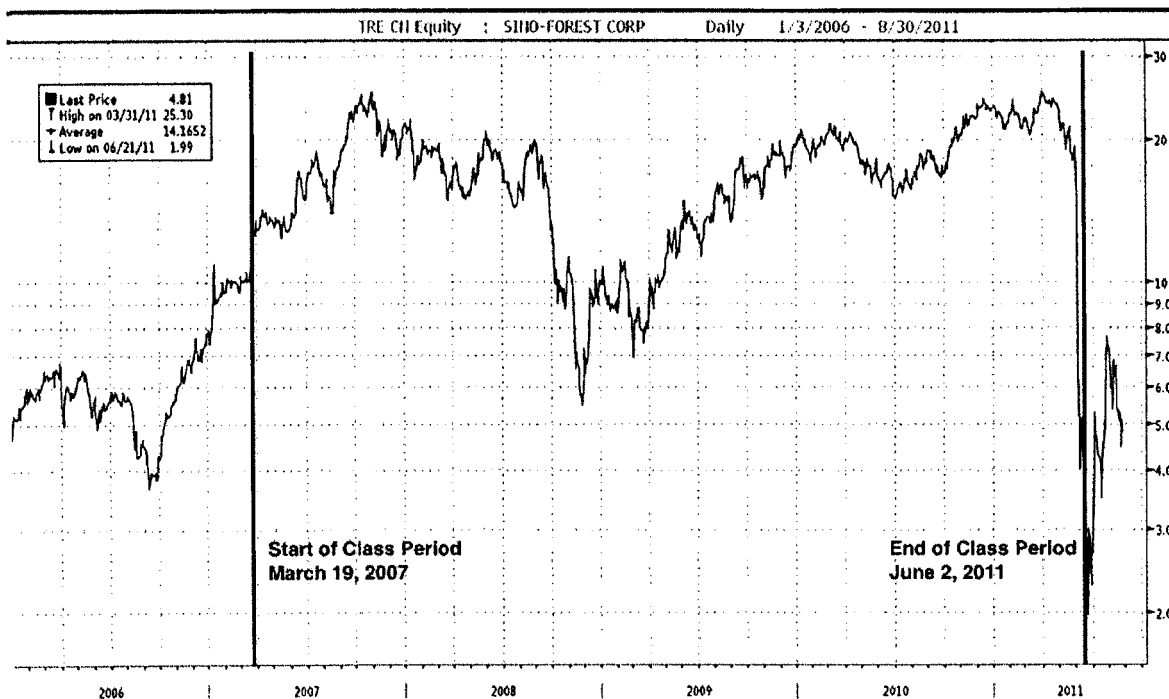
III. OVERVIEW

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

844

14

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



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

6. Sino itself raised in excess of \$2.7 billion¹ in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

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

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

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

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

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

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

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

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

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

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

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

[...]

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

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

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

IV. THE PARTIES

A. *The Plaintiffs*

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

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