

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

Sino-Forest Corporation

THIRTEENTH REPORT OF THE MONITOR

November 22, 2012

Volume II of II

APPENDIX E – PLAN SUPPLEMENT

(See Attached)



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

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

PLAN SUPPLEMENT

to the

PLAN OF COMPROMISE AND REORGANIZATION DATED OCTOBER 19, 2012

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

SINO-FOREST CORPORATION

November 21, 2012

NOTICE OF FILING OF PLAN SUPPLEMENT

PLEASE TAKE NOTICE that, pursuant to a Plan Filing and Meeting Order of the Ontario Superior Court of Justice dated August 31, 2012 (the "Meeting Order") relating to a meeting (the "Meeting") to consider a Plan of Compromise and Reorganization dated October 19, 2012 (as such Plan may be modified, amended, varied or supplemented in accordance with its terms, the "Plan") filed by Sino-Forest Corporation (the "Applicant") pursuant to the provisions of the *Companies' Creditors Arrangement Act* (Canada) and Section 191 of the *Canada Business Corporations Act* and as set forth in the Meeting Information Statement dated October 20, 2012 pertaining to the Plan (the "Information Statement"), the Applicant must serve and file this Plan supplement (as such Plan supplement may be thereafter modified, amended, varied or supplemented in accordance with the Plan, this "Plan Supplement"), and the Monitor must post the Plan Supplement on the Website, no later than seven (7) days prior to the Meeting. All capitalized terms not otherwise defined in this Plan Supplement shall have the meanings ascribed to them in the Plan.

PLEASE TAKE FURTHER NOTICE that this Plan Supplement supplements the Plan with (A) a summary of the terms of the Litigation Trust, (B) a draft of the Litigation Trust Agreement, (C) a summary of certain information concerning Newco, including information relating to Newco's governance and management and a summary of the terms of the Newco Shares, (D) a description of the terms of the Newco Notes, (E) a summary of the constitution and governance of SFC Escrow Co., (F) information concerning certain reserves and other amounts relating to the Plan, and (G) a draft of the Plan Sanction Order, each of which is attached hereto as Exhibit A, B, C, D, E, F and G, respectively.

PLEASE TAKE FURTHER NOTICE that you are advised and encouraged to read this Plan Supplement in conjunction with the Information Statement, the Plan and the Meeting Order.

PLEASE TAKE FURTHER NOTICE that a true and complete copy of the Plan Supplement is attached hereto.

PLEASE TAKE FURTHER NOTICE that copies of the Plan Supplement as well as the Plan, the Information Statement and the Meeting Order may be obtained from the Monitor's website at <http://cfcanada.fticonsulting.com/sfc/>.

EXHIBIT A

SUMMARY OF TERMS OF LITIGATION TRUST

Overview

The Litigation Trust will be created pursuant to the Plan on the Plan Implementation Date. Pursuant to the agreement governing the Litigation Trust, a draft form of which is attached as Exhibit B to the Plan Supplement (the "**Litigation Trust Agreement**"), the Litigation Trustee will hold the Litigation Trust Claims and the other Litigation Trust Assets for the benefit of the Affected Creditors with Proven Claims and the Noteholder Class Action Claimants entitled to receive Litigation Trust Interests under the Plan (the "**Litigation Trust Beneficiaries**"). Capitalized terms used in this Exhibit A but not otherwise defined herein have the meaning ascribed to such terms in the Litigation Trust Agreement.

Transfer of Assets and Rights to Litigation Trust

On the Plan Implementation Date, each of the Litigation Trust Claims will be transferred to the Litigation Trustee. The "Litigation Trust Claims" to be held by the Litigation Trustee pursuant to the Litigation Trust Agreement are defined in the Litigation Trust Agreement as any and all claims, actions, causes of action, demands, suits, rights, entitlements, litigation, arbitration, proceeding, hearing or complaint, whether known or unknown, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring at any time, whether before, on or after March 30, 2012, which may be asserted, by or on behalf of (i) SFC against any and all third parties; or (ii) the Noteholders or any representative thereof (including the Trustee) against any and all third parties in connection with any the Notes issued by SFC, other than Noteholder Class Action Claims. However, the Litigation Trust Claims will not include any claim or cause of action that is released pursuant to Sections 7.1 of the Plan. The Litigation Trust Agreement defines "Litigation Trust Assets" as the Litigation Trust Claims, the Litigation Funding Amount, and any other assets acquired by the Litigation Trust on or after the Plan Implementation Date pursuant to the Litigation Trust Agreement or the Plan.

Upon the creation of the Litigation Trust, SFC will transfer the Litigation Funding Amount to the Litigation Trustee to finance the operations of the Litigation Trust. The Litigation Funding Amount is a cash amount acceptable to SFC, the Monitor and the Initial Consenting Noteholders to be contributed by SFC to the Litigation Trustee for purposes of funding the Litigation Trust on the Plan Implementation Date. The parties have not yet determined the amount of the Litigation Funding Amount.

Duties of Litigation Trustee

Subject to the terms of the Litigation Trust Agreement, the Litigation Trustee, upon direction of the Litigation Trust Board (whose decisions, approvals or other actions shall require a majority

vote), in the exercise of its reasonable business judgment, will, in an efficient and responsible manner, prosecute the Litigation Trust Claims and preserve and enhance the value of the Litigation Trust Assets. The efficient and responsible prosecution of the Litigation Trust Claims may be accomplished either through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise, as determined by the Litigation Trustee and the Litigation Trustee Board in accordance with the terms of the Litigation Trust Agreement and the exercise of their collective reasonable best judgement. The Litigation Trustee, upon direction by the Litigation Trust Board, and except as set forth in the Litigation Trust Agreement, will have the absolute right to pursue, settle and compromise or not pursue any and all Litigation Trust Claims as it determines is in the best interests of the Litigation Trust Beneficiaries, and consistent with the purposes of the Litigation Trust, and the Litigation Trustee will have no liability for the outcome of any such decision except for any damages caused by its gross negligence, bad faith, wilful misconduct or knowing violation of law.

Litigation Trustee

The Litigation Trustee will be determined by SFC and the Initial Consenting Noteholders prior to the Plan Implementation Date, with the consent of the Monitor, to serve as trustee of the Litigation Trust pursuant to and in accordance with the terms thereof. The Litigation Trustee will be appointed as trustee of the Litigation Trust effective as of the Plan Implementation Date. The parties have not yet determined who will serve as Litigation Trustee.

Litigation Trust Board

A litigation trust board (the "**Litigation Trust Board**") will be established and consist of three Persons. The three members of the Litigation Trust Board will be appointed to serve in such capacity pursuant to the Sanction Order. The members of the Litigation Trust Board will have the right to direct and remove the Litigation Trustee in accordance with the Litigation Trust Agreement, and will have the right to operate and manage the Litigation Trust in a manner that is not inconsistent with the terms of the Litigation Trust Agreement. No holder of Litigation Trust Interests (except to the extent such holder is a member of the Litigation Trust Board) will have any consultation or approval rights whatsoever in respect of management and operation of the Litigation Trust. The parties have not yet determined who will serve as members of the Litigation Trust Board.

Interests of Holders of Litigation Trust Interests

The ownership of a Litigation Trust Interest will not entitle any holder of Litigation Trust Interests to any title in or to the assets of the Litigation Trust or to any right to call for a partition or division of the assets of the Litigation Trust or to require an accounting. The entitlements of the holders of Litigation Trust Interests (and the beneficial interests therein) will not be represented by certificates, securities, receipts or in any other form or manner whatsoever, except as maintained on the books and records of the Litigation Trust by the Litigation Trustee or the Registrar. No transfer, sale assignment, distribution, exchange, pledge, hypothecation, mortgage or other disposition (each, a "Transfer") of a Litigation Trust Interest may be effected or made.

However, Transfers of a Litigation Trust Interest may be made pursuant to the Plan or by operation of law or by will or the laws of descent and distribution.

Canada Federal Income Tax Matters Relating to Litigation Trust Interests

The treatment for Canadian federal income tax purposes, pursuant to the Tax Act, of the Litigation Trust and of a Holder's Litigation Trust Interest, including the holding and disposition thereof and the receipt of distributions is unclear and will depend, in part, on the residence of the Litigation Trust. The residence of the Litigation Trust for purposes of the Tax Act will depend on a number of factors, including the location where the Litigation Trust is managed and controlled. Pursuant to the Tax Proposals, where the management and control of the Litigation Trust is located outside Canada, the Litigation Trust may still be deemed, for certain purposes of the Tax Act, to be resident in Canada.

To the extent the Litigation Trust is, or is deemed to be, a resident of Canada for purposes of the Tax Act, and realizes any income or capital gain with respect to the Litigation Trust Claims transferred to the Litigation Trust, the Litigation Trust may be liable for Canadian federal income tax thereon. Where the Litigation Trust is subject to Canadian federal income tax and is a resident of Canada solely by virtue of being deemed a resident, Canadian Holders of beneficial interests in the Litigation Trust have, jointly and severally, or solidarily, with the Litigation Trust and with each other, the rights and obligations of the Litigation Trust under Divisions I and J of the Tax Act, including in respect of the filing of returns and the payment of income tax payable by the Litigation Trust, and may be subject to administration and enforcement proceedings under Part XV of the Tax Act in respect of those rights and obligations, subject to the recovery limit rules in proposed section 94 of the Tax Act. To the extent that the income or gains of the Litigation Trust are paid or made payable to the beneficiaries of the Litigation Trust in a particular taxation year, the beneficiaries may be liable for Canadian federal income tax in respect of such amounts paid or made payable and a deduction in computing income may be available to the Litigation Trust.

To the extent the Litigation Trust is, or is deemed to be, a resident of Canada for Canadian income tax purposes, net income of the Litigation Trust distributed to non-residents of Canada will be subject to withholding tax under the Canadian Tax Act at a 25% rate, subject to potential reduction under an applicable tax treaty between Canada and the beneficiary's jurisdiction of residence.

Holders who will receive an interest in the Litigation Trust should consult their own tax advisors with respect to both Canadian and foreign income tax considerations.

EXHIBIT B

DRAFT OF LITIGATION TRUST AGREEMENT

SINO-FOREST LITIGATION TRUST AGREEMENT

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DRAFT

THIS LITIGATION TRUST AGREEMENT (this “**Agreement**”), dated as of the Effective Date, is entered into by and among:

1. Sino-Forest Corporation (“**SFC**”); and
2. [●], as trustee of the Litigation Trust (the “**Litigation Trustee**”).

PRELIMINARY STATEMENT

SFC has filed that certain Plan of Compromise and Arrangement dated ●, 2012 in the Ontario Superior Court of Justice (the “**CCAA Court**”) pursuant to the provisions of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”) (Case No. CV-12-9667-CL) (together with any supplement to such Plan and the exhibits and schedules thereto, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof, the “**Plan**”).

On March 30, 2012 (the “**Filing Date**”), SFC commenced reorganization proceedings under the CCAA before the CCAA Court.

On ●, 2012, the CCAA Court entered the Sanction Order approving the Plan.

The Litigation Trust is created in accordance with the laws of Ontario.

The Litigation Trust is created pursuant to this Agreement in order to effectuate certain provisions of the Plan and the Sanction Order and, in accordance therewith, the Litigation Trustee will hold the Litigation Trust Claims and the other Litigation Trust Assets for the benefit of the Litigation Trust Beneficiaries.

In this Agreement, “**Litigation Trust Claims**” means any and all claims, actions, causes of action, demands, suits, rights, entitlements, litigation, arbitration, proceeding, hearing or complaint, whether known or unknown, reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or non-contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, in law, equity or otherwise, based in whole or in part upon any act or omission or other event occurring at any time, whether before, on or after the Filing Date (the “**Causes of Action**”) which may be asserted, by or on behalf of (i) SFC against any and all third parties; or (ii) the Noteholders or any representative thereof (including the Trustees) against any and all third parties in connection with any of the Notes issued by SFC, other than Noteholder Class Action Claims; provided, however, that in no event shall Litigation Trust Claims include any Claim or Cause of Action that is released pursuant to Sections 7.1 of the Plan.

In this Agreement, “**Litigation Trust Assets**” means the Litigation Trust Claims, the Litigation Funding Amount, and any other assets acquired by the Litigation Trust on or after the Effective Date pursuant to this Agreement or the Plan.

The Litigation Trust is established for the sole purpose of liquidating and distributing the Litigation Trust Assets pursuant to the Plan and this Agreement with no objective to continue or engage in the conduct of a trade or business.

The Litigation Trust is established for the (i) benefit of the Affected Creditors with Proven Claims and the Noteholder Class Action Claimants entitled to receive Litigation Trust Interests under the Plan (individually, a “**Litigation Trust Beneficiary**” and collectively, the “**Litigation Trust Beneficiaries**”) and (ii) pursuit of all Litigation Trust Claims.

The Litigation Trustee has been duly appointed pursuant to the Sanction Order and Section 1.2(b) of this Agreement.

Unless the context otherwise requires, capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Plan. Schedule A to this Agreement sets forth an index of terms that are defined in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements contained herein and in the Plan, SFC, the Litigation Trustee and the Litigation Trust Board, intending to be legally bound, agree as follows:

ARTICLE 1 ESTABLISHMENT OF THE LITIGATION TRUST

1.1 Settling the Litigation Trust and Funding Expenses of the Litigation Trust

SFC shall settle the Litigation Trust and shall transfer the Litigation Funding Amount to the Litigation Trustee by way of a loan or otherwise to finance the operations of the Litigation Trust. The Litigation Trust Claims Transferors shall have no other funding obligations with respect to the Litigation Trust.

1.2 Establishment of Litigation Trust and Appointment of the Litigation Trustee

- (a) Pursuant to the Plan, the Litigation Trust is hereby established on the date and at the time set out in section 6.4 of the Plan, and shall be known as the “**Sino-Forest Litigation Trust**” on behalf of and for the benefit of the Litigation Trust Beneficiaries.
- (b) The Litigation Trustee is hereby appointed as trustee of the Litigation Trust effective as of the Plan Implementation Date (the “**Effective Date**”) and agrees to accept and hold the Litigation Trust Assets in trust for the Litigation Trust Beneficiaries, subject to the terms of this Agreement. The Litigation Trustee (and each successor trustee thereto serving from time to time hereunder) shall have all the rights, powers and duties set forth herein and pursuant to applicable law for accomplishing the purposes of the Litigation Trust.

1.3 Transfer of Assets and Rights to the Litigation Trustee

- (a) On the Effective Date, pursuant to the Plan and the Sanction Order each of the Litigation Trust Claims shall be deemed to be irrevocably transferred, assigned and delivered to the Litigation Trustee (i) rights, title and interests in and to the Litigation Trust Claims (and with respect to the Indenture Trustees, all of the rights, title and interests of the Noteholders in and to the Litigation Trust Claims on behalf of the Noteholders), free and clear of any and all liens, claims (other than claims in the nature of setoff or recoupment), encumbrances or interests of any kind in such property of any other Person, and (ii) all respective rights, title and interests in and to any lawyer-client privilege, work product privilege or other privilege or immunity attaching to any documents or communications (whether written or oral) associated with the Litigation Trust Claims (collectively, the “Privileges”) (and with respect to the Indenture Trustees, all of the rights, title and interests of the Noteholders in and to the Privileges on behalf of the Noteholders), all of which shall, and shall be deemed to, vest in the Litigation Trustee for the benefit of the Litigation Trust Beneficiaries. In no event shall any part of the Litigation Trust Claims revert to or be distributed to SFC or the Noteholders (or any representative thereof (including the Trustees)). None of the foregoing transfers to the Litigation Trustee shall constitute a merger or consolidation of the respective Litigation Trust Claims, each of which shall retain its separateness following the transfer for all purposes relevant to the prosecution thereof. The Litigation Trustee’s receipt of the Privileges shall be without waiver in recognition of the joint and/or successor interest in prosecuting claims on behalf of the Litigation Trust Claims Transferors.
- (b) Subject to Section 1.3(c), after the Effective Date, SFC shall (i) deliver or cause to be delivered to the Litigation Trustee, documents reasonably requested and related to the Litigation Trust Claims (including those maintained in electronic format), whether held by SFC or its employees, agents, advisors, counsel, accountants, or other professionals and (ii) provide reasonable access to such employees, agents, advisors, counsel, accountants or other professionals with knowledge of matters relevant to the Litigation Trust Claims. Where original documents are required, SFC will make reasonable efforts to make such original documents available. For the avoidance of doubt, the rights of the Litigation Trustee pursuant to this Section 1.3(b) shall include the right to demand or compel the production of copies of any such documents or information from any party, committee or person who may have produced such documents for or on behalf of SFC or any committee appointed by SFC or its board of directors.
- (c) Any documents or information delivered by SFC to the Litigation Trustee pursuant to Section 1.3(b) (i) shall be used strictly for the purposes of advancing the Litigation Trust Claims and for no other purpose, (ii) shall not, except as may be required by law, be used for any purpose in relation to any regulatory proceedings involving the Named Directors and Officers, and (iii) shall be subject to the continuation of any privilege attaching to such documents, including but

not limited to lawyer-client privilege, litigation privilege, and common interest privilege, which privileges the Litigation Trustee agrees to maintain and uphold.

- (d) Where documents, information and/or access is requested of third party agents, advisors, lawyers, accountants or other professionals ("Third Party Disclosers"), the Litigation Trustee shall pay such reasonable fees and costs of such Third Party Disclosers as are necessary for them to comply with the requests of the Litigation Trustee.
- (e) SFC hereby agrees at any time and from time to time on and after the Effective Date, (i) at the reasonable request of the Litigation Trustee, to execute and/or deliver any instruments, documents, books, and records (including those maintained in electronic format and original documents as may be needed), (ii) to take, or cause to be taken, all such further actions as the Litigation Trustee may reasonably request in order to evidence or effectuate the transfer of the Litigation Trust Claims and the Privileges to the Litigation Trustee contemplated hereby and by the Plan and to otherwise carry out the intent of the parties hereunder, and (iii) to cooperate with the Litigation Trustee in the prosecution of Litigation Trust Claims to the extent reasonable.
- (f) The Litigation Trustee agrees that it will accommodate reasonable requests by Named Directors and Officers (and their agents, advisors, lawyers, accountants or other professionals) to access, at their expense, copies or originals of any documents obtained by the Litigation Trustee pursuant to the terms of this Agreement, for the purposes of defending any civil, regulatory or other proceedings involving the Named Directors and Officers or in connection with their financial affairs.

1.4 Title to Litigation Trust Assets

- (a) Upon the transfer of the Litigation Trust Claims to the Litigation Trust pursuant to the Plan, the Sanction Order and this Agreement, SFC and any other holders of the Litigation Trust Claims (the "**Litigation Trust Claims Transferors**") shall have no interest in or with respect to the Litigation Trust Assets, and the Litigation Trustee shall succeed to all of the Litigation Trust Claims Transferors' rights, title and interests in and to the Litigation Trust Claims.
- (b) Notwithstanding anything in the Plan or in this Agreement to the contrary, the transfer of the Litigation Trust Claims to the Litigation Trustee does not diminish, and fully preserves, any defences or privileges a defendant would have if such Litigation Trust Claims had been retained by the Litigation Trust Claims Transferors.
- (c) To the extent that any Litigation Trust Assets cannot be transferred to the Litigation Trustee because of a restriction on transferability under applicable non-bankruptcy law, such Litigation Trust Assets shall be deemed to have been retained by the applicable Litigation Trust Claims Transferors, and the Litigation Trustee shall be deemed to have been designated as a representative of such

Litigation Trust Claims Transferors to enforce and pursue such Litigation Trust Assets on behalf of such Litigation Trust Claims Transferors, and all proceeds, income and recoveries on account of any such Litigation Trust Assets shall be assets of the Litigation Trust and paid over thereto immediately upon receipt by the Litigation Trust Claims Transferors, or any other Person. Notwithstanding the foregoing, but subject to Sections 1.1 and 3.4 of this Agreement, all net proceeds, income, and recoveries of or on account of such Litigation Trust Assets shall be transferred to the Litigation Trust to be distributed to the holders of the Litigation Trust Interests consistent with the terms of this Agreement.

1.5 Nature and Purpose of the Litigation Trust

- (a) Purpose. The Litigation Trust is organized and established as a trust pursuant to which the Litigation Trustee, subject to the terms and conditions contained herein, is to (i) hold the assets of the Litigation Trust and (ii) oversee the efficient prosecution of the Litigation Trust Claims, on the terms and conditions set forth herein.
- (b) Actions of the Litigation Trustee. Subject to the terms of this Agreement, the Litigation Trustee, upon direction of the Litigation Trust Board, and the exercise of their collective reasonable business judgment, shall, in an efficient and responsible manner prosecute the Litigation Trust Claims and preserve and enhance the value of the Litigation Trust Assets. The efficient and responsible prosecution of the Litigation Trust Claims may be accomplished either through the prosecution, compromise and settlement, abandonment or dismissal of any or all claims, rights or causes of action, or otherwise, as determined by the Litigation Trustee and the Litigation Trustee Board in accordance with the terms of this Agreement and the exercise of their collective reasonable best judgement. The Litigation Trustee, upon direction by the Litigation Trust Board, and except as set forth in Section 3.12 herein, shall have the absolute right to pursue, settle and compromise or not pursue any and all Litigation Trust Claims as it determines is in the best interests of the Litigation Trust Beneficiaries, and consistent with the purposes of the Litigation Trust, and the Litigation Trustee shall have no liability for the outcome of any such decision except for any damages caused by gross negligence, bad faith, wilful misconduct or knowing violation of law.
- (c) Limitation on Actions Against Named Directors and Officers. From and after the Plan Implementation Date, to the extent that the Litigation Trust Claims include rights of action against a Named Director or Officer, (a) the Litigation Trustee may only commence or prosecute an action for a Non-Released D&O Claim against a Named Director or Officer if the Litigation Trustee has first obtained (i) the consent of the Monitor or (ii) leave of the Court on notice to the applicable Directors and Officers, SFC, the Monitor, the Initial Consenting Noteholders and any applicable insurers; and (b) in connection with any action brought or prosecuted by the Litigation Trustee against a Named Director or Officer asserting a Section 5.1(2) D&O Claim or a Conspiracy Claim, the Litigation Trustee shall, as against the Named Directors and Officers, in relation to such claims, be irrevocably limited to recovery solely from the proceeds of the

Insurance Policies paid or payable on behalf of SFC or its Directors or Officers, and shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from any of the Named Directors and Officers other than enforcing the Litigation Trustee's rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s). Any defined term used in this subparagraph not defined in this Agreement shall be as defined in the Plan.

- (d) Relationship. This Agreement is intended to create a trust and a trust relationship and to be governed and construed in all respects as a trust. The Litigation Trust is not intended to be, and shall not be deemed to be or treated as, a general partnership, limited partnership, joint venture, corporation, joint stock company or association, nor shall the Litigation Trustee, or the Litigation Trust Board (or any of its members or *ex officio* members), or the Litigation Trust Beneficiaries, or any of them, for any purpose be, or be deemed to be or treated in any way whatsoever to be, liable or responsible hereunder as partners or joint venturers. The relationship of the Litigation Trust Beneficiaries, on the one hand, to the Litigation Trustee and the Litigation Trust Board, on the other, shall not be deemed a principal or agency relationship, and their rights shall be limited to those conferred upon them by this Agreement.
- (e) No Waiver of Claims. The Litigation Trustee may enforce all rights to commence and pursue, as appropriate, any and all Litigation Trust Claims after the Effective Date. The Litigation Trustee shall have, retain, reserve, and be entitled to assert all such Litigation Trust Claims, rights of setoff, and other legal or equitable defences which the Litigation Trust Claims Transferors had on the Effective Date fully as if the Litigation Trust Claims had not been transferred to the Litigation Trustee in accordance with the Plan, the Sanction Order and this Agreement, and all of the Litigation Trust Claims Transferors' legal and equitable rights - may be asserted after the Effective Date. Nothing in this Agreement shall be construed in a manner that is inconsistent with the Plan, the Sanction Order or any other orders made by the CCAA Court.

1.6 Incorporation of Plan

The Plan and the Sanction Order are each hereby incorporated into this Agreement and made a part hereof by this reference; provided, however, to the extent that there is conflict between the provisions of this Agreement, the provisions of the Plan, and/or the Sanction Order, each such document shall have controlling effect in the following rank order: (1) the Sanction Order; (2) the Plan; and (3) this Agreement.

ARTICLE 2 LITIGATION TRUST INTERESTS

2.1 Allocation of Litigation Trust Interests

The Litigation Trust Interests shall be allocated pursuant to the Plan.

2.2 Interests Beneficial Only

The ownership of a Litigation Trust Interest shall not entitle any holder of Litigation Trust Interests to any title in or to the assets of the Litigation Trust as such (which title shall be vested in the Litigation Trustee) or to any right to call for a partition or division of the assets of the Litigation Trust or to require an accounting.

2.3 Evidence of Beneficial Interests

The entitlements of the holders of Litigation Trust Interests (and the beneficial interests therein) will not be represented by certificates, securities, receipts or in any other form or manner whatsoever, except as maintained on the books and records of the Litigation Trust by the Litigation Trustee or the Registrar. The death, incapacity or bankruptcy of any Litigation Trust Beneficiary during the term of the Litigation Trust shall not (i) operate to terminate the Litigation Trust, (ii) entitle the representatives or creditors of the deceased party to an accounting, (iii) entitle the representatives or creditors of the deceased party to take any action in the CCAA Court or elsewhere for the distribution of the Litigation Trust Assets or for a partition thereof or (iv) otherwise affect the rights and obligations of any of the Litigation Trust Beneficiaries hereunder.

2.4 Securities Law Registration

It is intended that the Litigation Trust Interests shall not constitute “securities.” To the extent the Litigation Trust Interests are deemed to be “securities,” the issuance of Litigation Trust Interests to Litigation Trust Beneficiaries hereunder or under the Plan (and any redistribution of any of the foregoing pursuant to the Plan or otherwise) shall be exempt from the prospectus and registration requirements of any applicable provincial laws pursuant to section 2.11 of National Instrument 45-106 – Prospectus and Registration Exemptions. If the Litigation Trustee determines, with the advice of counsel, that the Litigation Trust is required to comply with registration and/or reporting requirements of any applicable securities laws, then the Litigation Trustee shall, after consultation with the Litigation Trust Board, take any and all actions to comply with such registration and reporting requirements, if any, to the extent required by applicable law. Notwithstanding the foregoing, nothing herein shall be deemed to preclude the Litigation Trust Board and the Litigation Trustee from amending this Agreement to make such changes as are deemed necessary or appropriate by the Litigation Trustee, with the advice of counsel, to ensure that the Litigation Trust is not subject to any such registration and/or reporting requirements.

2.5 No Transfers

- (a) No transfer, sale assignment, distribution, exchange, pledge, hypothecation, mortgage or other disposition (each, a “**Transfer**”) of a Litigation Trust Interest may be effected or made; provided, that, Transfers of a Litigation Trust Interest may be made by operation of law or by will or the laws of descent and distribution.
- (b) The Litigation Trustee shall appoint a registrar, which may be the Litigation Trustee (the “**Registrar**”), for the purpose of recording entitlement to the Litigation Trust Interests as provided for in this Agreement. The Registrar, if

other than the Litigation Trustee, may be such other institution acceptable to the Litigation Trust Board. For its services hereunder, the Registrar, unless it is the Litigation Trustee, shall be entitled to receive reasonable compensation from the Litigation Trust as approved by the Litigation Trust Board, as an expense of the Litigation Trust.

- (c) The Litigation Trustee shall cause to be kept at the office of the Registrar, or at such other place or places as shall be designated by the Litigation Trustee from time to time, a registry of the holders of Litigation Trust Interests (the “**Trust Register**”) which shall be maintained on a strictly confidential basis by the Registrar. The identity and extent of the Litigation Trust Interests of any Litigation Trust Beneficiary shall not be disclosed to any third party (other than the Litigation Trustee, the Litigation Trust Board and the Registrar, each of them shall maintain any such information in strict confidence), without the prior written consent of such Litigation Trust Beneficiary in each case.

2.6 Absolute Owners

The Litigation Trustee may deem and treat the holder of a Litigation Trust Interest of record in the Trust Register as the absolute owner of such Litigation Trust Interests for the purpose of receiving distributions and payment thereon or on account thereof and for all other purposes whatsoever and the Litigation Trustee shall not be charged with having received notice of any claim or demand to such Litigation Trust Interests or the interest therein of any other Person.

ARTICLE 3 THE LITIGATION TRUSTEE

3.1 Litigation Trust Proceeds

Any and all proceeds, income and/or recoveries obtained on account of or from the Litigation Trust Assets shall be added to the assets of the Litigation Trust (the “**Litigation Trust Proceeds**”, which, for greater certainty, shall not include the Litigation Funding Amount), held as a part thereof and dealt with in accordance with the terms of this Agreement.

3.2 Collection of Litigation Trust Proceeds

The Litigation Trustee shall collect all Litigation Trust Proceeds and title therein shall be vested in the Litigation Trustee, in trust for the benefit of the Litigation Trust Beneficiaries, to be dealt with in accordance with the terms of this Agreement.

3.3 Payment of Litigation Trust Expenses

Subject to Section 3.12 of this Agreement and the obligations of the Litigation Trustee under Sections 1.1 and 3.4 of this Agreement, the Litigation Trustee shall maintain the Litigation Funding Amount, and expend the Litigation Funding Amount (i) as is reasonably necessary to pay reasonable and necessary administrative expenses (including but not limited to, the reasonable costs and expenses of the Litigation Trustee (including reasonable fees, costs, and expenses of professionals retained thereby) and the compensation and the reasonable costs and

expenses of the members of the Litigation Trust Board as contemplated by Section and 4.10 hereof (including the fees of professionals retained by such members as contemplated by Sections 4.2 hereof), any taxes imposed on the Litigation Trust or in respect of the Litigation Trust Assets or reasonable fees and expenses in connection with, arising out of, or related to, the Litigation Trust Assets and litigations associated therewith), (ii) to pay the costs and expenses of the valuations of the Litigation Trust Assets incurred by the Litigation Trust Board and/or the Litigation Trustee in accordance with Section 5.1(c) of this Agreement, (iii) to pay or reimburse amounts in accordance with Article 7 hereof and (iv) to satisfy other liabilities incurred or assumed by the Litigation Trust (or to which the assets of the Litigation Trust are otherwise subject) in accordance with this Agreement.

3.4 Distributions

The Litigation Trustee shall make distributions of Litigation Trust Proceeds in accordance with the provisions of Article 6 of this Agreement.

3.5 Tenure, Removal, and Replacement of the Litigation Trustee

- (a) Each Litigation Trustee will serve until the earliest of (i) the completion of all the Litigation Trustee's duties, responsibilities and obligations under this Agreement, (ii) the Litigation Trustee's resignation and the appointment of a successor pursuant to Section 3.5(b) of this Agreement, (iii) the Litigation Trustee's removal pursuant to Section 3.5(c) of this Agreement, (iv) the Litigation Trustee's death (if applicable) and (v) the termination of the Litigation Trust in accordance with this Agreement.
- (b) The Litigation Trustee may resign by giving not less than 90 days' prior written notice to the Litigation Trust Board. Such resignation will become effective on the later to occur of: (i) the day specified in such written notice and (ii) the appointment of a successor trustee as provided herein and the acceptance by such successor trustee of such appointment in accordance with Section 3.6 of this Agreement. If a successor trustee is not appointed or does not accept its appointment within 90 days following delivery of notice of resignation, the Litigation Trustee may file a motion with the CCAA Court, upon notice and hearing, for the appointment of a successor trustee.
- (c) The Litigation Trustee may be removed for any reason by majority vote of the members of the Litigation Trust Board.
- (d) In the event of a vacancy in the position of the Litigation Trustee (whether by removal, resignation, or death, if applicable), the vacancy will be filled by the appointment of a successor trustee by (i) majority vote of the members of the Litigation Trust Board, and by the acceptance of the Litigation Trust by the successor trustee in accordance with Section 3.6 of this Agreement or (ii) an order of the CCAA Court after an opportunity for a hearing (provided, however, that only the Litigation Trust Board shall have standing to seek such an order (and the Litigation Trust Board shall only seek such an order upon a majority vote of the members of the Litigation Trust Board, except as provided in Section 3.5(b) of

this Agreement). If a successor trustee is appointed as provided in clause (i) or (ii) of the preceding sentence, and such appointment is accepted by the successor trustee in accordance with Section 3.6 of this Agreement, the Litigation Trust Board shall provide notice of such appointment to the holders of the Litigation Trust Interests, which notice will include the name, address, and telephone number of the successor trustee provided, however, that, the provision of such notice shall not be a condition precedent to the vesting in the successor Litigation Trustee of all the estates, properties, rights, powers, trusts, and duties of its predecessor.

- (e) Immediately upon the appointment of any successor trustee, all rights, powers, duties, authority, and privileges of the predecessor Litigation Trustee hereunder will be vested in and undertaken by the successor trustee without any further act; and the successor trustee will not be liable personally for any act or omission of the predecessor Litigation Trustee. A successor trustee shall have all the rights, privileges, powers, and duties of its predecessor under this Agreement.
- (f) Upon the appointment of a successor trustee, the predecessor Litigation Trustee (or the duly appointed legal representative of a deceased Litigation Trustee) shall, if applicable, when requested in writing by the successor trustee or the CCAA Court, execute and deliver an instrument or instruments conveying and transferring to such successor trustee upon the trust herein expressed all the estates, properties, rights, powers and trusts of such predecessor Litigation Trustee, and shall duly assign, transfer, and deliver to such successor trustee all property and money held hereunder, and all other assets, documents, instruments, records and other writings relating to the Litigation Trust, the Litigation Trust Assets, the Litigation Trust Proceeds, the Litigation Funding Amount, and the Litigation Trust Interests, then in its possession and held hereunder, and shall execute and deliver such documents, instruments and other writings as may be requested by the successor trustee or the CCAA Court to effect the termination of such predecessor Litigation Trustee's capacity under the Litigation Trust, this Agreement and the Plan and otherwise assist and cooperate, without cost or expense to the predecessor Litigation Trustee, in effectuating the assumption of its obligations and functions by the successor trustee.
- (g) During any period in which there is a vacancy in the position of Litigation Trustee, the Litigation Trust Board shall appoint one of its members to serve as interim Litigation Trustee (the "**Interim Trustee**"). The Interim Trustee shall be subject to all the terms and conditions applicable to a Litigation Trustee hereunder. Such Interim Trustee shall not be limited in any manner from exercising any rights or powers as a member of the Litigation Trust Board merely by its appointment as Interim Trustee.
- (h) The death, resignation or removal of the Litigation Trustee shall not terminate the Litigation Trust or revoke any existing agency created pursuant to this Agreement or invalidate any action theretofore taken by the Litigation Trustee.

3.6 Acceptance of Appointment by Successor Trustee

Any successor trustee appointed hereunder shall execute an instrument accepting such appointment and assuming all of the obligations of the predecessor Litigation Trustee hereunder and accepting the terms of this Agreement and agreeing that the provisions of this Agreement shall be binding upon and inure to the benefit of the successor trustee and all of its heirs, and legal and personal representatives, successors and assigns, and thereupon the successor trustee shall, without any further act, become vested with all the estates, properties, rights, powers, trusts, and duties of its predecessor Litigation Trustee in the Litigation Trust hereunder with like effect as if originally named herein.

3.7 Regular Meetings of the Litigation Trustee and the Litigation Trust Board

Meetings of the Litigation Trustee, on one hand, and the Litigation Trust Board, on the other, are to be held with such frequency and at such place as the Litigation Trust Board may determine in its sole discretion, but in no event shall such meetings be held less frequently than one time during each quarter of each calendar year.

3.8 Special Meetings of the Litigation Trustee and the Litigation Trust Board

Special meetings of the Litigation Trustee on the one hand, and the Litigation Trust Board, on the other, may be held whenever and wherever called for either by the Litigation Trustee or at least two members of the Litigation Trust Board.

3.9 Notice of, and Waiver of Notice for Litigation Trustee and Litigation Trust Board Meeting

Notice of the time and place (but not necessarily the purpose or all of the purposes) of any regular or special meeting of the Litigation Trust Board will be given to the Litigation Trustee and the members of the Litigation Trust Board in person or by telephone, or via mail, electronic mail, or facsimile transmission. Notice to the Litigation Trustee and the members of the Litigation Trust Board of any such special meeting of the Litigation Trust Board will be deemed given sufficiently in advance when (i) if given by mail, the same is deposited in the mail at least ten calendar days before the meeting date, with postage thereon prepaid, (ii) if given by electronic mail or facsimile transmission, the same is transmitted at least one Business Day prior to the convening of the meeting, or (iii) if personally delivered (including by overnight courier) or given by telephone, the same is handed, or the substance thereof is communicated over the telephone, to the Litigation Trustee and the members of the Litigation Trust Board or to an adult member of his/her office staff or household, at least one Business Day prior to the convening of the meeting. The Litigation Trustee and any member of the Litigation Trust Board may waive notice of any meeting of the Litigation Trust Board and any adjournment thereof at any time before, during, or after it is held, subject to applicable law. Except as provided in the next sentence below, the waiver must be in writing, signed by the Litigation Trustee or the applicable member or members of the Litigation Trust Board entitled to the notice, and filed with the minutes or records of the Litigation Trust. The attendance of the Litigation Trustee or a member of the Litigation Trust Board at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning

of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

3.10 Manner of Acting

The Litigation Trustee or any member of the Litigation Trust Board may participate in a regular or special meeting by, or conduct the meeting through the use of, conference telephone, or similar communications equipment by means of which all persons participating in the meeting may hear each other, in which case any required notice of such meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. The Litigation Trustee or any member of the Litigation Trust Board participating in a meeting by this means is deemed to be present in person at the meeting.

3.11 Role of the Litigation Trustee

In furtherance of and consistent with the purpose of the Litigation Trust, the Litigation Trustee, subject to the terms and conditions contained herein, shall have the power to (i) prosecute, compromise and settle, abandon or dismiss for the benefit of the Litigation Trust Beneficiaries all Litigation Trust Claims transferred to the Litigation Trust (whether such suits are brought in the name of the Litigation Trust, the Litigation Trustee or otherwise), and (ii) otherwise perform the functions and take the actions provided for or permitted in this Agreement. In all circumstances, the Litigation Trustee shall act in the best interests of the Litigation Trust Beneficiaries and in furtherance of the purpose of the Litigation Trust.

3.12 Authority of Litigation Trustee

Subject to any limitations contained herein (including Article 4 hereof and Sections 1.1 and 3.4 of this Agreement) or in the Plan, but in addition to the other powers and authorities granted to the Litigation Trustee and set forth in this Agreement, the Litigation Trustee shall have the following powers and authorities:

- (a) to hold legal title to any and all rights of the holders of Litigation Trust Interests in or arising from the Litigation Trust Assets, including collecting, receiving any and all money and other property belonging to the Litigation Trust (including any Litigation Trust Proceeds) and, subject to the approval of the Litigation Trust Board, the right to vote any claim or interest relating to a Litigation Trust Claim in any proceeding and receive any distribution thereon;
- (b) in consultation with and subject to the approval of the Litigation Trust Board, to perform the duties, exercise the powers, and assert the rights of a trustee, including commencing, prosecuting or settling causes of action, enforcing contracts or asserting claims, defenses, offsets and privileges;
- (c) in consultation with and subject to the approval of the Litigation Trust Board, to protect and enforce the rights to the Litigation Trust Claims by any method deemed appropriate including by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;

- (d) in consultation with and subject to the approval of the Litigation Trust Board, to obtain reasonable insurance coverage with respect to the liabilities and obligations of the Litigation Trustee and the Litigation Trust Board under this Agreement (in the form of any errors and omissions policy or otherwise);
- (e) in consultation with and subject to the approval of the Litigation Trust Board, to obtain insurance coverage with respect to real and personal property that may become assets of the Litigation Trust, if any;
- (f) in consultation with and subject to the approval of the Litigation Trust Board, to retain and pay such counsel and other professionals, including any professionals previously retained by the ad hoc committee of Noteholders (the “**Ad Hoc Committee**”) or SFC, as the Litigation Trustee shall select to assist the Litigation Trustee in its duties, on such terms as the Litigation Trustee and the Litigation Trust Board deem reasonable and appropriate, without CCAA Court approval; and subject to the approval of the Litigation Trust Board, the Litigation Trustee may commit the Litigation Trust to and shall pay such counsel and other professionals reasonable compensation for services rendered (including on an hourly, contingency, or modified contingency basis) and reasonable and documented out-of-pocket expenses incurred;
- (g) in consultation with and subject to the approval of the Litigation Trust Board, to retain and pay an accounting firm to perform such reviews and/or audits of the financial books and records of the Litigation Trust as may be required by applicable laws (including, if applicable, securities laws) and/or this Agreement, and to prepare and file any tax returns, informational returns or periodic and current reports for the Litigation Trust as required by applicable laws (including, if applicable, securities laws) and/or by this Agreement; subject to the approval of the Litigation Trust Board, the Litigation Trustee may commit the Litigation Trust to and shall pay such accounting firm reasonable compensation for services rendered and reasonable and documented out-of-pocket expenses incurred;
- (h) in consultation with and subject to the approval of the Litigation Trust Board, to retain, enter into fee arrangements with and pay such third parties to assist the Litigation Trustee in carrying out its powers, authorities and duties under this Agreement; subject to the approval of the Litigation Trust Board, the Litigation Trustee may commit the Litigation Trust to and shall pay all such Persons reasonable compensation for services rendered and reasonable and documented out-of-pocket expenses incurred, as well as commit the Litigation Trust to indemnify any such Persons in connection with the performance of services (provided that such indemnity shall not cover any losses, costs, damages, expenses or liabilities that result from the gross negligence, bad faith, wilful misconduct or knowing violation of law by such Persons);
- (i) in consultation with and subject to the approval of the Litigation Trust Board, to waive any privilege (including the Privileges) or any defence on behalf of the Litigation Trust or, with respect to the Litigation Trust Claims;

- (j) in consultation with and subject to the approval of the Litigation Trust Board, to investigate, analyze, compromise, adjust, arbitrate, mediate, sue on or defend, pursue; prosecute, abandon, dismiss, exercise rights, powers, and privileges with respect to, or otherwise deal with and settle, in accordance with the terms set forth herein, all causes of action in favour of or against the Litigation Trust;
- (k) in consultation with and subject to the approval of the Litigation Trust Board, and solely with respect to Litigation Trust Claims, to avoid and recover transfers of SFC's property as may be permitted by applicable law;
- (l) to invest any moneys held as part of the Litigation Trust in accordance with the terms of Section 3.19 of this Agreement;
- (m) in consultation with and subject to the approval of the Litigation Trust Board, to request any appropriate tax determination with respect to the Litigation Trust;
- (n) subject to applicable securities and other laws, if any, to establish and maintain a website for the purpose of providing notice of Litigation Trust activities in lieu of sending written notice to the holders of the Litigation Trust Interests and other such Persons entitled thereto, subject to providing notice of such website to such holders and other Persons;
- (o) in consultation with and subject to the approval of the Litigation Trust Board, to seek the examination of any Person, subject to the provisions of any applicable laws or rules;
- (p) to make distributions in accordance with Article 6 of this Agreement; and
- (q) to take or refrain from taking any and all other actions that the Litigation Trustee, upon consultation with and subject to the approval of the Litigation Trust Board, reasonably deems necessary or convenient for the continuation, protection and maximization of the Litigation Trust Claims or to carry out the purposes hereof, provided, however, that the Litigation Trustee shall not be required to consult with or obtain approval of the Litigation Trust Board, to the extent such actions are purely ministerial in nature.

3.13 Limitation of Litigation Trustee's Authority

- (a) Notwithstanding anything herein to the contrary, the Litigation Trustee shall not (i) be authorized to engage in any trade or business or (ii) take any such actions as would be inconsistent with the purposes of this Agreement, the preservation of the assets of the Litigation Trust and the best interests of the Litigation Trust Beneficiaries.
- (b) [The Litigation Trust shall not hold 50% or more of the stock (in either vote or value) of any Person that is treated as a corporation for federal income tax purposes, nor be the sole member of a limited liability company, nor have any interest in a Person that is treated as a partnership for federal income tax purposes,

unless such stock, membership interest, or partnership interest was obtained involuntarily or as a matter of practical economic necessity in order to preserve the value of the Litigation Trust Assets.]

3.14 Books and Records

- (a) The Litigation Trustee shall maintain books and records relating to the Litigation Trust Assets and the Litigation Trust Proceeds and the payment of expenses of, liabilities of, and claims against or assumed by, the Litigation Trust in such detail and for such period of time as may be necessary to enable it to make full and proper accounting in respect thereof. Such books and records shall be maintained on a modified cash or other comprehensive basis of accounting necessary to facilitate compliance with the tax reporting and securities law requirements, if any, of the Litigation Trust as well as the reporting requirements set forth in Article 8 and elsewhere in this Agreement. Nothing in this Agreement requires the Litigation Trustee to file any accounting or seek approval of any court with respect to the administration of the Litigation Trust, or as a condition for managing any payment or distribution out of the assets of the Litigation Trust.
- (b) Holders of the Litigation Trust Interests and their duly authorized representatives shall have the right, upon reasonable prior written notice to the Litigation Trustee, and in accordance with the reasonable regulations prescribed by the Litigation Trustee, to inspect and, at the sole expense of such holder seeking the same, make copies of the books and records relating to the Litigation Trust on any Business Day and as often as may be reasonably be desired, in each case for a purpose reasonably related to such holder's Litigation Trust Interests and subject to the confidentiality restrictions set forth in Section 2.5(c) and any other confidentiality restrictions as the Litigation Trustee or the Litigation Trust Board may deem appropriate.

3.15 Inquiries into Trustee's Authority

Except as otherwise set forth in this Agreement or the Plan, no Person dealing with the Litigation Trust shall be obligated to inquire into the authority of the Litigation Trustee in connection with the protection, conservation or disposition of the Litigation Trust Claims.

3.16 Compliance with Laws

Any and all distributions of assets of the Litigation Trust shall be in compliance with applicable laws, including applicable provincial securities laws.

3.17 Compensation of the Litigation Trustee

Notwithstanding anything to the contrary contained herein, the Litigation Trustee shall be compensated for its services, and reimbursed for its expenses, in accordance with, and pursuant to the terms of, a separate agreement to be negotiated and executed by the Litigation Trust Board, which agreement shall not be subject to any third-party notice or approval.

3.18 Reliance by Litigation Trustee

Except as otherwise provided herein:

- (a) the Litigation Trustee may rely on, and shall be protected in acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order or other paper or document reasonably believed by the Litigation Trustee to be genuine and to have been signed or presented by the proper party or parties; and
- (b) Persons dealing with the Litigation Trustee shall look only to the assets of the Litigation Trust to satisfy any liability incurred by the Litigation Trustee to such Person in carrying out the terms of this Agreement, and neither the Litigation Trustee nor any member of the Litigation Trust Board shall have any personal obligation to satisfy any such liability.

3.19 Investment and Safekeeping of Litigation Trust Assets

Subject to Sections 1.1 and 3.4 of this Agreement, the Litigation Trustee shall invest all Litigation Trust Assets (other than Litigation Trust Claims), all Litigation Trust Proceeds, the Litigation Funding Amount and all income earned by the Litigation Trust (pending distribution in accordance with Article 6 of this Agreement) only in cash and government securities, and the Litigation Trustee may retain any Litigation Trust Proceeds received that are not cash only for so long as may be required for the prompt and orderly liquidation of such assets into cash.

3.20 Standard of Care; Exculpation

Neither the Litigation Trustee nor any of its duly designated agents or representatives or professionals shall be liable for any act or omission taken or omitted to be taken by the Litigation Trustee in good faith, other than (i) acts or omissions resulting from the Litigation Trustee's or any such agent's, representative's or professional's gross negligence, bad faith, wilful misconduct or knowing violation of law or (ii) acts or omissions from which the Litigation Trustee or any such agent, representative or professional derived an improper personal benefit. The Litigation Trustee may, in connection with the performance of its functions, and in its sole and absolute discretion, consult with its counsel, accountants, financial advisors and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in accordance with advice or opinions rendered by such Persons. Notwithstanding such authority, the Litigation Trustee shall be under no obligation to consult with its counsel, accountants, financial advisors or agents, and its good faith determination not to do so shall not result in the imposition of liability on the Litigation Trustee, unless such determination is based on gross negligence, bad faith, wilful misconduct or knowing violation of law. No amendment, modification or repeal of this Section 3.20 shall adversely affect any right or protection of the Litigation Trustee or any of its agents, representatives or professionals that exists at the time of such amendment, modification or repeal.

ARTICLE 4 LITIGATION TRUST BOARD

4.1 Litigation Trust Board

A litigation trust board (the “**Litigation Trust Board**”) shall be established and consist of three Persons. The initial Litigation Trust Board members shall consist of the three Persons appointed to serve in such capacity pursuant to the Sanction Order. The members of the Litigation Trust Board shall have the right to direct and remove the Litigation Trustee in accordance with Section 3.5(c) of this Agreement, and shall have such other rights to operate and manage the Litigation Trust as are not inconsistent with the terms of this Agreement. No holder of Litigation Trust Interests (except to the extent such holder is a member of the Litigation Trust Board) shall have any consultation or approval rights whatsoever in respect of management and operation of the Litigation Trust.

4.2 Authority of the Litigation Trust Board

The Litigation Trust Board shall have the authority and responsibility to oversee, review, and guide the activities and performance of the Litigation Trustee and shall have the authority to remove the Litigation Trustee in accordance with Section 3.5(c) of this Agreement. The Litigation Trustee shall consult with and provide information to the Litigation Trust Board in accordance with and pursuant to the terms of this Agreement and the Plan. The Litigation Trust Board shall have the authority to select and engage such Persons, and select and engage such professional advisors, including any professional previously retained by the Ad Hoc Committee or SFC, in accordance with the terms of this Agreement, as the Litigation Trust Board deems necessary and desirable to assist the Litigation Trust Board in fulfilling its obligations under this Agreement. The Litigation Trustee shall pay the reasonable fees of such Persons and firms (including on an hourly, contingency, or modified contingency basis) and reimburse such Persons for their reasonable and documented out-of-pocket costs and expenses consistent with the terms of this Agreement.

4.3 Regular Meetings of the Litigation Trust Board

Meetings of the Litigation Trust Board are to be held with such frequency and at such place as the Litigation Trustee and the members of the Litigation Trust Board may determine in their reasonable discretion, but in no event shall such meetings be held less frequently than one time during each quarter of each calendar year.

4.4 Special Meetings of the Litigation Trust Board

Special meetings of the Litigation Trust Board may be held whenever and wherever called for by the Litigation Trustee or any two members of the Litigation Trust Board.

4.5 Manner of Acting

- (a) A majority of the total number of members of the Litigation Trust Board then in office shall constitute a quorum for the transaction of business at any meeting of the Litigation Trust Board; provided, however, that all decisions or approvals or

other actions of the Litigation Trust Board shall require the affirmative vote of a majority of all of the members of the Litigation Trust Board, and such an affirmative vote obtained as to any particular matter, decision, approval or other action at a meeting at which a quorum is present shall be the act of the Litigation Trust Board, except as otherwise required by law or as provided in this Agreement.

- (b) Voting may, if approved by the majority of all of the members of the Litigation Trust Board, be conducted by electronic mail or individual communications by the Litigation Trustee and each member of the Litigation Trust Board.
- (c) Any member of the Litigation Trust Board who is present and entitled to vote at a meeting of the Litigation Trust Board (including any meeting of the Litigation Trustee and the Litigation Trust Board) when action is taken is deemed to have assented to the action taken, subject to the requisite vote of the Litigation Trust Board unless: (i) such member of the Litigation Trust Board objects at the beginning of the meeting (or promptly upon his/her arrival) to holding it or transacting business at the meeting; or (ii) his/her dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) he/she delivers written notice (including by electronic or facsimile transmission) of his/her dissent or abstention to the Litigation Trust Board before its adjournment. The right of dissent or abstention is not available to any member of the Litigation Trust Board who votes in favour of the action taken.
- (d) Prior to the taking of a vote on any matter or issue or the taking of any action with respect to any matter or issue, each member of the Litigation Trust Board shall report to the Litigation Trust Board any conflict of interest such member has or may have with respect to the matter or issue at hand and fully disclose the nature of such conflict or potential conflict (including disclosing any and all financial or other pecuniary interests that such member might have with respect to or in connection with such matter or issue, other than solely as a holder of a Litigation Trust Interest). A member who has or who may have a conflict of interest shall be deemed to be a “conflicted member” who shall not be entitled to vote or take part in any action with respect to such matter or issue (provided, however, such member shall be counted for purposes of determining the existence of a quorum); the vote or action with respect to such matter or issue shall be undertaken only by members of the Litigation Trust Board who are not “conflicted members” and, notwithstanding anything contained herein to the contrary, the affirmative vote of only a majority of the members of the Litigation Trust Board who are not “conflicted members” shall be required to approve of such matter or issue and the same shall be the act of the Litigation Trust Board.

4.6 Litigation Trust Board’s Action Without a Meeting

Any action required or permitted to be taken by the Litigation Trust Board at a meeting of the Litigation Trust Board may be taken without a meeting if the action is taken by unanimous written consent of the Litigation Trust Board as evidenced by one or more written consents

describing the action taken, signed by all members of the Litigation Trust Board and recorded in the minutes or other transcript of proceedings of the Litigation Trust Board.

4.7 Notice of, and Waiver of Notice for Litigation Trust Board Meetings

Notice of the time and place (but not necessarily the purpose or all of the purposes) of any regular or special meeting of the Litigation Trust Board will be given to the members of the Litigation Trust Board in person or by telephone, or via mail, electronic mail, or facsimile transmission. Notice to the members of the Litigation Trust Board of any such special meeting will be deemed given sufficiently in advance when (i) if given by mail, the same is deposited in the United States mail at least ten calendar days before the meeting date, with postage thereon prepaid, (ii) if given by electronic mail or facsimile transmission, the same is transmitted at least one Business Day prior to the convening of the meeting, or (iii) if personally delivered (including by overnight courier) or given by telephone, the same is handed, or the substance thereof is communicated over the telephone to the members of the Litigation Trust Board or to an adult member of his/her office staff or household, at least one Business Day prior to the convening of the meeting. Any member of the Litigation Trust Board may waive notice of any meeting and any adjournment thereof at any time before, during, or after it is held, subject to applicable law. Except as provided in the next sentence below, the waiver must be in writing, signed by the applicable member or members of the Litigation Trust Board entitled to the notice. The attendance of a member of the Litigation Trust Board at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

4.8 Telephonic Communications

Any member of the Litigation Trust Board may participate in a regular or special meeting of the Litigation Trust Board by, or conduct the meeting through the use of, conference telephone, or similar communications equipment by means of which all persons participating in the meeting may hear each other, in which case any required notice of such meeting may generally describe the arrangements (rather than or in addition to the place) for the holding thereof. Any member of the Litigation Trust Board participating in a meeting by this means is deemed to be present in person at the meeting.

4.9 Tenure, Removal and Replacement of the Members of the Litigation Trust Board

The authority of the members of the Litigation Trust Board will be effective as of the Effective Date and will remain and continue in full force and effect until the Litigation Trust is terminated in accordance with Section 8.1 hereof. The service of the members of the Litigation Trust Board will be subject to the following:

- (a) The members of the Litigation Trust Board will serve until death or resignation pursuant to Section 4.9(b) of this Agreement, or removal pursuant to Section 4.9(c) of this Agreement.
- (b) A member of the Litigation Trust Board may resign at any time by providing a written notice of resignation to the remaining members of the Litigation Trust

Board. Such resignation will be effective upon the date received by the Litigation Trust Board or such later date specified in the written notice.

- (c) A member of the Litigation Trust Board may be removed by the majority vote of the other members of the Litigation Trust Board, written resolution of which shall be delivered to the removed Litigation Trust Board member; provided, however, that such removal may only be made for Cause. For purposes of this Section 4.9(c), “Cause” shall be defined as: (i) such Litigation Trust Board member’s theft or embezzlement or attempted theft or embezzlement of money or tangible or intangible assets or property; (ii) such Litigation Trust Board member’s violation of any law (whether foreign or domestic), which results in an indictable offence or similar judicial proceeding; (iii) such Litigation Trust Board member’s gross negligence, bad faith, wilful misconduct or knowing violation of law, in the performance of his or her duties as a member of the Litigation Trust Board; or (iv) such Litigation Trust Board member’s failure to perform any of his or her other material duties under this Agreement (including the regular attendance at meetings of the Litigation Trust Board and of the Litigation Trustee and the Litigation Trust Board); provided, however, that such Litigation Trust Board member shall have been given a reasonable period to cure any alleged Cause under clauses (iii) (other than bad faith, wilful misconduct or knowing violation of law) and (iv).
- (d) In the event of a vacancy on the Litigation Trust Board (whether by removal, death or resignation), the remaining members of the Litigation Trust Board shall appoint a new member to fill such position. In the event that there are no members of the Litigation Trust Board selected or appointed in accordance with the preceding sentence, appointments to fill such vacancies that would have been made in accordance with the preceding sentence shall be made by the Litigation Trustee, following consultation with, and with the consent of, the Monitor. Upon any such appointment of a successor member of the Litigation Trust Board, Litigation Trustee shall provide the holders of the Litigation Trust Interests with notice of the name of the new member of the Litigation Trust Board, provided, however, that the provision of such notice shall not be a condition precedent to the rights and power of the new member of the Litigation Trust Board to act in such capacity.
- (e) Immediately upon the appointment of any successor member of the Litigation Trust Board all rights, powers, duties, authority, and privileges of the predecessor member of the Litigation Trust Board hereunder will be vested in and undertaken by the successor member of the Litigation Trust Board without any further act; and the successor member of the Litigation Trust Board will not be liable personally for any act or omission of the predecessor member of the Litigation Trust Board.

4.10 Compensation of the Litigation Trust Board

Each member of the Litigation Trust Board shall be paid by the Litigation Trust the amount of [●] annually as compensation for his or her services hereunder as a member of the Litigation

Trust Board. In addition, each member of the Litigation Trust Board shall be entitled to be reimbursed from the Litigation Trust for his or her reasonable and documented out-of-pocket expenses incurred in connection with the performance of his or her duties hereunder by the Litigation Trust upon demand for payment thereof.

4.11 Standard of Care; Exculpation

None of the Litigation Trust Board, its respective members, designees, professionals, or duly designated agents or representatives, shall be liable for the act or omission of any other member, designee, professional, agent, or representative of the Litigation Trust Board, nor shall any member of the Litigation Trust Board be liable for any act or omission taken or omitted to be taken by the Litigation Trust Board in good faith, other than for (i) acts or omissions resulting from the Litigation Trust Board's or any such member's, designee's, professional's, agent's or representative's gross negligence, bad faith, wilful misconduct or knowing violation of law or (ii) acts or omissions from which the Litigation Trust Board or such member, designee, professional, agent or representative derived an improper personal benefit. The Litigation Trust Board may, in connection with the performance of its functions, and in its sole and absolute discretion, consult with the Litigation Trust Board's counsel, accountants, financial advisors and agents, and shall not be liable for any act taken, omitted to be taken, or suffered to be done in good faith in accordance with advice or opinions rendered by such Persons. Notwithstanding such authority, none of the Litigation Trust Board or any of its members shall be under any obligation to consult with the Litigation Trust Board's counsel, accountants, financial advisors or agents, and their good faith determination not to do so shall not result in the imposition of liability on the Litigation Trust Board or, as applicable, any of its members, designees, professionals, agents or representatives, unless such determination is based on gross negligence, bad faith, wilful misconduct or knowing violation of law. No amendment modification or repeal of this Section 4.11 shall adversely affect any right or protection of the Litigation Trust Board, its members, designees, professional agents or representatives that exists at the time of such amendment, modification or repeal.

ARTICLE 5 TAX MATTERS

5.1 [Federal Income Tax Treatment of the Litigation Trust

- (a) For all federal income tax purposes, all parties (including SFC and the other Litigation Trust Claims Transferors, the Litigation Trustee, the Litigation Trust Board and the Litigation Trust Beneficiaries) shall treat the transfer of the Litigation Trust Assets to the Litigation Trustee for the benefit of the Litigation Trust Beneficiaries as (a) a transfer of the Litigation Trust Assets directly to those Litigation Trust Beneficiaries receiving Litigation Trust Interests (other than to the extent allocable to Unresolved Claims), followed by (b) the transfer by such Litigation Trust Beneficiaries to the Litigation Trustee of the Litigation Trust Assets in exchange for the Litigation Trust Interests (and in respect of the Litigation Trust Assets allocable to the Unresolved Claims, as a transfer to the Unresolved Claims Reserve by the Litigation Trust Claim Transferors). Accordingly, those Litigation Trust Beneficiaries receiving Litigation Trust Interests shall be treated for federal income tax purposes as the grantors and

owners of their respective shares of the Litigation Trust Assets. The foregoing treatment also shall apply, to the extent permitted by applicable law, for provincial and local income tax purposes.]

- (b) [Subject to definitive guidance from the ● or a court of competent jurisdiction to the contrary (including receipt by the Litigation Trustee of a private letter ruling if the Litigation Trustee so requests one, or the receipt of an adverse determination by the ●, upon audit, or otherwise if not contested by the Litigation Trustee), the Litigation Trustee shall file returns for the Litigation Trust as a grantor trust pursuant to [Treasury Regulation section 1.671-4(a)] and in accordance with this Article 5. The Litigation Trustee shall also annually send to each holder of a Litigation Trust Interest a separate statement setting forth such holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders and parties to report such items on their federal income tax returns. The Litigation Trustee also shall file (or cause to be filed) any other statements, returns or disclosures relating to the Litigation Trust that are required by any governmental unit.]
- (c) [As soon as possible after the creation of the Litigation Trust, but in no event later than 60 days thereafter, the Litigation Trust Board shall inform, in writing, the Litigation Trustee of the fair market value of the Litigation Trust Assets transferred to the Litigation Trust based on the good faith determination of the Litigation Trust Board, and the Litigation Trustee shall apprise, in writing, the Litigation Trust Beneficiaries of such valuation. The valuation shall be used consistently by all parties (including SFC and the other Litigation Trust Claim Transferors, the Litigation Trustee, the Litigation Trust Board and the Litigation Trust Beneficiaries) for all federal income tax purposes. As soon as possible after the Effective Date, the Litigation Trustee shall make such valuation prepared by the Litigation Trust Board available from time to time, to the extent relevant, and such valuation shall be used consistently by all parties (including SFC and the other Litigation Trust Claim Transferors, the Litigation Trustee, the Litigation Trust Board and the Litigation Trust Beneficiaries) for all federal income tax purposes. In connection with the preparation of the valuation contemplated hereby, the Litigation Trust Board shall be entitled to retain such professionals and advisers as the Litigation Trust Board shall determine to be appropriate or necessary, and the Litigation Trust Board shall take such other actions in connection therewith as it determines to be appropriate or necessary in connection therewith. The Litigation Trust shall bear all of the reasonable costs and expenses incurred in connection with determining such value, including the fees and expenses of any Persons retained by the Litigation Trust Board in connection therewith.]
- (d) [The Litigation Trustee may request an expedited determination of taxes of the Litigation Trust for all returns filed for, or on behalf of, the Litigation Trust for all taxable periods through the dissolution of the Litigation Trust.]

- (e) [The Litigation Trustee shall be responsible for payments, out of the Litigation Trust Assets and Litigation Trust Proceeds, of any taxes imposed on the Litigation Trust or the Litigation Trust Assets.]
- (f) [The Litigation Trustee may require any of the Litigation Trust Beneficiaries to furnish to the Litigation Trustee its Employer or Taxpayer Identification Number as assigned by the ● and the Litigation Trustee may condition any distribution or payment to any of them upon receipt of such identification number.]

5.2 Allocations of Litigation Trust Taxable Income

[Allocations of Litigation Trust taxable income among the holders of the Litigation Trust Interests shall be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (without regard to any restrictions on distributions described herein) if, immediately prior to such deemed distribution, the Litigation Trust had distributed all of its other assets (valued at their tax book value) to the holders of the Litigation Trust Interests, in each case up to the tax book value of the assets treated as contributed by such holders, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Litigation Trust (including all distributions held in escrow pending the resolution of Unresolved Claims). Similarly, taxable loss of the Litigation Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Litigation Trust Assets. The tax book value of the Litigation Trust Assets for this purpose shall equal their fair market value on the Effective Date as determined under Section 5.1(c) above, adjusted in either case in accordance with tax accounting principles prescribed by the [Tax Code], and applicable tax regulations, and other applicable administrative and judicial authorities and pronouncements.]

5.3 Canadian Tax Treatment of Distributions by Litigation Trustee

Amounts distributed by the Litigation Trustee shall be treated as distributions of income or capital for Canadian federal income tax purposes, as determined by the Litigation Trustee. The Litigation Trustee shall be entitled to file any election for tax purposes which it considers desirable or appropriate. The Litigation Trustee may create a legally enforceable right of Litigation Trust Beneficiaries in respect of any particular distribution to enforce payment of that distribution on or before December 31 of the relevant taxation year of the Litigation Trust.

ARTICLE 6 DISTRIBUTIONS

6.1 Distributions; Withholding

Subject to Sections 1.1 and 3.4 of this Agreement, the Litigation Trustee shall distribute, in accordance with this Article 6, to the holders of the Litigation Trust Interests the Litigation Trust Proceeds (including, without limitation, all net cash income plus all net cash proceeds from the liquidation of Litigation Trust Assets (including as cash, for this purpose, all cash equivalents), but excluding, for greater certainty, the Litigation Funding Amount or any remaining portion

thereof); provided, however, that the Litigation Trust may retain and not distribute to holders of the Litigation Trust Interests such amounts as determined by the Litigation Trust Board (i) as are reasonably necessary to meet contingent liabilities of the Litigation Trust during liquidation and (ii) to pay reasonable and necessary administrative expenses incurred in connection with liquidation and any taxes imposed on the Litigation Trust or in respect of the Litigation Trust Assets, and provided further that prior to any distribution of Litigation Trust Proceeds to the holders of the Litigation Trust Interests, the Litigation Trustee shall first pay to Newco an amount in cash equivalent to the Litigation Funding Amount. All distributions and/or payments to be made to the holders of the Litigation Trust Interests pursuant to this Agreement shall be made to the holders of the Litigation Trust Interests pro rata based on the amount of Litigation Trust Interests held by a holder compared with the aggregate amount of the Litigation Trust Interests outstanding, subject, in each case, to the terms of the Plan and this Agreement. The Litigation Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Litigation Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

6.2 Manner of Payment or Distribution

All distributions to be made by the Litigation Trustee hereunder to the holders of the Litigation Trust Interests shall be made to a disbursing agent acceptable to the Litigation Trust Board for further distribution to the holders of the Litigation Trust Interests and shall be payable to the holders of Litigation Trust Interests of record as of the 20th day prior to the date scheduled for the distribution, unless such day is not a Business Day, then such day shall be the following Business Day. If the distribution shall be in cash, the Litigation Trustee shall distribute such cash by wire, check, or such other method as the Litigation Trustee deems appropriate under the circumstances.

6.3 Cash Distributions

No cash distributions shall be required to be made to any holders of a Litigation Trust Interest in an amount less than \$100.00. Any funds so withheld and not distributed shall be held in reserve and distributed in subsequent distributions. Notwithstanding the foregoing, all cash shall be distributed in the final distribution of the Litigation Trust.

ARTICLE 7 INDEMNIFICATION

7.1 Indemnification of Litigation Trustee and the Litigation Trust Board

- (a) To the fullest extent permitted by law, the Litigation Trust, to the extent of its assets legally available for that purpose, shall indemnify and hold harmless the Litigation Trustee, each of the members of the Litigation Trust Board and each of their respective directors, members, shareholders, partners, officers, agents, employees, counsel and other professionals (collectively, the “**Indemnified Persons**”) from and against any and all losses, costs, damages, reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel and other advisors and any court costs incurred by any Indemnified Person) or liability by reason of anything any Indemnified Person did, does, or

refrains from doing for the business or affairs of the Litigation Trust, except to the extent that the loss, cost, damage, expense or liability resulted (x) from the Indemnified Person's gross negligence, bad faith, wilful misconduct or knowing violation of law or (y) from an act or omission from which the Indemnified Person derived an improper personal benefit. To the extent reasonable, the Litigation Trust shall pay in advance or reimburse reasonable and documented out-of-pocket expenses (including advancing reasonable costs of defence) incurred by the Indemnified Person who is or is threatened to be named or made a defendant or a respondent in a proceeding concerning the business and affairs of the Litigation Trust. The indemnification provided under this Section 7.1 shall survive the death, dissolution, resignation or removal, as may be applicable, of the Litigation Trustee, the Litigation Trust Board, any Litigation Trust Board member and/or any other Indemnified Person, and shall inure to the benefit of the Litigation Trustee's, each Litigation Trust Board member's and each other Indemnified Person's heirs, successors and assigns.

- (b) Any Indemnified Person may waive the benefits of indemnification under this Section 7.1, but only by an instrument in writing executed by such Indemnified Person.
- (c) The rights to indemnification under this Section 7.1 are not exclusive of other rights which any Indemnified Person may otherwise have at law or in equity, including without limitation common law rights to indemnification or contribution. Nothing in this Section 7.1 will affect the rights or obligations of any Person (or the limitations on those rights or obligations) under this Agreement, or any other agreement or instrument to which that Person is a party.

ARTICLE 8

REPORTING OBLIGATIONS OF LITIGATION TRUSTEE

8.1 Reports

- (a) The Litigation Trustee shall prepare such reports as the Litigation Trust Board shall request from time to time and shall distribute such reports to the Litigation Trust Board and, if directed by the Litigation Trust Board, to all holders of the Litigation Trust Interests as provided in this Article 8. For the avoidance of doubt, the holders of the Litigation Trust Interests shall not be entitled to any report, financial or otherwise, unless determined by the Litigation Trust Board in its sole discretion.
- (b) Without limiting the foregoing, the Litigation Trustee shall timely (i) prepare, file and distribute such statements, reports, tax returns and forms, and submissions as may be necessary to cause the Litigation Trust and the Litigation Trustee to be in compliance with all applicable laws (including any quarterly and annual reports to the extent required by applicable law or in order to gain an exemption from compliance with applicable law) and (ii) prepare and file with the CCAA Court such reports and submissions as may be required by the CCAA Court.

- (c) Any report to be given to the holders of the Litigation Trust Interests at their addresses set forth in the Trust Register and filed with the CCAA Court; provided that the Litigation Trustee may post any report required to be provided to such Persons under this Section 8.1 on a web site maintained by the Litigation Trustee in lieu of actual notice, subject to providing notice of such postings to the Persons listed in Section 11.5 herein and, if required by the Litigation Trust Board in its sole discretion, to the holders of the holders of Litigation Trust Interests.

ARTICLE 9 TERM; TERMINATION OF THE LITIGATION TRUST

9.1 Term; Termination of the Litigation Trust

- (a) The Litigation Trust shall commence on the date hereof and terminate no later than the fifth anniversary of the Effective Date; provided, however, that, on or prior to the date that is 90 days prior to such termination, the Litigation Trust Board may extend the term of the Litigation Trust if it is necessary to the efficient and proper administration of the Litigation Trust Assets in accordance with the purposes and terms of this Agreement. Notwithstanding the foregoing, multiple extensions can be obtained so long as each extension is obtained not less than 90 days prior to the expiration of each extended term; and provided, further, that neither this Agreement nor the continued existence of the Litigation Trust shall prevent SFC from terminating the CCAA Proceeding.
- (b) The Litigation Trust may be terminated earlier than its scheduled termination if:
- (i) the Litigation Trustee has administered all Litigation Trust Assets and performed all other duties required by this Agreement and the Litigation Trust; or
 - (ii) if the Litigation Trustee, in consultation with and subject to the approval of the Litigation Trust Board, determines that it is not in the best interests of the Litigation Trust Beneficiaries to continue pursuing the Litigation Trust Claims. Upon termination of the Litigation Trust pursuant to subsection (ii) hereof, any and all remaining portion of the Litigation Funding Amount shall be paid to Newco in cash by wire, check, or such other method as agreed to by the Litigation Trustee and Newco.

9.2 Continuance of Trust for Winding Up

After the termination of the Litigation Trust and for the purpose of liquidating and winding up the affairs of the Litigation Trust, the Litigation Trustee shall continue to act as such until its duties have been fully performed. Prior to the final distribution of all of the remaining assets of the Litigation Trust and upon approval of the Litigation Trust Board, the Litigation Trustee shall be entitled to reserve from such assets any and all amounts required to provide for its own reasonable costs and expenses, in accordance with Section 3.17, until such time as the winding up of the Litigation Trust is completed. Upon termination of the Litigation Trust, the Litigation Trustee shall retain for a period of two years the books, records, lists of the holders of the Litigation Trust Interests, the Trust Register, and other documents and files that have been delivered to or created by the Litigation Trustee. At the Litigation Trustee's discretion, all of such records and documents may, but need not, be destroyed at any time after two years from the

completion and winding up of the affairs of the Litigation Trust. Except as otherwise specifically provided herein, upon the termination of the Litigation Trust, the Litigation Trustee shall have no further duties or obligations hereunder.

ARTICLE 10 AMENDMENT AND WAIVER

10.1 Amendment and Waiver

The Litigation Trustee, with the prior approval of the majority of the members of the Litigation Trust Board, may amend, supplement or waive any provision of, this Agreement, without notice to or the consent of the holders of the Litigation Trust Interests or the approval of the CCAA Court; provided, that such amendment, supplement or waiver shall not adversely affect the payments and/or distributions to be made under this Agreement to (or on behalf or for the account of) any of the holders of the Litigation Trust Interests: (i) to cure any ambiguity, omission, defect or inconsistency in this Agreement; (ii) to comply with any requirements in connection with the tax status of the Litigation Trust; (iii) to comply with any requirements in connection with maintaining that the Litigation Trust is not subject to registration or reporting requirements; (iv) to make the Litigation Trust a reporting entity and, in such event, to comply with any requirements in connection with satisfying any applicable registration or reporting requirements; (v) to evidence and provide for the acceptance of appointment hereunder by a successor trustee in accordance with the terms of this Agreement; and (vi) to achieve any other purpose that is inconsistent with the purpose and intention of this Agreement.

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 Intention of Parties to Establish the Litigation Trust

[This Agreement is intended to create a liquidating trust for federal income tax purposes and, to the extent provided by law, shall be governed and construed in all respects as such a trust and any ambiguity herein shall be construed consistent herewith and, if necessary, this Agreement may be amended in accordance with Section 10.1 to comply with such federal income tax laws, which amendments may apply retroactively.]

11.2 Laws as to Construction

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to whether any conflicts of law would require the application of the law of another jurisdiction.

11.3 Jurisdiction

Without limiting any Person's right to appeal any order of the CCAA Court with regard to any matter, (i) the CCAA Court shall retain exclusive jurisdiction to enforce the terms of this Agreement and to decide any claims or disputes which may arise or result from, or be connected with, this Agreement, any breach or default hereunder, or the transactions contemplated hereby, and (ii) any and all actions related to the foregoing shall be filed and maintained only in the

CCAA Court, and the parties, including the holders of the Litigation Trust Interests, and holders of Claims, hereby consent to and submit to the jurisdiction and venue of the CCAA Court.

11.4 Severability

If any provision of this Agreement or the application thereof to any Person or circumstance shall be finally determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and such provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

11.5 Notices

All notices, requests or other communications to the parties hereto shall be in writing and shall be sufficiently given only if (i) delivered in person; (ii) sent by electronic mail or facsimile communication (as evidenced by a confirmed fax transmission report); (iii) sent by registered or certified mail, return receipt requested; or (iv) sent by commercial delivery service or courier. Until a change of address is communicated, as provided below, all notices, requests and other communications shall be sent to the parties at the following addresses or facsimile numbers:

If to the Litigation Trustee: [Address]
 Telephone: [●]
 Facsimile: [●]
 Attn: [●]

(with a copy to) [Address]
 Telephone: [●]
 Facsimile: [●]
 Attn: [●]

If to SFC: [Address]
 Telephone: [●]
 Facsimile: [●]
 Attn: [●]

(with a copy to) [Address]
 Telephone: [●]
 Facsimile: [●]
 Attn: [●]

If to the Litigation Trust Board Members: [Address]
 Telephone: [●]
 Facsimile: [●]
 Attn: [●]

(with a copy to)

[Address]

Telephone: [●]

Facsimile: [●]

Attn: [●]

**If to a holder of a
Litigation Trust Interest:**

To the name and address set forth on the Trust
Register.

All notices shall be effective and shall be deemed delivered (i) if by personal delivery, delivery service or courier, on the date of delivery; (ii) if by electronic mail or facsimile communication, on the date of receipt or confirmed transmission of the communication; and (iii) if by mail, on the date of receipt. Any Person from time to time may change his, her or its address, facsimile number, or other information for the purpose of notices to that Person by giving notice specifying such change to the Litigation Trustee and the Persons who are at the time of such notice members of the Litigation Trust Board.

11.6 Fiscal Year

The fiscal year of the Litigation Trust will begin on the first day of January and end on the last day of December of each calendar year.

11.7 Construction; Usage

- (a) Interpretation. In this Agreement, unless a clear contrary intention appears:
- (i) the singular number includes the plural number and vice versa;
 - (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;
 - (iii) reference to any gender includes each other gender;
 - (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;
 - (v) reference to any applicable law means such applicable law as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any applicable law means that provision of such applicable law from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

- (vi) “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;
 - (vii) reference to Articles, Sections, Schedules or Exhibits herein shall be deemed to be references to the Articles, Sections, Schedules and Exhibits to this Agreement unless otherwise specified;
 - (viii) “including” means including without limiting the generality of any description preceding such term; and
 - (ix) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.
- (b) Legal Representation of the Parties. This Agreement was negotiated by the parties and beneficiaries hereto with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party hereto shall not apply to any construction or interpretation hereof.
- (c) Headings. The headings contained in this Agreement are for the convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

11.8 Counterparts; Facsimile; PDF

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. Any facsimile or portable document format copies hereof or signature hereon shall, for all purposes, be deemed originals.

11.9 Confidentiality

The Litigation Trustee and each successor trustee and each member of the Litigation Trust Board and each successor member of the Litigation Trust Board (each a “**Covered Person**”) shall, during the period that they serve in such capacity under this Agreement and following either the termination of this Agreement or such individual’s removal, incapacity, or resignation hereunder, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any Person to which any of the assets of the Litigation Trust relates or of which it has become aware in its capacity (the “**Information**”), including without limitation, the identity of any Holder of Litigation Trust Interests and the extent of their holdings thereof, except to the extent disclosure of any such information is required by applicable law, order, regulation or legal process. In the event that any Covered Person is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation, demand or similar legal process) to disclose any Information, such Covered Person shall notify the Litigation Trust Board reasonably promptly (unless prohibited by law) so that the Litigation Trust Board may seek an appropriate protective order or other appropriate remedy or, in its discretion, waive compliance with the terms of this Section 11.9 (and if the Litigation Trust

Board seeks such an order, the relevant Covered Person will provide cooperation as the Litigation Trust Board shall reasonably request). In the event that no such protective order or other remedy is obtained, or that the Litigation Trust Board waives compliance with the terms of this Section 11.9 and that any Covered Person is nonetheless legally compelled to disclose the Information, the Covered Person will furnish only that portion of the Information, which the Covered Person, advised by counsel, is legally required and will give the Litigation Trust Board written notice (unless prohibited by law) of the Information to be disclosed as far in advance as practicable and exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Information.

11.10 Entire Agreement

This Agreement (including the Recitals), the Plan, and the Sanction Order constitute the entire agreement by and among the parties hereto and there are no representations, warranties, covenants or obligations except as set forth herein or therein. This Agreement, the Plan and the Sanction Order supersede all prior and contemporaneous agreements, understandings, negotiations, discussions, written or oral, of the parties hereto, relating to any transaction contemplated hereunder. Except as otherwise specifically provided herein, in the Plan or in the Sanction Order, nothing in this Agreement is intended or shall be construed to confer upon or to give any Entity or Person other than the parties hereto and their respective heirs, administrators, executors, permitted successors, or permitted assigns any right to remedies under or by reason of this Agreement, except that (i) the Persons identified in Article 7 hereof are intended third party beneficiaries of Article 7 hereof and shall be entitled to enforce the provisions thereof as if they were parties hereto and (ii) the members (and former members) of the Litigation Trust Board are intended third party beneficiaries of Article 4 hereof and shall be entitled to enforce the provisions thereof as if they were parties hereto.

11.11 No Bond

Notwithstanding any state or federal law to the contrary, the Litigation Trustee (including any successor trustee) shall be exempt from giving any bond or other security in any jurisdiction.

11.12 Effectiveness

This Agreement shall become effective on the Effective Date.

11.13 Successor and Assigns

This Agreement shall inure to the benefit of the parties hereto and the intended third party beneficiaries identified in Section 11.10 hereof (to the extent specified therein), and shall be binding upon the parties hereto, and each of their respective successors and assigns to the extent permitted by this Agreement and applicable law.

11.14 No Execution

All funds in the Litigation Trust shall be deemed in *custodia legis* until such times as the funds have actually been paid to or for the benefit of a holder of a Litigation Trust Interest, and no holder of a Litigation Trust Interest or any other Person can execute upon, garnish or attach the

assets of the Litigation Trust in any manner or compel payment from the Litigation Trust except by an order of the CCAA Court. Distributions from the Litigation Trust will be governed solely by the Plan and this Agreement.

11.15 Irrevocability

The Litigation Trust is irrevocable, but is subject to amendment and waiver as provided for in this Agreement.

[SIGNATURE PAGE FOLLOWS]

DRAFT

IN WITNESS WHEREOF, the parties hereto have either executed and acknowledged this Agreement, or caused it to be executed and acknowledged on their behalf by their duly authorized officers all as of the date first above written.

SINO-FOREST CORPORATION:

SINO FOREST CORPORATION
(on behalf of itself and the direct and indirect subsidiaries listed in Schedule A)

By: _____
Name:
Title:

LITIGATION TRUSTEE:

[●]

By: _____
Name:
Title:

SCHEDULE A

Index of Defined Terms

Term	Location
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2014 and 2017 Note Indenture Trustee	Introduction
Ad Hoc Committee	Section 3.12(f)
Agreement	Introduction
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CCAA	Preliminary Statement
CCAA Court	Preliminary Statement
Companies	Introduction
Covered Person	Section 11.9
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Trust Register	Section 2.5(c)

EXHIBIT C
INFORMATION REGARDING NEWCO

The information concerning Newco contained herein is based upon information provided by the Noteholder Advisors. Although the Company has no knowledge that would indicate that any statements contained herein relating to Newco are untrue or incomplete, the Company and its directors or officers disclaim any responsibility for the accuracy or completeness of such information, or for any failure by the Company to disclose events or facts that may have occurred or which may affect the significance or accuracy of any such information, but which are unknown to the Company. Defined terms capitalized but not otherwise defined in this Plan Supplement shall have the meanings given them in the Information Statement.

Newco will be incorporated as an exempt company under the laws of the Cayman Islands pursuant to the Plan. Newco will be formed and organized in a manner acceptable to the Initial Consenting Noteholders and in form and substance satisfactory to SFC and the Monitor. It is expected that Newco will be formed shortly before the Plan Implementation Date.

Newco Shares

Newco will have share capital consisting of a single class of voting shares, being the Newco Shares. The Newco Shares issued on the Plan Implementation Date will be fully paid and non-assessable.

In the event that the share capital of Newco is subsequently divided into different classes of shares, the rights attached to any class may be varied by a shareholders' resolution passed at a separate meeting of the holders of shares of that class by at least 66 2/3% of the votes cast at such meeting. In addition, with the consent of the holders of at least 66 2/3% of the votes cast at a shareholders' meeting, Newco may issue equity securities having a preference over the Newco Shares. According to the law of the Cayman Islands, such issuances and variances of rights will not generally give rise to dissent rights (as that term is understood under Canadian law).

Newco is not, and will not be following the Plan Implementation Date, a reporting issuer (or equivalent) in any jurisdiction and the Newco Shares will not be listed on any stock exchange or quotation service on the Plan Implementation Date.

Dividends

Subject to preferences for the receipt of dividends that may be accorded to holders of any other classes of shares of Newco ranking senior to the Newco Shares that may be authorized from time to time holders of Newco Shares are entitled to receive, if, as and when declared by the board of directors of Newco, such dividends as may be declared thereon by the board from time to time in equal amounts per share on the Newco Shares at the time outstanding, without preference or priority.

Shareholder Meetings

Newco will hold its first annual general meeting of shareholders not earlier than 12 months following the Plan Implementation Date, with subsequent annual general meetings to be held annually thereafter. At any time after the expiry of the first 12-month period following the Plan Implementation Date, an extraordinary general meeting may be requisitioned by Newco shareholders holding 10% or more of the issued and outstanding Newco Shares.

Quorum for any annual or extraordinary general meeting of shareholders shall be two or more persons present in person and representing in person or by proxy in excess of 33 1/3% of the issued and outstanding shares entitled to vote at a general meeting.

Board of Directors

The board of directors of Newco will initially consist of up to five directors, who will be satisfactory to the Initial Consenting Noteholders, and may be expanded to include up to ten directors. Although Cayman law and Newco's articles of association permit corporations to serve as directors, all of the directors on the Newco board as of the Plan Implementation Date will be individuals. A director is entitled to appoint an alternate or a proxy to attend board meetings (in person or by telephone) in the director's absence.

Commencing with the first annual general meeting of Newco shareholders following the Plan Implementation Date, any shareholder that (i) was an Initial Consenting Noteholder and (ii) owns (individually or together with its affiliates) shares representing 10.0% or more of the shares then issued and outstanding that carry the right to vote at general meetings (excluding for the purposes of such calculation any shares held at such time by SFC Escrow Co.) (a "**10% Position**") and has either (A) owned (beneficially or as a registered shareholder) such 10% Position continuously since the Plan Implementation Date, or (B) acquired such 10% Position from a prior 10%+ Shareholder (each a "**10%+ Shareholder**") shall be entitled to appoint one director to the board. The remaining directors shall be elected by the Newco shareholders as a group. A Newco shareholder must be the registered owner of its 10% Position in order to exercise any rights it may have as a 10%+ Shareholder.

A 10%+ Shareholder's board appointment right shall be transferable only in connection with its sale of a 10% Position to another person. No person that acquires a 10% Position after the Plan Implementation Date, other than in connection with an acquisition of a 10% Position from a 10%+ Shareholder, shall be entitled to appoint a director to the Newco board. In the event a 10%+ Shareholder ceases to own a 10%+ Position, the director appointed by it shall resign and such 10%+ Shareholder will lose its right to appoint a director to the Newco board.

Directors (other than any director appointed by a 10%+ Shareholder) will be elected by shareholders on an annual basis at the Newco annual general meeting. Any director appointed by a 10%+ Shareholder may only be removed by that 10%+ Shareholder and a 10%+ Shareholder shall be entitled to appoint another director in his place.

Prior to the first annual general meeting, a director may only be removed with the support of shareholders holding at least 66-2/3% of the votes cast at the meeting. On or following the first annual general meeting, a director (other than a director appointed by a 10%+ Shareholder) may be removed with the support of shareholders holding more than 50% of the votes cast at the meeting.

Information Rights

Newco will deliver to each shareholder: (a) copies of Newco's annual financial statements within 180 days of each fiscal year end; and (b) copies of Newco's semi-annual financial statements within 90 days of the end of each financial half-year. The board of directors of Newco will have the discretion whether or not to obtain an audit of the annual financial statements. Upon reasonable request, Newco will also deliver to any shareholder, at the cost and expense of such shareholder, such tax-related information, reports and statements relating to Newco and its

subsidiaries as are reasonably necessary for the filing of any tax return or the making or implementing of any election related to taxes.

Pre-emptive Rights

If Newco wishes to issue equity securities (or any securities convertible into or exchangeable for equity securities of Newco, including convertible debt) other than (a) pursuant to an initial public offering, (b) equity incentive awards to directors, officers or employees of Newco, which awards represent in the aggregate less than 10% of the outstanding Newco Shares (or such higher limit as may be approved by shareholders), or (c) in respect of share splits, share dividends or similar capital reorganizations, it shall offer such securities to each shareholder pro rata in proportion to the number of Newco Shares held by such shareholder at the time of the offer prior to selling such securities to non-shareholders.

Redemption

Newco may redeem Newco Shares in accordance with applicable Cayman law, provided that such shares are redeemed on a pro rata basis.

Drag-Along Rights

In the event holders of at least 66-2/3% of the outstanding Newco Shares wish to sell all of their Newco Shares to a third party, they will have the right to force the other shareholders to sell all of their Newco Shares on the same terms, thereby enabling a sale of the entire company.

Shareholder Approval Rights

In addition to certain other matters requiring approval by special resolution under applicable Cayman law (including amendment of Newco's memorandum or articles of association and a voluntary winding-up of Newco), other than as specified in the Plan Newco may not undertake any of the following fundamental actions without the prior approval of shareholders holding at least 66-2/3% of the Newco Shares present and voting at the meeting:

- any reorganization, recapitalization, amalgamation, merger or consolidation of or involving Newco;
- issuance of (i) any equity securities having a preference over the Newco Shares, or (ii) equity incentive awards to directors, officers or employees, which awards represent in the aggregate in excess of 10% of the outstanding Newco Shares;
- the sale of all or substantially all of Newco's assets (on a consolidated basis);
- any material change in the nature of Newco's business;
- affiliated or related party transactions (other than transactions between Newco and its wholly-owned subsidiaries); and
- a voluntary liquidation, dissolution or winding up of Newco or any of its material Subsidiaries (other than in connection with an internal restructuring).

Management

The ad hoc committee of Noteholders, together with its advisors, is reviewing potential candidates for appointment to the Newco board of directors and to serve as senior management of Newco. It is intended that the directors and senior management of Newco will be appointed on or prior to the Plan Implementation Date.

Newco II

Prior to the Plan Implementation Date, it is intended that Newco will organize a wholly-owned subsidiary as an exempt company under the laws of the Cayman Islands (“Newco II”) for the purpose of acquiring from Newco the SFC Assets to be transferred by SFC to Newco on implementation of the Plan. As the SFC Assets consist primarily of the shares of the six Direct Subsidiaries of SFC (which are incorporated in multiple different jurisdictions), holding the SFC Assets through a single, wholly-owned subsidiary of Newco is intended to facilitate the resolution of any tax, jurisdictional or other issues that may arise out of a subsequent sale of all or substantially all of Newco’s assets. It is intended that the memorandum and articles of association of Newco II will be in a form customary for a wholly-owned subsidiary and that the initial board of directors of Newco II will consist of the same individuals appointed as the directors of Newco on or prior to the Plan Implementation Date.

Newco Names

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

EXHIBIT D

DESCRIPTION OF NEWCO NOTES

For purposes of this "Description of the Notes," the term "Company," "we" and "our" refers to Evergreen China Holdings Ltd., and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such Guarantee is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an Indenture, to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, Computershare Trust Company, N.A., as trustee (the "Trustee") and Computershare Trust Company, N.A., as collateral trustee (the "Security Trustee").

The following is a summary of certain material provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee in Colorado and on the website maintained by the Monitor at the following web address: <http://cfcanada.fticonsulting.com/sfc>.

Brief Description of the Notes

General

The Notes are limited in aggregate principal amount to US\$300 million. After the Original Issue Date, the Company may at any time and from time to time issue (a) Additional Notes under the Indenture in one or more series that share Liens on the Collateral on a pari-passu basis with the Notes (and without regard to any restrictions or limitations set forth under the covenants entitled "Limitation on Indebtedness and Disqualified or Preferred Stock" and "Limitation on Liens"), provided that the aggregate principal amount of the Notes and Additional Notes outstanding at any time may not exceed \$400 million; (b) in connection with the payment of PIK Interest (as defined below) (and without regard to any restrictions or limitations set forth under the covenants entitled "Limitation on Indebtedness and Disqualified or Preferred Stock" and "Limitation on Liens"), increase the outstanding principal amount of the Notes or issue additional notes (the "PIK Notes") under the Indenture on the same terms and conditions as the Notes issued on the Original Issue Date. The Notes, any Additional Notes and any PIK Notes subsequently issued under the Indenture will be treated as a single series for all purposes under the Indenture; and (c) Permitted Priority Secured Indebtedness that is secured by Liens on the Collateral ranking senior in priority to the Liens granted to secure payment of the Notes, Additional Notes and PIK Notes (and without regard to any restrictions or limitations set forth under the covenants entitled "Limitation on Indebtedness and Disqualified or Preferred Stock" and "Limitation on Liens"), provided that the aggregate principal amount of such Permitted Priority Secured Indebtedness outstanding at any time may not exceed the Permitted Priority Secured Indebtedness Cap. Unless the context requires otherwise, references to "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes and any PIK Notes that are actually issued.

The Notes are:

- general obligations of the Company;
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "—The Subsidiary Guarantees,
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;

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- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, the Notes will be secured by pledges, mortgages and/or charges of the Collateral as described below under the caption "—Security" and will:

- effectively rank, with respect and to the extent of the value of the Collateral, subject to Permitted Liens, *pari passu* with any Additional Notes issued in compliance with the Indenture;
- effectively rank, with respect and to the extent of the value of the Collateral, junior to all future obligations of the Company in respect of any Permitted Priority Secured Indebtedness that are secured on a first priority basis by the Collateral; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged, mortgaged or charged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Maturity and Interest

The Notes will mature 7 years from the Original Issue Date, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of Notes" include any Additional Notes and PIK Notes that are actually issued.

Interest on the Notes will be payable in cash or, at the Company's election (a "PIK Election") from time to time, partially in cash and partially in payment in kind notes, or entirely in PIK Notes ("PIK Notes"). In all cases, interest shall be payable on a semi-annual basis in arrears on the last day of the month which is the sixth month following the Original Issue Date and the twelfth month following the Original Issue Date of each year (each an "Interest Payment Date"), commencing on the last day of the month which is the sixth month following the Original Issue Date, to holders of record of the Notes at the close of business on the immediately preceding fifteenth day of such sixth or twelfth month, respectively (each, a "Record Date") notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date.

Interest on the Notes will accrue from the later of the Original Issue Date or the most recent date to which interest has been paid, as applicable. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest will accrue at a rate of 6% per annum if the interest for such interest period is paid fully in cash. In the event that the Company makes a PIK Election in accordance with the Indenture, the cash interest portion (if any) of interest payable will accrue and be paid for such interest period at a rate of 6% per annum and the interest paid-in-kind portion ("PIK Interest") of interest paid through the issuance of PIK Notes will accrue for such interest period at a rate of 8% per annum. The Company must elect the form of interest payment with respect to each interest period by delivering a written notice to the Trustee on or prior to the Record Date in respect of the relevant Interest Payment Date. In the absence of such an election for any interest period, interest on the Notes shall be payable according to the election for the previous interest period.

From and after the occurrence of an Event of Default, overdue principal and interest on the Notes will bear interest payable in cash at the rate of an additional 2% per annum

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In any case in which the date of the payment of principal of or interest on the Notes shall not be a Business Day in the relevant place of payment, then payment of principal or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place.

Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$2,000 of principal amount and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company or the Trustee may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Trustee, currently located at 350 Indiana Street, Suite 750, Golden, CO 80401), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) in accordance with DTC's applicable procedures.

The Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to priority rights of such unsubordinated Indebtedness pursuant to applicable law).

In addition, subject to the limitations described therein, the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor (as defined below) will:

- effectively rank, with respect and to the extent of the value of the Collateral owned by such Subsidiary Guarantor Pledgor, subject to Permitted Liens, *pari passu* with any future Additional Notes issued in compliance with the Indenture;
- effectively rank, with respect and to the extent of the value of the Collateral owned by such Subsidiary Guarantor Pledgor, junior to all future Permitted Priority Secured Indebtedness of such Subsidiary Guarantor Pledgor that is secured by Liens on the Collateral owned by such Subsidiary Guarantor Pledgor in favour of the holders of the Permitted Priority Secured Indebtedness; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture, each of the Subsidiary Guarantors will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes, the Indenture and the Security Documents. The Subsidiary Guarantors have (1) agreed that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waived their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note is rescinded or must otherwise be restored, the rights of the Holders under the

Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees will be made in U.S. dollars.

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Sino-Capital Global Inc., Sino-Panel Holdings Limited (BVI), Sino-Global Holdings Inc. (BVI), Sino-Wood Partners, Limited (HK), Grandeur Winway Ltd. (BVI), Sinowin Investments Ltd. (BVI), Sinowood Limited (Cayman Islands), Sino-Forest Bio-Science Limited (formerly known as: Sino-Two Limited) (BVI), Sino-Forest Resources Inc. (BVI), Sino-Plantation Limited (HK), Suri-Wood Inc. (BVI), Sino-Forest Investments Limited (BVI), Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Jiangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Guangxi) Limited (BVI), Sino-Panel (Yunnan) Limited (BVI), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Xiangxi) Limited (formerly known as: Rich Base Worldwide Limited) (BVI), Sino-Panel (Hunan) Limited (formerly known as Comtech Universal Limited) (BVI), SFR (China) Inc. (BVI), Sino-Panel (Suzhou) Limited (formerly known as: Pacific Harvest Holdings Limited) (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sino-Panel (Guangzhou) Limited (BVI), Sino-Panel (North Sea) Limited (BVI), Sino-Panel (Guizhou) Limited (BVI), Sino-Panel (Huaihua) Limited (BVI), Sino-Panel (Qinzhou) Limited (formerly known as Sino-Panel (Jiayu) Ltd.) (BVI), Sino-Panel (Yongzhou) Limited (BVI), Sino-Panel (Fujian) Limited (BVI), Sino-Panel (Shaoyang) Limited (BVI), Amplemax Worldwide Limited (BVI), Ace Supreme International Limited (BVI), Express Point Holdings Limited (BVI), Glory Billion International Limited (BVI), Smart Sure Enterprises Limited (BVI), Expert Bonus Investment Limited (BVI), Dynamic Profit Holding Limited (BVI), Alliance Max Limited (BVI), Brain Force Limited (BVI), General Excel Limited (BVI), Poly Market Limited (BVI), Prime Kinetic Limited (BVI), Trillion Edge Limited (BVI), Sino-Panel (China) Nursery Limited (BVI), Sino-Wood Trading Limited (BVI), Homix Limited (BVI), Sino-Panel Trading Limited (BVI), Sino-Panel (Russia) Limited (BVI), Sino-Forest International (Barbados) Corporation (Barbados), Sino-Global Management Consulting Inc. (BVI), Value Quest International Limited (BVI), Well Keen Worldwide Limited (BVI), Harvest Wonder Worldwide Limited (BVI), Cheer Gold Worldwide Limited (BVI), Regal Win Capital Limited (BVI), Rich Choice Worldwide Limited (BVI), Mandra Forestry Holdings Limited (BVI), Mandra Forestry Finance Limited (BVI), Mandra Forestry Anhui Limited (BVI), Mandra Forestry Hubei Limited (HK) and Elite Legacy Limited.

Not all of the Company's Restricted Subsidiaries will guarantee the Notes. None of the Company's over 40 significant current operating or other PRC Subsidiaries, or our Initial Unrestricted Subsidiaries (as defined herein), will provide a Subsidiary Guarantee. Each of the Company's Subsidiaries that does not guarantee the Notes is referred to as a "Non-Guarantor Subsidiary." In addition, no future Subsidiaries of the Company that may be organized under the laws of the PRC or another jurisdiction that prohibits such Subsidiary from guaranteeing the payment of the Notes will provide a Subsidiary Guarantee, such Subsidiaries referred to herein as "Foreign Subsidiaries." In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company or a subsidiary of the Company, as the case may be. The Subsidiary Guarantors are primarily either holding companies that operate through subsidiaries or entities that directly hold property and assets and/or engage in business operations and generate income. Although under the accounting standards applicable to us and our Subsidiaries, such Subsidiary Guarantors recognize a significant portion of our income and hold a significant portion of our assets on a consolidated basis, most of such property and assets are physically located, and most of such income is earned and held, in the PRC and denominated in Renminbi. As a result, even though such Subsidiary Guarantors have agreed to guarantee the obligations of the Company under the Notes, their assets and cash are unlikely to be available to service our obligations under the Notes due to PRC foreign currency exchange controls or uncertainties in the PRC legal system and/or payments from them may be delayed or subject to PRC tax regimes.

In addition, our Subsidiaries that do not guarantee the Notes hold significant amounts of our assets and/or generate a significant portion of our income and the portion of assets held or income generated by Subsidiary Guarantors may decrease in the future. We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of certain of our Subsidiaries.

The Company will cause each of its future Restricted Subsidiaries (other than Subsidiaries organized under the laws of the PRC or Foreign Subsidiaries), immediately upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will become a Subsidiary Guarantor and will Guarantee the payment of the Notes.

Under the Indenture, and any supplemental indenture thereto, as applicable, each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally or the ability of related parties to provide guarantees. If a Subsidiary Guarantee were to be rendered void or voidable, it could be rendered ineffective or subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "—Defeasance;"
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with terms of the Indenture; or
- upon the sale of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "Certain Covenants—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "Certain Covenants—Limitation on Asset Sales" and "Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

Limitations on Subsidiary Guarantees and Enforcement of Security

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of such Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Certain of the Subsidiary Guarantors have significant loans or other obligations due to other subsidiaries within the Sino-Forest group. The guarantee by a Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor. In addition, the Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.

Unrestricted Subsidiaries

As of the date of the Indenture, all of the Company's Subsidiaries (except Greenheart Group Limited and its Subsidiaries (the "Initial Unrestricted Subsidiaries")) will be "Restricted Subsidiaries." Additionally, under the circumstances described below under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its other Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries (including the Initial Unrestricted Subsidiaries) will not be subject to many of the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries (including the Initial Unrestricted Subsidiaries) will not Guarantee the Notes.

Security

Subject to the arrangements described under the caption "—Intercreditor Agreement—" below, Company has agreed, for the benefit of the Holders of the Notes, to pledge, mortgage or charge, or cause the initial Subsidiary Guarantor Pledgors to pledge, mortgage or charge, as the case may be, all property and assets of the Company and the initial Subsidiary Guarantors (including the Capital Stock of the initial Subsidiary Guarantors) (the "Collateral") on a first priority basis (subject to Permitted Liens) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

The initial Subsidiary Guarantor Pledgors will be Sino-Forest Investments Limited (BVI), Sino-Capital Global Inc. (BVI), Mandra Forestry Holdings Limited (BVI), Mandra Forestry Finance Limited (BVI), Mandra Forestry Anhui Limited (BVI), Sino-Global Holdings Inc. (BVI), Sino-Wood Partners, Limited (HK), Sinowood Limited (Cayman Islands), Sino-Plantation Limited (HK), Suri-Wood Inc. (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel Holdings Limited (BVI), Dynamic Profit Holdings Limited (BVI) and Sino-Forest International (Barbados) Corporation (Barbados).

The Company has also agreed, for the benefit of the Holders of the Notes, to pledge, mortgage or charge, or cause each Subsidiary Guarantor to pledge, mortgage or charge, all property and assets (including the Capital Stock owned by the Company or such Subsidiary Guarantor) of any Person that is a Restricted Subsidiary or becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or any other jurisdiction that prohibits such property and assets of such Restricted Subsidiaries from being pledged, mortgaged or charged, to secure the obligations of the Company or such Subsidiary Guarantor) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may not be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes, and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the enforcement of the priority Liens granted over the Collateral as security for the payment of any Permitted Priority Secured Indebtedness and any Permitted Priority Subsidiary Guarantees, the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Default has occurred and is continuing, and subject to the terms of the Security Documents, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Priority Secured Indebtedness

The Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral ranking senior to the Lien for the benefit of the Holders to secure Permitted Priority Secured Indebtedness of the Company and any Permitted Priority Subsidiary Guarantee of a Subsidiary Guarantor Pledgor; *provided that* (i) the principal amount of such Permitted Priority Secured Indebtedness may not exceed the amount of the Permitted Priority Secured Indebtedness Cap, (ii) the holders of such Indebtedness (or their representative) become party to an Intercreditor Agreement, as referred to below, (iii) the instrument or agreement creating such Indebtedness contains provisions with respect to releases of Collateral and such Permitted Priority Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and

the Security Documents and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Security Trustee an Opinion of Counsel with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and the Security Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Priority Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent or trustee under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Priority Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Priority Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

As of the Original Issue Date, the Collateral will be pledged, mortgaged or charged, to secure the obligations of the Company and the Subsidiary Guarantors under the Notes and the Subsidiary Guarantees, pursuant to the terms of the Security Documents. After the Original Issue Date, to the extent that the Company issues Permitted Priority Secured Indebtedness in accordance with the terms of the Indenture, the holders of such Permitted Priority Secured Indebtedness (or the agent, trustee or representative thereof) (the "Permitted Priority Trustee") will be required to enter into an intercreditor agreement (the "Intercreditor Agreement") with the Trustee and the Security Trustee, and acknowledged by the Company, providing, among other things, (1) that the Liens in and to the Collateral securing the Notes shall rank second only to the Liens in and to the Collateral securing the Permitted Priority Secured Indebtedness in favour of the Permitted Priority Trustee, all to the extent and in the manner set forth in such Intercreditor Agreement and containing the additional terms set forth in the Indenture (the "Pre-Agreed Intercreditor Terms") (2) for the conditions under which the parties thereto will consent to the release of or granting of any Lien on such Collateral; and (3) for the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby. The Collateral securing the obligations of the Company and the Subsidiary Guarantors in favour of the Holders of any Permitted Priority Secured Indebtedness shall in no event be comprised of any collateral in addition to the Collateral securing the obligations of the Company and the Subsidiary Guarantors in respect of the Notes unless such additional collateral is also granted to the Trustee and the Security Trustee for the benefit of the Holders.

Each Holder of Notes shall be bound by the provisions of the Indenture and any intercreditor agreement entered into by the Trustee which contains terms and conditions substantially the same as the Pre-Agreed Intercreditor Terms, and the Trustee and the Security Trustee shall be authorized and directed pursuant to the terms of the Indenture to enter into any such Intercreditor Agreement with the Permitted Priority Trustee for the holders of any such Permitted Priority Secured Indebtedness.

The Intercreditor Agreement will also provide that when the property and assets (including the Capital Stock) of any Person that is or becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC or any other jurisdiction that prohibits such Restricted Subsidiaries from guaranteeing the payment of the Notes) is delivered as security as described in the third paragraph of "—Security" above, such property and assets (including the Capital Stock) would also be deemed to be Collateral, and subject to the sharing of interest in such security, under the terms of the Intercreditor Agreement.

Enforcement of Security

The Liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Security Trustee. The Security Trustee will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Secured Parties (or their respective representatives) to exercise remedies under the Security Documents. The Security Trustee will agree to act as secured party on behalf of the Secured Parties (or their respective representatives) under the applicable Security Documents, to follow the instructions provided to it by the Secured Parties (or their respective representatives) under the Indenture and to carry out certain other duties. The Trustee will give instructions to the Security Trustee in accordance with instructions it receives from the Holders under the Indenture.

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The Indenture and/or the Security Documents will principally provide that, at any time while the Notes are outstanding, the Security Trustee will have the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of a Default under the Indenture.

All payments received and all amounts held by the Security Trustee in respect of the Collateral under the Security Documents will be applied, subject to the terms of any Intercreditor Agreement, as follows:

first, to the Security Trustee to the extent necessary to reimburse the Security Trustee for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Security Documents and preserving the Collateral and all amounts for which the Security Trustee is entitled to indemnification or otherwise owed under the Indenture and/or the Security Documents;

second, to the Trustee for its benefit and the benefit of Holders, to the Paying Agent and Registrar, all pursuant to the terms of the Indenture; and

third, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Security Trustee may decline to foreclose on, or enforce the security interest created over, the Collateral or exercise remedies available if it does not receive indemnification to its satisfaction. In addition, the Security Trustee's ability to foreclose on, or enforce the security interest created over, the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Trustee's Liens on the Collateral. Neither the Security Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, maintenance or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Indenture and/or the Security Documents will provide that the Company and the Subsidiary Guarantor Pledgors will Indemnify the Security Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Trustee arising out of the Security Documents or the Indenture except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Security Trustee.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, subject to the terms of the Security Documents and any Intercreditor Agreement, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "—Defeasance";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "—Limitation on Asset Sales" or in accordance with the provision under the caption "—Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; and

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- with respect to all or any part of the Collateral, by the Security Trustee in connection with any enforcement of its Liens pursuant to the terms of the Security Agreement.

Further Issues

The Company may, from time to time, without notice to or the consent of the Holders (and without regard to any restrictions or limitations set forth under the "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant described below), create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for issue date, issue price, and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such subsequently issued debt securities may be consolidated and form a single series with the previously outstanding Notes; *provided that* any Additional Notes must be treated as part of the same issue as the Notes for U.S. federal income tax purposes and *provided further* that in connection with the payment of PIK Interest, the Company is entitled to, without the consent of the Holders (and without regard to any restrictions or limitations set forth under the "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant described below), issue PIK Notes under the Indenture on the same terms and conditions as all other issued Notes (except for issue date, issue price, and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions). All PIK Notes will be *pari passu* in right of payment with all other issued Notes, will be guaranteed on a *pari passu* basis by each Subsidiary Guarantor and will be secured equally and ratably with all other issued Notes by Liens on the Collateral held by the Security Trustee for as long as the Notes and the Subsidiary Guarantees are secured by the Collateral, subject to the covenants contained in the Indenture.

Optional Redemption

At any time and from time to time on or after the fourth anniversary date of the Original Issue Date, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on the anniversary date of the Original Issue Date of the years indicated below:

<u>12- month period commencing in the year</u>	<u>Redemption Price</u>
2017	103.125%
2018	101.563%
2019 and thereafter	100.000%

At any time prior to the fourth anniversary date of the Original Issue Date, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date.

At any time prior to the third anniversary date of the Original Issue Date, the Company may redeem up to 35% of the principal amount of the Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 106.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of Capital Stock.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed, selection of the Notes for redemption will be made on a pro rata basis, or if the Notes are issued in global form, in accordance with applicable DTC procedures (subject, in all cases, to compliance with the rules of any national securities exchange on which the Notes may be listed).

However, no Note of US\$1,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note.

Mandatory Redemption of Notes upon an Entire Sale Transaction

Within 10 days of the occurrence of an Entire Sale Transaction, the Company shall issue (by publication and mail) a notice to all Holders to redeem all of the Notes then outstanding (an "Entire Sale Transaction Mandatory Redemption") at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to the Payment Date (the "Entire Sale Transaction Redemption Price"). Such notice will give not less than thirty (30) days' nor more than sixty (60) days' notice of the Entire Sale Transaction Mandatory Redemption. All Notes that are so redeemed will be cancelled.

Pending the application of the proceeds from an Entire Sale Transaction to the Entire Sale Transaction Redemption Price, the Company shall invest such proceeds in a deposit account or securities account, which account shall be subject to a first priority Lien in favour of the Security Trustee, on behalf of the Trustee, and constitute additional Collateral for the benefit of the Holders, and which account shall not be subject to any other Lien whatsoever.

Repurchase of Notes Upon a Change of Control Triggering Event

The Company must commence, within 30 days of the occurrence of a Change of Control Triggering Event, and consummate an Offer to Purchase for all Notes then outstanding (a "Change of Control Offer"), at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the Payment Date.

Except as described above with respect to a Change of Control Triggering Event or as described below with respect to an Entire Sale Transaction, the Indenture does not contain provisions that permit or require the Company to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders may not be entitled to require the Company to purchase their Notes in certain circumstances involving a significant change in the composition of Board of Directors.

If a Change of Control Offer is made, there can be no assurance that the Company will have available funds sufficient to pay the purchase price for all the Notes that might be tendered by the Holders seeking to accept the Change of Control Offer. In the event that the Company purchases Notes pursuant to a Change of Control Offer, the Company expects that it would seek third party financing to the extent it does not have available funds to purchase the Notes. However, there can be no assurance that the Company would be able to obtain such financing.

In order to repurchase the Notes in an Offer to Purchase, the Company will, unless consents are obtained, be required to repay all Indebtedness then outstanding which by its terms would prohibit such Note repurchase, either prior to or concurrently with such Note repurchase.

Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of, or in respect of, principal of, and premium (if any) and interest (including PIK Interest) in respect of the Notes (including PIK Notes) or the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "—Consolidation, Merger and Sale of Assets") or the applicable Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (a) for or on account of:
- (i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (A) the existence of any present or former connection between the Holder of such Note and the Relevant Jurisdiction other than merely holding such Note, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;
 - (C) the failure of the Holder, despite being required by law, to comply with a timely request of the Company addressed to the Holder or beneficial owner to provide information concerning such Holder's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any taxes as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (D) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (iii) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2004/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or
 - (iv) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii) and (iii); or
- (b) with respect to any payment of the principal of, or any premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee to the Holder, if such Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of the Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, person or beneficial owner been the registered Holder thereof.

Whenever there is mentioned in any context the payment of principal, any premium or interest, in respect of any Note or Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or Surviving Person, as a whole but not in part, at any time, upon giving not less than 30 days nor more than 60 days notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment, or order by a court of competent jurisdiction),

which change, amendment, application or interpretation (a) in the case of the Company, Surviving Person and any initial Subsidiary Guarantor becomes effective on or after the Original Issue Date and (b) in the case of any successor to a Subsidiary Guarantor or a future Subsidiary Guarantor becomes effective after such Subsidiary Guarantor assumes the obligations under the Indenture or becomes a Subsidiary Guarantor, with respect to any payment due or to become due under the Notes or the Indenture, the Company, Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next interest payment date would be, required to withhold or deduct any tax, duty, assessment or other governmental charge imposed, levied, collected, withheld or assessed by a Relevant Jurisdiction and to pay Additional Amounts, and in each case, such requirement to withhold or deduct cannot be avoided by the taking of reasonable measures by the Company, Surviving Person or a Subsidiary Guarantor; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due.

Prior to the publication and mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or Surviving Person will deliver to the Trustee (a) a certificate signed by a duly authorized officer stating that the Company or Surviving Person is entitled to effect the redemption under the Indenture and stating that the conditions precedent to the right of redemption have occurred and (b) an Opinion of Counsel or tax consultant of recognized standing stating that the circumstances referred to in the prior paragraph exist. The Trustee shall accept such Opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Disqualified or Preferred Stock

- (a) The Company will not Incur any Indebtedness or Disqualified Stock, provided that the Company may Incur Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. The Company will not permit any Restricted Subsidiary to Incur any Indebtedness (including Acquired Indebtedness), Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

- (1) Indebtedness under the Notes (including any PIK Notes and any Additional Notes), and each Subsidiary Guarantee;

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- (2) Any Permitted Priority Secured Indebtedness and any Permitted Priority Subsidiary Guarantees;
- (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (4);
- (4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Wholly-Owned Restricted Subsidiary; provided that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Wholly-Owned Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (4) and (y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;
- (5) Indebtedness issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under the immediately preceding paragraph or clauses (1) or (2) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); provided that (a) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (5) if (x) in case the Notes are refinanced in part, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (b) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (c) Indebtedness the proceeds of which are used to refinance or refund Permitted Priority Secured Indebtedness would otherwise be entitled be Incurred as Permitted Priority Secured Indebtedness pursuant to the terms of the Indenture, and (d) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;
- (6) the Incurrence by the Company or any Restricted Subsidiaries of Indebtedness under Commodity Agreements, Interest Rate Agreements and Currency Agreements entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (7) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 90 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

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- (8) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (6) or (7) above; and
 - (9) Indebtedness Incurred after the Original Issue Date by any Restricted Subsidiary organized under the laws of the PRC which, when taken together with the total amount of all other Indebtedness Incurred under this clause (9), will not exceed US\$100 million.
- (b) For purposes of determining compliance with this "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Indebtedness described in part (a) above (other than the Notes, Additional Notes or PIK Notes, which shall be treated as Incurred pursuant to clause (a)(1) above), including under the proviso in the first paragraph of part (a), the Company, in its sole discretion, shall classify, and from time to time may reclassify one or more times, such item of Indebtedness, and such item of Indebtedness will, upon such classification or reclassification (as the case may be) be treated as having been Incurred in accordance with only one of such clauses or in accordance with the proviso in the first paragraph of part (a).
- (c) The Company will not incur, and will not permit any Subsidiary Guarantor to incur, any Indebtedness if such Indebtedness is subordinate in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also subordinate in right of payment to the Notes or the applicable Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock, but excluding any Indebtedness of the Company or any Restricted Subsidiary that is not subordinated in right of payment to the Notes or any Subsidiary Guarantee that is convertible into Capital Stock of the Company) held by any Persons other than the Company or any Wholly-Owned Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly-Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment, in any Person;

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if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default shall have occurred and be continuing;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock;" or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of
 - (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal half-year immediately following the Measurement Date and ending on the last day of the Company's most recently ended fiscal half-year for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee at the time of such Restricted Payment; plus
 - (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (3) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (a) payments of interest on Indebtedness, dividends or repayments of loans or advances, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), or (b) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person.

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any of the Subsidiary Guarantors that is subordinated in right of payment to the Notes or to any Subsidiary Guarantee with the Net Cash Proceeds

of, or in exchange for, Indebtedness Incurred under clause (5)(y) of the second paragraph of part (a) of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock;"

- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a capital contribution or a substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(2) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any of the Subsidiary Guarantors that is subordinated in right of payment to the Notes or to any Subsidiary Guarantee in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent offering of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(2) of the preceding paragraph;
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable on a pro rata basis to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly, through Restricted Subsidiaries by the Company;
- (6) any Investment in Greenheart Group Limited and its Subsidiaries;
- (7) any Investment in an Unrestricted Subsidiary (other than Greenheart Group Limited and its Subsidiaries) that is engaged in a Permitted Business which, when taken together with the total amount of all other Investments made pursuant to this clause (7), will not exceed US\$25 million (or the Dollar Equivalent thereof);
- (8) any Investment in a Joint Venture (other than Greenheart Group Limited and its Subsidiaries) which, when taken together with the total amount of all other Investments made pursuant to this clause (8), will not exceed US\$25 million (or the Dollar Equivalent thereof); or
- (9) Restricted Payments, if, at the time of the making of such payments, and after giving effect thereto (including, without limitation, the incurrence of any Indebtedness to finance such payment) and giving effect to the *pro forma* adjustment set forth in clauses (A) through (E) of the definition of "Fixed Charge Coverage Ratio," the Leverage Ratio would not exceed 2.0:1.0;

provided that, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1), (5), (7), (8), and (9) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value.

The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of international standing if the Fair Market Value exceeds US\$5.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$5.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant under the caption "—Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary, (2) pay any Indebtedness owed to the Company or any other Restricted Subsidiary, (3) make loans or advances to the Company or any other Restricted Subsidiary or (4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

The foregoing provisions shall not restrict any encumbrances or restrictions:

- (1) in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Priority Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Permitted Priority Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed, supplemented, amended or replaced;
- (2) existing under or by reason of applicable law;
- (3) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no less favorable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (4) in the case of clause (4) of the first paragraph of this covenant, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is a lease, license, conveyance or contract or similar property or asset, or (ii) exist by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) arise or are agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—

Limitation on Indebtedness and Disqualified or Preferred Stock" and "—Limitation on Asset Sales" covenants.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly-Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly-Owned Restricted Subsidiary;
- (3) for the sale of shares of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "—Limitation on Asset Sales" covenant; and
- (4) the issuance and sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (a) (2), (3), (4) or (8)(ii) (other than, in the case of clause (8)(ii), a Guarantee by a Restricted Subsidiary organized under the laws of the PRC of the Indebtedness of a non-PRC Restricted Subsidiary) under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock."

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Company or (y) with any Affiliate of the Company or any Restricted Subsidiary (each an "Affiliate Transaction"), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with an unrelated Person; and

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- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any of its Wholly-Owned Restricted Subsidiaries or between or among Wholly-Owned Restricted Subsidiaries;
- (3) issuances or sales of Capital Stock (other than Disqualified Stock) of the Company or options, warrants or other rights to acquire such Capital Stock;
- (4) transactions or payments pursuant to any employee, officer or director compensation or benefit plans or similar arrangements entered into in the ordinary course approved by a majority of the Board of Directors of the Company in good faith; and
- (5) any Restricted Payment of the type described in clauses (1),(2), or (3) of the first paragraph of the covenant described above under the caption "—Limitation on Restricted Payments" if permitted by that covenant.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) transactions between or among the Company and any of its Restricted Subsidiaries that is not a Wholly-Owned Restricted Subsidiary to the extent entered into in the ordinary course of business, (ii) Investments (other than Permitted Investments) not prohibited by the "—Limitation on Restricted Payments" covenant, (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Plan Supplement or in the Information Circular of Sino Forest Corporation dated October 20, 2012, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date; *provided that*, in the case of (iii) such transaction is entered into in the ordinary course of business.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien on any of its assets or properties of any kind (other than the Collateral), now owned or hereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale-Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction.

Limitation on Entire Sale Transaction and on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, enter into or consummate an Entire Sale Transaction unless, as a condition thereof, the consideration received consists of net cash proceeds to the Company of not less than an amount sufficient to pay the Entire Sale Transaction Redemption Price in full and without restriction.

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock" after giving *pro forma* effect to such Asset Disposition; and
- (4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets (i) the Company delivers to the Trustee an Officer's Certificate stating that (a) the Company's chief executive officer or chief financial officer has approved such Asset Sale, (b) such Asset Sale is on fair and reasonable terms on an arm's length basis, and (c) the Fair Market Value of the Replacement Assets, together with any cash consideration is no less than the Fair Market Value of the assets subject to such Asset Sale, and (ii) with respect to any such Asset Sale involving an aggregate consideration with a Fair Market Value in excess of US\$25.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet prepared in accordance with IFRS, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are actually assumed by the transferee of any such assets pursuant to a customary, assumption, assignment, novation or similar agreement that fully and unconditionally releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

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- (1) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) make an Investment in Replacement Assets, provided that such Investment occurs within 360 days following the receipt of such Net Cash Proceeds.

Pending the final application of any Net Cash Proceeds from an Asset Sale in excess of \$10 million, the Company shall invest such Net Cash Proceeds in a deposit account or securities account, which account(s) shall (except if prohibited by applicable laws) be subject to a first priority Lien in favour of the Security Trustee and constitute additional Collateral for the benefit of the Holders or the other Secured Parties, and which account(s) shall not be subject to any other Lien whatsoever.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "Excess Proceeds." Excess Proceeds of less than US\$5 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When the aggregate amount of Excess Proceeds exceeds US\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase to all Holders (and, with respect to indebtedness of the Company, that ranks equally with or senior to, the Notes, containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to the holders of such Indebtedness, including any Permitted Priority Secured Indebtedness) to purchase the maximum principal amount of Notes (and any such other *pari passu* Indebtedness) that may be purchased out of the Excess Proceeds. The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

Notwithstanding the foregoing, the Company will not, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of any shares of Capital Stock of Sino-Forest (China) Investments Limited or of any Restricted Subsidiary that owns directly or indirectly any shares of Capital Stock of Sino-Forest (China) Investments Limited.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* or senior Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* or senior Indebtedness) to be purchased on a pro rata basis or in accordance with applicable DTC procedures. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "—Limitation on Restricted Payments."

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary, unless a Subsidiary of such Restricted Subsidiary is a Restricted Subsidiary (and is not concurrently being designated as an Unrestricted Subsidiary); *provided that* (i) Sino-Forest (China) Investments Limited shall always be a Restricted Subsidiary, (ii) such designation would not cause a Default, (iii) a Restricted Subsidiary cannot be a Subsidiary of an Unrestricted Subsidiary and (iv) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (i) such designation shall not cause a Default, (ii) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock;" (iii) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "—Limitation on Liens;" (iv) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary), (v) if such Restricted Subsidiary is not organized under the laws of the PRC and is not a Foreign Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor, and (vi) if such Restricted Subsidiary is not organized under the laws of the PRC or any other jurisdiction that prohibits the Capital Stock of such Restricted Subsidiary from being pledged to secure the obligations of the Company or a Subsidiary Guarantor, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged, mortgaged or charged as required under "—Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (i) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses, (ii) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (iii) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure to so obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (A) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (B) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Provision of Financial Statements and Reports

The Company will file with the Trustee and provide the holders of the Notes with copies of all financial statements or reports that are distributed by the Company to its members from time to time.

As of the Original Issue Date, the Memorandum and Articles of Association of the Company will provide that the Board of Directors will cause to be delivered to each member: (i) as soon as available, but not later than 180 days after the end of each financial year of the Company, a copy of the consolidated balance sheet of the Company as of the end of such financial year and the related consolidated statements of income, changes in equity and cash flows for such financial year, setting forth in each case in comparative form the figures for the previous year, all in reasonable detail and accompanied by a management summary and analysis of the operations for the Company for such financial year; and (ii) as soon as available, but not later than 90 days after the end of each financial half-year of the Company, a copy of the consolidated balance sheet of the Company as of the end of such financial half-year and the related consolidated statements of income, changes in equity and cash flows for such financial half-year, and accompanied by a management summary and analysis of the operations for the Company for such financial half-year. In the event that this provision of the Memorandum and Articles of Association of the Company is amended after the Original Issue Date, the Company shall provide notice of such amendment to the Trustee as soon as practicable following the enactment of such amendment.

Delivery of such reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein (including the Company's compliance with any of its covenants under the Indenture as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (c) default in the performance or breach of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets," "—Limitation on Indebtedness and Disqualified or Preferred Stock," "—Limitation on Restricted Payments," "—Limitation on Liens," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Limitation on Asset Sales", the failure by the Company to redeem the Notes in the manner described under the caption "—Mandatory Redemption of Notes upon an Entire Sale Transaction" or the failure by the Company to create, or cause its Restricted Subsidiaries to create a First Priority Lien on the Collateral (subject to any Permitted Liens) in accordance or otherwise comply with the covenant described under the caption "—Security;"
- (d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$50.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (B) the failure to make a principal payment when due;
- (f) any final judgment or order for the payment of money in excess of US\$50.0 million (or the Dollar Equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any Restricted Subsidiary and shall not be paid or discharged for a period of 60 days during which a stay of enforcement of such final judgment or order shall not be in effect;
- (g) a court having jurisdiction in the premises enters a decree or order for (A) relief in respect of the Company or any Restricted Subsidiary in an involuntary case or proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect (including any proceeding under any corporate law seeking an arrangement of, or stay of proceedings to enforce, some or all of its debts), (B) appointment of a receiver, liquidator, assignee, custodian, monitor, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (C) the winding up or liquidation of the affairs of the Company or any Restricted Subsidiary and, in each case, such

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decree or order shall remain unstayed and in effect for a period of 60 consecutive days;

- (h) the Company or any Restricted Subsidiary (A) commences a voluntary case or proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect (including any proceeding under any corporate law seeking an arrangement of, or stay of proceedings to enforce, some or all of its debts), or consents to the entry of an order for relief in an involuntary case or proceeding under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, monitor, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (C) effects any general assignment for the benefit of creditors;
- (i) any Subsidiary Guarantor repudiates its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or
- (k) the Company or any Subsidiary Guarantor Pledgor repudiates its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority Lien in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (e) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event of default triggering such Event of Default pursuant to clause (e) shall be remedied or cured by the Company or the relevant Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee, may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and (z) the Company has paid to the Trustee all fees, expenses and amounts owed to the Trustee in connection with such Event of Default. For information as to the waiver of defaults, see "—Amendments and Waiver."

If an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, instruct the Security Trustee to foreclose on the

Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee is instructed by such Holders. See "—Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

- (1) the Holder gives the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company, one of whom must be the Company's principal executive officer, principal financial officer or principal accounting officer, must certify in an Officer's Certificate, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligations, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture.

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be an exempted company limited by shares organized and validly existing under the laws of the Cayman Islands and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

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- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; and
- (6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock"; and
- (5) the Company delivers to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;

provided that this paragraph shall not apply to any Entire Sale Transaction, which transaction shall be subject to and governed by the provisions that require the Company to redeem all of the Notes in the manner described under the caption "-Mandatory Redemption of Notes upon an Entire Sale Transaction", and shall not otherwise apply to any other sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "—Release of the Subsidiary Guarantees."

The foregoing provisions would not necessarily afford holders of the Notes protection in the event of highly leveraged or other transactions involving the Company that may adversely affect holders of the Notes.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indentures or the Notes unless such consideration is offered to be paid or is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 365th day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust, and certain obligations owed to the Trustee and the Security Trustee) if, among other things:

- (a) the Company has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient (in the case of U.S. Government Obligations, in the opinion of a reputable firm of certified accountants) to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes,
- (b) the Company has delivered to the Trustee (1) either (x) an Opinion of Counsel to the effect that, as a result of a change occurring after the Original Issue Date in applicable U.S. federal income tax law, Holders will not recognize income, gain or loss for United States federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance" provision and will be subject to United States federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (2) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 365 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law, and
- (c) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 365th day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph and clauses (3), (4) and (5)(x) under the second

paragraph under "Consolidation, Merger and Sale of Assets" and all the covenants described herein under "Covenants," clause (c) under "Events of Default" with respect to such clauses (3), (4) and (5)(x) under the first paragraph and clauses (3), (4) and (5)(x) under the second paragraph under "Consolidation, Merger and Sale of Assets," clause (d) under "Events of Default" with respect to such other covenants and clauses (e), (f), (i), (j) and (k) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b)(2) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel to the effect that, among other things, the Holders will not recognize income, gain or loss for United States federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

As a condition to the Company exercising its right to discharge or defease the Notes or to defease the covenants as provided in the immediately preceding paragraphs, the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to such discharge and/or defeasance have been complied with.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect or inconsistency in the Indenture, the Notes or any Security Document;
- (2) comply with the provisions described under "Consolidation, Merger and Sale of Assets;"
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes (including PIK Notes) in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;
- (8) effect any change to the Indenture in a manner necessary to comply with the procedures of DTC;

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- (9) permit Permitted Priority Secured Indebtedness (including, without limitation, permitting the Trustee to enter into any amendments to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Priority Secured Indebtedness, in accordance with the Indenture); or
- (10) make any other change that would provide additional rights or benefits to the Holders or that does not adversely affect the rights of any Holder.

Amendments with Consent of Holders

Amendments of the Indenture or any Security Document may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; provided, however,

- (a) that no such modification or amendment may, without the consent of each Holder affected thereby:
 - (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
 - (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
 - (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
 - (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
 - (5) reduce (i) the above stated percentage of outstanding Notes, or (ii) the stated percentage of outstanding Notes referred to in clause (b) below, the consent of whose Holders is necessary to modify or amend the Indenture;
 - (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
 - (7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or
 - (8) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders, and
- (b) that no such modification or amendment may, without the consent of the Holders of not less than 80% in aggregate principal amount of the outstanding Notes affected thereby:
 - (1) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
 - (2) release any Collateral, except as provided in the Indenture and the Security Documents;
 - (3) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;
 - (4) amend, change or modify any provision of any Security Document, or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

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- (5) change the redemption date or the redemption price of the Notes from that stated under the captions "Optional Redemption" or "Redemption for Taxation Reasons;" or
- (6) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or of any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Paying Agent

Computershare Trust Company, N.A. is to be appointed as Trustee under the Indenture and Computershare Trust Company, N.A. is to be appointed as registrar and paying agent (the "Paying Agent") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Computershare Trust Company, N.A. will initially act as Security Trustee under the Security Documents in respect of the Security over the Collateral. The Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, mortgaged or charged pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Security Trustee may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee and the Security Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Trustee and the Security Trustee indemnity or security reasonably satisfactory to the Trustee and the Security Trustee against any loss, liability or expense.

Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee and the Security Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Security Trustee in respect of such risks.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes will initially be represented by one or more permanent global notes in definitive, fully registered form without

interest coupons (each a "Global Note") and will be deposited with the Trustee as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, nor any of the Subsidiary Guarantors, the Trustee nor any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

The Company expects that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Transfer Restrictions."

Although DTC is expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, any of the Subsidiary Guarantors, the Trustee or any Paying Agent will have any responsibility for the performance by DTC or its participants or indirect participants of its obligations under the rules and procedures governing its operations.

If DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Company within 90 days, the Company will issue Certificated Notes in registered form, which may bear the legend referred to under "Transfer Restrictions," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "Transfer Restrictions," in accordance with the DTC's rules and procedures in addition to those provided for under the Indenture.

The Clearing System

General

DTC has advised the Company as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the dealer manager. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Deposit and Holding of Notes; Settlement

All Notes issued in the form of global notes will be deposited with the Trustee as custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC.

Investors holding their Notes through DTC must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

None of the Company, the Trustee or any Paying Agent will have any responsibility for the performance by DTC or its respective participants or indirect participants of its obligations under the rules and procedures governing their operations.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mail (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of DTC. Any such notice shall be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. Federal or New York State court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (ii) designate and appoint a reputable professional service company in New York City, New York for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture.

Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person or (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to an Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note at the fourth anniversary date of the Original Issue Date (such redemption price being set forth in the table appearing under the caption "—Optional Redemption"), plus (y) all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through the fourth anniversary date of the Original Issue Date, computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries, or (2) an acquisition by the Company or any of

its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person other than the Company or any Wholly-Owned Restricted Subsidiary; provided that "Asset Sale" shall not include:

- (a) sales or other dispositions of inventory, receivables and other current assets (including, but not limited to wood chips, logs, lumber, and manufactured wood and wood panel products) or standing timber in the ordinary course of business,
- (b) any disposition that constitutes a Change of Control or an Entire Sale Transaction;
- (c) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "Limitation on Restricted Payments" covenant,
- (d) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$5.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions,
- (e) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries,
- (f) any, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien, or
- (g) a transaction covered by the covenant under the caption "—Consolidation, Merger and Sale of Assets."

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Board of Directors" means the board of directors elected or appointed by the members of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, United States, the city in which the Corporate Trust Office of the Trustee is located, Hong Kong or the Cayman Islands (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with IFRS, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

- (1) the merger, amalgamation, or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than an Entire Sale Transaction);
- (2) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company;
- (3) the majority of the directors of the Company are not Continuing Directors; or
- (4) the adoption of a plan relating to the liquidation or dissolution of the Company.

"Change of Control Triggering Event" means the occurrence of a Change of Control.

"Collateral" means all collateral securing, or purported to be securing, directly or indirectly, the Company's obligations under the Indenture, the Security Documents and the Notes, any Subsidiary Guarantee, Permitted Priority Secured Indebtedness or any Permitted Priority Subsidiary Guarantee, pursuant to the Security Documents, and shall initially consist of all property and assets (including Capital Stock) of the Company and the initial Subsidiary Guarantors held by the Company or a Subsidiary Guarantor Pledgor, and may include all property and assets (including any other Capital Stock of any Person) owned by the Company or any Subsidiary Guarantor Pledgor that becomes a Restricted Subsidiary (other than those organized under the laws of the PRC, or which are a Foreign Subsidiary) as may be pledged, mortgaged or charged by the Company or the Subsidiary Guarantor Pledgors from time to time pursuant to the section "Security."

"Commodity Agreement" means any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security selected by a Reference Treasury Dealer having a comparable maturity to the fourth anniversary date of the Original Issue Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the fourth anniversary date of the Original Issue Date.

"Comparable Treasury Price" means, with respect to any redemption date, as calculated by a Reference Treasury Dealer:

- (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities;" or
- (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets),
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than depletion of timber holdings or non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with IFRS, *provided that* if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with IFRS) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non cash dividends, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with IFRS for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred or paid during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations, (ii) amortization of debt issuance costs and original issue discount expense and non cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the interest equivalent costs associated with Interest Rate Agreements, (vi) interest actually paid by the Company or any Restricted Subsidiary on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary and (vii) any capitalized interest, *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in

conformity with IFRS; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except to the extent of the amount of dividends or similar distributions actually paid in cash to the specified Person or a Restricted Subsidiary of the Person during such period;
- (2) the net income (and loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles will be excluded;
- (5) any net after tax gains (or losses) realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains (or losses).

"Consolidated Net Worth" means, at any date of determination, stockholders' equity or members' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock or shares and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with IFRS.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who:

- (1) was a member of such Board of Directors on the Original Issue Date;
- (2) was designated by any shareholder entitled to designate a director under the Company's Memorandum and Articles of Association; or
- (3) was elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such director's nomination or election.

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of

such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such Capital Stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"DTC" means The Depository Trust Company, a New York corporation, and its successors.

"Entire Sale Transaction" means an Asset Disposition by the Company (other than to a Restricted Subsidiary) of all or substantially all of the Capital Stock of all Subsidiaries owned by the Company and/or of all or substantially all of the assets of the Company.

"Entire Sale Transaction Mandatory Redemption" has the meaning under the heading "*Mandatory Redemption of Notes upon an Entire Sale Transaction*".

"Entire Sale Transaction Redemption Price" has the meaning under the heading "*Mandatory Redemption of Notes upon an Entire Sale Transaction*".

"Equity Offering" means any primary private or public offering of Common Stock of the Company after the Original Issue Date.

"Fair Market Value" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution; provided, however, that for purposes of clause (4)(a) under the caption "*—Certain Covenants—Limitation on Asset Sales,*" such determination may instead be made by the Company's Chief Executive Officer or Chief Financial Officer.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal half-years prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee (the "Two Half-Year Period") to (2) the aggregate Consolidated Fixed Charges during such Two Half-Year Period. In making the foregoing calculation:

- (A) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Two Half-Year Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Half-Year Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period;
- (B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate

Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

- (C) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (D) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (E) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (D) or (E) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the two full fiscal half-years immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"Foreign Subsidiary" means any Restricted Subsidiary of the Company organized under the laws of a jurisdiction that prohibits such Subsidiary from guaranteeing payments under the Notes.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder" means the Person in whose name a Note is registered in the Note register.

"IFRS" means International Financial Reporting Standards as adopted by the International Accounting Standards Board, applied on a consistent basis. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with IFRS applied on a consistent basis.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person; and
- (8) to the extent not otherwise included in this definition, obligations under Commodity Agreements, Currency Agreements and Interest Rate Agreements.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, provided

- (A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with IFRS,
- (B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and
- (C) that the amount of Indebtedness with respect to any Commodity Agreements, Currency Agreements and Interest Rate Agreements shall be equal to the net amount payable if such agreements terminated at that time due to default by such Person.

"Independent Financial Advisor" means an investment banking firm or accounting firm of national reputation in the United States of America or in Hong Kong (i) which does not, and whose directors, officers, employees and affiliates do not, have a direct or indirect financial interest in the Company or any of its Affiliates, and (ii) which, in the judgement of the Board of Directors of the Company, is otherwise independent and qualified to perform the task for which it is to be engaged.

"Intercreditor Agreement" has the meaning set forth under "Security".

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement.

"Investment" means:

- (i) any direct or indirect advance, loan or other extension of credit (other than Trade Payables that are, in conformity with IFRS, recorded as accounts receivable, prepaid expenses or deposits on the balance sheet of the Company or its Restricted Subsidiaries) to another Person,
- (ii) capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (iv) any Guarantee of any obligation of another Person;

provided that an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of common equity securities of the Company shall not be deemed to be an Investment.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (i) the Company will be deemed to have made an investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Joint Venture" means any Person engaged in a Permitted Business of which the Company, together with its Restricted Subsidiaries, directly holds or, as a result of the respective Investment, will hold, at least 50.1% of its Capital Stock.

"Leverage Ratio" means, as at the time of determination, the aggregate principal amount of Indebtedness of the Company and the Restricted Subsidiaries outstanding at such time determined on a consolidated basis, divided by the Consolidated EBITDA of the Company for the two fiscal half-years immediately preceding the date of determination for which consolidated financial statements of the Company are available and have been provided to the Trustee.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Measurement Date" means the first day of fiscal half-year period of the Company immediately preceding the Original Issue Date.

"Moody's" means Moody's Investors Service and its affiliates.

"Net Cash Proceeds" means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of
 - (i) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

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- (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (iv) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with IFRS; and
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorney's fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Payment Date");
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$2,000 or integral multiples of US\$1,000.

On the Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail or wire to the Holders so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$2,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company, or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

"Officer's Certificate" means (i) a certificate signed by two Officers or (ii) in the event the relevant entity has one appointed Officer only, a certificate signed by such Officer or (iii) in the event the relevant entity has no appointed Officer, a certificate signed by either its sole director or two directors if such entity has more than one director.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Trustee.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Permitted Businesses" means the Permitted Forestry Plantation Business and the manufacturing of wood and wood-based products and related businesses and activities incidental to such activities.

"Permitted Forestry Plantation Business" means the operation of forestry plantations and production and processing facilities, the processing, sale, distribution, transportation, cultivation and development of wood fibers and logs, and other similar wood and wood-based products, including bio-fuels, the operation of plantation nurseries, and the sale and distribution of seeds and saplings, inputs and similar products, or intermediate products and by-products used or produced in connection with such activities, the planting of saplings and trees in city greening and urban landscaping projects, including the design and implementation of such projects, the import and export of logs, lumber and other wood and wood-based products, trading agency activities related to the foregoing, and related businesses and activities incidental to any of the foregoing activities.

"Permitted Investment" means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Forestry Plantation Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Forestry Plantation Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Forestry Plantation Business;
- (2) Temporary Cash Investments;

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- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with IFRS;
- (4) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (5) Commodity Agreements, Interest Rate Agreements and Currency Agreements designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (6) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (7) any securities, non-cash consideration or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under "—Limitation on Asset Sales;"
- (8) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—Limitation on Liens;"
- (9) loans or advances to employees made in the ordinary course of business and consistent with past practices of the Company or past practices of a Restricted Subsidiary, as the case may be, in an aggregate amount outstanding not to exceed at any one time US\$500,000 (or the Dollar Equivalent thereof); and
- (10) loans to employees, directors and officers not exceeding the amount required to exercise an option to purchase the Company's Capital Stock held by such individual, provided that the Capital Stock issued upon exercise of such option is pledged, mortgaged and/or charged to the Company as security for such loan.

"Permitted Liens" means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

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- (6) any interest or title of a lessor in the property subject to any operating lease;
- (7) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired;
- (8) Liens in favor of the Company or any Wholly-Owned Restricted Subsidiary;
- (9) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (11) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (12) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Commodity Agreements, Interest Rate Agreements and Currency Agreements designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;
- (13) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of the Company and its Restricted Subsidiaries prior to the Original Issue Date;
- (14) Liens existing on the Original Issue Date;
- (15) Liens on real property, trees or current assets securing Indebtedness which is permitted to be Incurred under clause (7) of the second paragraph of the "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant;
- (16) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (5) of the second paragraph of the "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (17) Liens under the Security Documents; and
- (18) Liens securing any Permitted Priority Secured Indebtedness that complies with each of the requirements set forth under "Security—Permitted Priority Secured Indebtedness."

"Permitted Priority Secured Indebtedness" means Indebtedness of the Company which, in the instrument creating or evidencing the same, is expressly stated to be secured by a lien over the Collateral ranking in priority to the Lien over the Collateral granted to the Holders of the Notes, and all guarantees thereof by any of the Subsidiary Guarantors provided that:

- (a) on or before the date on which such Indebtedness is Incurred, the Company, in an Officer's Certificate delivered to the Trustee and the Security Trustee designates such Indebtedness as "Permitted Priority Secured Indebtedness" for the purposes of the Indenture, such Indebtedness is certified in such Officer's Certificate as having been incurred in compliance with the terms of the

Indenture and no Default or Event of Default under the Indenture has occurred and is continuing; and

- (b) such additional Indebtedness, together with all other outstanding Permitted Priority Secured Indebtedness does not exceed the amount of the Permitted Priority Secured Indebtedness Cap;

"Permitted Priority Secured Indebtedness Cap" means \$200 million, less any mandatory pre-payments or repurchases of any Permitted Priority Secured Indebtedness made pursuant to the terms of the instrument or agreement creating such Permitted Priority Secured Indebtedness or any agreements entered into in connection therewith.

"Permitted Priority Subsidiary Guarantee" means a guarantee by any Subsidiary Guarantor of Permitted Priority Secured Indebtedness.

"Permitted Priority Subsidiary Guarantor" means any Subsidiary Guarantor guaranteeing the obligations of the Company in respect of the Permitted Priority Secured Indebtedness.

"Permitted Priority Subsidiary Guarantor Pledgor" means any Subsidiary Guarantor which is required to pledge, mortgage or charge Collateral to secure the obligations of the Company in respect of any Permitted Priority Secured Indebtedness.

"Permitted Priority Trustee" has the meaning under the heading "*Intercreditor Agreement*".

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business and shall include Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business and will upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Group and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Secured Party" means the (i) Holders, including (without limitation) any holders of Additional Notes and PIK Notes, and the Trustee and the Security Trustee, and (ii) if and when any Permitted Priority Secured Indebtedness is Incurred, the holders of any Permitted Priority Secured Indebtedness Incurred in compliance with the covenant "Limitation on Indebtedness and Disqualified or Preferred Stock", or the Permitted Priority Trustee or Security Trustee on their behalf.

"Security Documents" means, collectively, the pledge agreements, equitable mortgages, charges over shares, fixed and floating charges, or other agreements or instruments that may evidence or create any Lien in favor of the Security Trustee, the Trustee and/or any Holders in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Subsidiary Guarantor, as the case may be, means all Indebtedness of the Company or the Subsidiary Guarantor, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be not senior in right of payment to the Notes or, in respect of such Subsidiary Guarantor, its Subsidiary Guarantee; provided that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company which is subordinated or junior in right of payment to the Notes pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which is required to guarantee the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which is required to pledge, mortgage or charge Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge, mortgage or charge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"Temporary Cash Investment" means any of the following:

- (1) direct obligations of the United States of America or any agency thereof or obligations fully and unconditionally Guaranteed by the United States of America or any agency thereof, in each case maturing within 12 months;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 12 months of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, or Hong Kong, and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

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- (4) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any state thereof with a rating at the time as of which any investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P;
- (5) securities with maturities of 12 months or less from the date of acquisition issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) time deposit accounts, certificates of deposit and money market deposits with (i) Bank of China, Industrial Commercial Bank of China, Construction Bank of China, Shanghai Pudong Development Bank, Bank of Shanghai, (ii) any other bank or trust company organized under the laws of the PRC whose long term debt is rated as high or higher than any of those banks or (iii) any other bank organized under the laws of the PRC, provided that, in the case of clause (iii), such deposits do not exceed US\$2.5 million (or the Dollar Equivalent thereof) with any single bank or US\$5 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly-Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person.

EXHIBIT E**INFORMATION REGARDING SFC ESCROW CO.**

SFC Escrow Co. will be incorporated prior to the Plan Implementation Date under the laws of the Cayman Islands or such other jurisdiction as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. SFC Escrow Co. will be a wholly-owned subsidiary of SFC, and the sole director of SFC Escrow Co. will be Codan Services (Cayman) Limited, or such other Person as may be agreed by SFC, the Monitor and the Initial Consenting Noteholders. At the time that SFC Escrow Co. is incorporated, SFC Escrow Co. will issue one share (the "**SFC Escrow Co. Share**") to SFC, as the sole shareholder of SFC Escrow Co. and SFC will be deemed to hold the SFC Escrow Co. Share solely for the purpose of facilitating the Restructuring Transaction. The sole share of SFC Escrow Co. is an "Excluded Asset" under the Plan and will therefore not be transferred to Newco pursuant to the Plan and will remain the property of SFC to hold in accordance with the Plan. SFC Escrow Co. will have no assets other than any assets that it is required to hold in escrow pursuant to the terms of the Plan, and it will have no liabilities other than its obligations as set forth in the Plan.

The sole activities and function of SFC Escrow Co. will be to perform the obligations of the Unresolved Claims Escrow Agent and to administer Undeliverable Distributions, in each case as set forth in the Plan. SFC Escrow Co. will not carry on any other activities or issue any shares or other securities (other than the SFC Escrow Co. Share to be held by SFC).

Unresolved Claims Escrow Agent

SFC Escrow Co. will act as the Unresolved Claims Escrow Agent unless otherwise agreed by SFC, the Monitor and the Initial Consenting Noteholders. Distributions in respect of any Unresolved Claim in existence at the Plan Implementation Date will be held in escrow by the Unresolved Claims Escrow Agent in the Unresolved Claims Reserve until settlement or final determination of the Unresolved Claim in accordance with the Claims Procedure Order, the Meeting Order, the Plan or otherwise, as applicable. To the extent that Unresolved Claims become Proven Claims or are finally disallowed, the Unresolved Claims Escrow Agent will release from escrow and deliver (or in the case of Litigation Trust Interests, cause to be registered) from the Unresolved Claims Reserve the applicable distributions to Affected Creditors with Proven Claims, in each case as set forth in sections 5.5(c) and 5.5(d) the Plan.

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

The Unresolved Claims Escrow Agent will have no beneficial interest or right in the Unresolved Claims Reserve. The Unresolved Claims Escrow Agent will not take any step or action with

respect to the Unresolved Claims Reserve or any other matter without the consent or direction of the Monitor or the direction of the Court.

Each of SFC, the Monitor and the Initial Consenting Noteholders have reserved all their rights to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that any Unresolved Claims should be disallowed in whole or in part or that such Unresolved Claims should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan. SFC will seek relief in the Sanction Order confirming that SFC, the Monitor, the Initial Consenting Noteholders and each of the parties with Unresolved Claims will have standing in any Court hearing or other proceeding with respect to the resolution or determination of Unresolved Claims, including the classification of any Unresolved Claims as Equity Claims for purposes of the Plan.

Undeliverable Distributions

SFC Escrow Co. will hold any Undeliverable Distributions in escrow and administer them in accordance with the Plan. No distributions in respect of an Undeliverable Distribution will be made unless and until SFC and the Monitor are notified by the Person entitled to receive the Undeliverable Distribution of its current address and/or registration information, as applicable, at which time the Monitor will direct SFC Escrow Co. to make all such distributions to such Person, and SFC Escrow Co. will make all such distributions to such Person. All claims for Undeliverable Distributions must be made on or before the date that is six months following the final Distribution Date, after which date the right to receive distributions under the Plan in respect of such Undeliverable Distributions shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, without any compensation therefor, at which time any such Undeliverable Distributions held by SFC Escrow Co. will be deemed to be cancelled without consideration. No interest is payable in respect of an Undeliverable Distribution.

Other Restrictions

SFC Escrow Co. will not make any sale, distribution, transfer or conveyance of any Newco Shares, Newco Notes or any other assets or property that it holds unless it is directed to do so by an Order of the Court or by a written direction from the Monitor. SFC is not permitted to sell, transfer or convey the SFC Escrow Co. Share nor effect or cause to be effected any liquidation, dissolution, merger or other corporate reorganization of SFC Escrow Co. unless it is directed to do so by an Order of the Court or by a written direction from the Monitor. SFC Escrow Co. is not permitted to exercise any voting rights (including any right to vote at a meeting of shareholders or creditors held or in any written resolution) in respect of Newco Shares or Newco Notes held in the Unresolved Claims Reserve. SFC Escrow Co. will not receive any compensation for the performance of its obligations under the Plan.

EXHIBIT F**RESERVES AND OTHER AMOUNTS RELATING TO THE PLAN**

As set out in the Plan, certain reserves and other amounts must be established on or prior to the Plan Implementation Date in accordance with the provisions of the Plan. Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Plan.

Indemnified Noteholder Class Action Limit

The Indemnified Noteholder Class Action Limit has been established as \$150 million.

Unresolved Claims Reserve

The Unresolved Claims Reserve will contain Newco Shares, Newco Notes and Litigation Trust Interests in respect of any Unresolved Claims. The Unresolved Claims as at the Plan Implementation Date are expected to consist of contingent and unresolved indemnity claims against SFC in respect of (1) monetary penalties that may be imposed by the Ontario Securities Commission against third parties seeking indemnity from SFC, (2) the Indemnified Noteholder Class Action Claims, which claims and related indemnity claims are limited to a maximum of \$150 million by operation of the Indemnified Noteholder Class Action Limit, and (3) reimbursement of defence costs of third parties seeking indemnity from SFC. No consideration will be paid in respect of Unresolved Claims unless, until and then only to the extent that such Unresolved Claims are ultimately determined to be Proven Claims.

Each of SFC, the Monitor and the Initial Consenting Noteholders have reserved all their rights to seek or obtain an Order, whether before or after the Plan Implementation Date, directing that any Unresolved Claims should be disallowed in whole or in part or that such Unresolved Claims should receive the same or similar treatment as is afforded to Equity Claims under the terms of this Plan. SFC will seek relief in the Sanction Order confirming that SFC, the Monitor, the Initial Consenting Noteholders and each of the parties with Unresolved Claims will have standing in any Court hearing or other proceeding with respect to the resolution or determination of Unresolved Claims, including the classification of any Unresolved Claims as Equity Claims for purposes of the Plan.

Other Reserves

The amount of the Administration Charge Reserve, the Directors' Charge Reserve, the Unaffected Claims Reserve and the Monitor's Post-Implementation Reserve will be determined prior to the Plan Implementation Date.

EXHIBIT G

DRAFT PLAN SANCTION ORDER

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	MONDAY, THE 10 th
)	
JUSTICE MORAWETZ)	DAY OF DECEMBER, 2012

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

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

PLAN SANCTION ORDER

THIS MOTION, made by Sino-Forest Corporation ("**SFC**"), for an order (i) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), sanctioning the plan of compromise and reorganization dated October 19, 2012, which Plan is attached as Schedule "**A**" hereto, as supplemented by the plan supplement dated November •, 2012 previously filed with the Court, as the Plan may be further amended, varied or supplemented from time to time in accordance with the terms thereof (the "**Plan**"), and (ii) pursuant to the section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), approving the Plan and amending the articles of SFC and giving effect to the changes and transactions arising therefrom, was heard on December 7, 2012 and December 10, 2012 at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of W. Judson Martin sworn •, 2012 (the "**Martin Affidavit**"), the • Report of FTI Consulting Canada Inc. in its capacity as monitor of SFC (the "**Monitor**") dated •, 2012 (the "**Monitor's • Report**") and the supplemental report to the Monitor's • Report (the "**Supplemental Report**") and on hearing the submissions of counsel for SFC, the Monitor, the *ad hoc* committee of Noteholders (the "**Ad Hoc**

Noteholders"), and such other counsel as were present, no one else appearing for any other party, although duly served with the Motion Record as appears from the Affidavit of Service, filed.

DEFINED TERMS

1. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Plan Sanction Order shall have the meanings ascribed to such terms in the Plan and/or the Plan Filing and Meeting Order granted by the Court on August 31, 2012 (the "**Plan Filing and Meeting Order**"), as the case may be.

SERVICE, NOTICE AND MEETING

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record in support of this motion, the Monitor's • Report and the Supplemental Report be and are hereby abridged and validated so that the motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Plan Filing and Meeting Order and the Meeting Materials (including, without limitation, the Plan) to all Persons upon which notice, service and delivery was required.

4. **THIS COURT ORDERS AND DECLARES** that the Meeting was duly convened and held, all in conformity with the CCAA and the Orders of this Court made in the CCAA Proceeding, including, without limitation, the Plan Filing and Meeting Order.

5. **THIS COURT ORDERS AND DECLARES** that: (i) the hearing of the Plan Sanction Order was open to all of the Affected Creditors and all other Persons with an interest in SFC and that such Affected Creditors and other Persons were permitted to be heard at the hearing in respect of the Plan Sanction Order; and (ii) prior to the hearing, all of the Affected Creditors and all other Persons on the Service List in respect of the CCAA Proceeding were given adequate notice thereof.

SANCTION OF THE PLAN

6. **THIS COURT ORDERS** that the relevant class of Affected Creditors of SFC for the purposes of voting to approve the Plan is the Affected Creditors Class.
7. **THIS COURT ORDERS AND DECLARES** that:
- (a) the Plan has been approved by the Required Majority in conformity with the CCAA and the Plan Filing and Meeting Order;
 - (b) SFC has complied with the provisions of the CCAA and the Orders of the Court made in the CCAA Proceeding in all respects;
 - (c) SFC has acted and is acting in good faith and with due diligence, and has not done or purported to do (nor does the Plan do or purport to do) anything that is not authorized by the CCAA; and
 - (d) the Plan, and all the terms and conditions thereof, and matters and transactions contemplated thereby, are fair and reasonable.
8. **THIS COURT ORDERS** that the Plan is hereby sanctioned and approved pursuant to section 6 of the CCAA.

PLAN IMPLEMENTATION

9. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations effected thereby are approved and shall be deemed to be implemented, binding and effective in accordance with the provisions of the Plan as of the Plan Implementation Date at the Effective Time, or at such other time, times or manner as may be set forth in the section 6.4 or 6.5 of the Plan, and shall enure to the benefit of and be binding upon SFC, the other Released Parties, the Affected Creditors and all other Persons and parties named or referred to in, affected by, or subject to the Plan, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors, and assigns.

10. **THIS COURT ORDERS** that each of SFC and the Monitor are authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations, instruments and agreements contemplated pursuant to the Plan, and such steps and actions are hereby authorized, ratified and approved. Furthermore, neither SFC nor the Monitor shall incur any liability as a result of acting in accordance with terms of the Plan and the Plan Sanction Order.

11. **THIS COURT ORDERS** that SFC, the Monitor, Newco, the Litigation Trustee, the Trustees, DTC, the Unresolved Claims Escrow Agent, all Transfer Agents and any other Person required to make any distributions, deliveries or allocations or take any steps or actions related thereto pursuant to the Plan are hereby directed to complete such distributions, deliveries or allocations and to take any such related steps and/or actions in accordance with the terms of the Plan, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

12. **THIS COURT ORDERS** that upon the satisfaction or waiver, as applicable, of the conditions precedent set out in section 9.1 of the Plan in accordance with the terms of the Plan, as confirmed by SFC and Goodmans LLP to the Monitor in writing, the Monitor is authorized and directed to deliver to SFC and Goodmans LLP a certificate in the form attached hereto as Schedule “B” (the “**Monitor’s Certificate**”) signed by the Monitor, certifying that the Plan Implementation Date has occurred and that the Plan and this Plan Sanction Order are effective in accordance with their terms. Following the Plan Implementation Date, the Monitor shall file the Monitor's Certificate with this Court.

13. **THIS COURT ORDERS AND DECLARES** that the steps, compromises, releases, discharges, cancellations, transactions, arrangements and reorganizations to be effected on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated in sections 6.4 and 6.5 of the Plan, without any further act or formality, beginning at the Effective Time.

14. **THIS COURT ORDERS** that SFC, the Monitor and the Ad Hoc Noteholders are hereby authorized and empowered to exercise all such consent and approval rights in the manner set forth in the Plan, whether prior to or after implementation of the Plan.

15. **THIS COURT ORDERS** that from and after the Plan Implementation Date, and for the purposes of the Plan only, (i) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, such agreement, waiver consent or approval may be provided by the Monitor; and (ii) if SFC does not have the ability or the capacity pursuant to Applicable Law to provide its agreement, waiver, consent or approval to any matter requiring SFC's agreement, waiver, consent or approval under this Plan, and the Monitor has been discharged pursuant to an Order, such agreement, waiver consent or approval shall be deemed not to be necessary.

COMPROMISE OF CLAIMS AND EFFECT OF PLAN

16. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date, any and all Affected Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of the applicable Persons to receive the distributions and interests to which they are entitled pursuant to the Plan.

17. **THIS COURT ORDERS AND DECLARES** that, pursuant to and in accordance with the terms of the Plan, on the Plan Implementation Date and at the time specified in Section 6.4 of the Plan, all accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims (including any Accrued Interest on the Notes and any interest accruing on the Notes or any Ordinary Affected Creditor Claim after the Filing Date) shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred for no consideration and no Person shall have any entitlement to any such accrued and unpaid interest.

18. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, the ability of any Person to proceed against SFC or the Subsidiaries in respect of any Released Claims shall be forever discharged, barred and restrained, and all proceedings with respect to, in connection with, or relating to any such matter shall be permanently stayed.

19. **THIS COURT ORDERS** that each Affected Creditor is hereby deemed to have consented to all of the provisions of the Plan, in its entirety, and each Affected Creditor is hereby

deemed to have executed and delivered to SFC all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

20. **THIS COURT ORDERS** that, on the Plan Implementation Date and at the time specific in Section 6.4 of the Plan, the SFC Assets (including for greater certainty the Direct Subsidiary Shares, the SFC Intercompany Claims and all other SFC Assets assigned transferred and conveyed to Newco pursuant to section 6.4 of the Plan) shall vest in the Person to whom such assets are being assigned, transferred and conveyed, in accordance with the terms of the Plan, free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Affected Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing. Any Encumbrances or claims affecting, attaching to or relating to the SFC Assets in respect of the foregoing are and shall be deemed to be irrevocably expunged and discharged as against the SFC Assets, and no such Encumbrances or claims shall be pursued or enforceable as against Newco or any other Person.

21. **THIS COURT ORDERS** that any securities, interests, rights or claims pursuant to the Plan, including the Newco Shares, the Newco Notes and the Litigation Trust Interests, issued, assigned, transferred or conveyed pursuant to the Plan will be will be free and clear of and from any and all Charges, Claims (including, notwithstanding anything to the contrary herein, any Unaffected Claims), D&O Claims, D&O Indemnity Claims, Affected Claims, Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims, Non-Released D&O Claims, Class Action Claims, Class Action Indemnity Claims, claims or rights of any kind in respect of the Notes or the Note Indentures, and any right or claim that is based in whole or in part on facts, underlying transactions, causes of action or events relating to the Restructuring Transaction, the CCAA Proceedings or any of the foregoing, and any guarantees or indemnities with respect to any of the foregoing.

22. **THIS COURT ORDERS** that the Litigation Trust Agreement is hereby approved and deemed effective as of the Plan Implementation Date, including with respect to the transfer, assignment and delivery of the Litigation Trust Claims to the Litigation Trustee which shall, and are hereby deemed to, occur on and as of the Plan Implementation Date.

23. **THIS COURT ORDERS** that section 36.1 of the CCAA, sections 95 to 101 of the BIA and any other federal or provincial Law relating to preferences, fraudulent conveyances or transfers at undervalue, shall not apply to the Plan or to any payments, distributions, transfers, allocations or transactions made or completed in connection with the restructuring and recapitalization of SFC, whether before or after the Filing Date, including, without limitation, to any and all of the payments, distributions, transfers, allocations or transactions contemplated by and to be implemented pursuant to the Plan.

24. **THIS COURT ORDERS** that the articles of reorganization to be filed by SFC pursuant to section 191 of the CBCA, substantially in the form attached as Schedule “C” hereto, are hereby approved, and SFC is hereby authorized to file the articles of reorganization with the Director (as defined in the CBCA).

25. **THIS COURT ORDERS** that on the Equity Cancellation Date, or such other date as agreed to by the Monitor, SFC and the Initial Consenting Noteholders, all Existing Shares and other Equity Interests shall be fully, finally and irrevocably cancelled.

26. **THIS COURT ORDERS AND DECLARES** that the Newco Shares shall be and are hereby deemed to have been validly authorized, created, issued and outstanding as fully-paid and non-assessable shares in the capital of Newco as of the Effective Time.

27. **THIS COURT ORDERS AND DECLARES** that the issuance and distribution of the Newco Shares, the Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan shall be exempt from all prospectus and registration requirements of any applicable securities, corporate or other law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance, notice, policy or other pronouncement having the effect of law applicable in the provinces and territories of Canada.

28. **THIS COURT ORDERS AND DECLARES** that upon the Plan Implementation Date the initial Newco Share in the capital of Newco held by the Initial Newco Shareholder shall be deemed to have been redeemed and cancelled for no consideration.

29. **THIS COURT ORDERS AND DECLARES** that it was advised prior to the hearing in respect of the Plan Sanction Order that the Plan Sanction Order will be relied upon by SFC and Newco as an approval of the Plan for the purpose of relying on the exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to section 3(a)(10) thereof for the issuance of the Newco Shares, Newco Notes and, to the extent they may be deemed to be securities, the Litigation Trust Interests, and any other securities to be issued pursuant to the Plan.

STAY OF PROCEEDINGS

30. **THIS COURT ORDERS** that all obligations, agreements or leases to which (i) SFC remains a party on the Plan Implementation Date, or (ii) Newco becomes a party as a result of the conveyance of the SFC Assets to Newco on the Plan Implementation Date, shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation, agreement or lease shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise) any right or remedy under or in respect of any such obligation, agreement or lease, (including any right of set-off, dilution or other remedy), or make any demand against SFC, Newco, any Subsidiary or any other Person under or in respect of any such agreement with Newco or any Subsidiary, by reason:

- (a) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled any other party thereto to enforce those rights or remedies;
- (b) that SFC sought or obtained relief under the CCAA or by reason of any steps or actions taken as part of the CCAA Proceeding or this Plan Sanction Order or prior orders of this Court;

- (c) of any default or event of default arising as a result of the financial condition or insolvency of SFC;
- (d) of the completion of any of the steps, actions or transactions contemplated under the Plan, including, without limitation, the transfer, conveyance and assignment of the SFC Assets to Newco; or
- (e) of any steps, compromises, releases, discharges, cancellations, transactions, arrangements or reorganizations effected pursuant to the Plan.

31. **THIS COURT ORDERS** that from and after the Plan Implementation Date, any and all Persons shall be and are hereby stayed from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceed with to advance any Released Claims.

RELEASES

32. **THIS COURT ORDERS** that, subject to section 7.2 of the Plan, all of the following shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date at the time or times and in the manner set forth in section 6.4 of the Plan:

- (a) all Affected Claims, including, without limitation, all Affected Creditor Claims, Equity Claims, D&O Claims (other than Section 5.1(2) D&O Claims, Conspiracy Claims, Continuing Other D&O Claims and Non-Released D&O Claims), D&O Indemnity Claims (except as set forth in section 7.1(d) of the Plan) and Noteholder Class Action Claims (other than the Continuing Noteholder Class Action Claims);
- (b) all Claims of the Ontario Securities Commission or any other Governmental Entity that have or could give rise to a monetary liability, including, without limitation, fines, awards, penalties, costs, claims for reimbursement or other claims having a monetary value;

- (c) all Class Action Claims (including, without limitation, the Noteholder Class Action Claims) against SFC, the Subsidiaries or the Named Directors or Officers of SFC or the Subsidiaries (other than Class Action Claims that are Section 5.1(2) D&O Claims, Conspiracy Claims or Non-Released D&O Claims);
- (d) all Class Action Indemnity Claims (including, without limitation, related D&O Indemnity Claims), other than any Class Action Indemnity Claim by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims (including, without limitation, any D&O Indemnity Claim in that respect), which shall be limited to the Indemnified Noteholder Class Action Limit pursuant to the releases set out in section 7.1(f) of the Plan and the injunctions set out in section 7.3 of the Plan;
- (e) any portion or amount of or liability of the Third Party Defendants for the Indemnified Noteholder Class Action Claims (on a collective, aggregate basis in reference to all Indemnified Noteholder Class Action Claims together) that exceeds the Indemnified Noteholder Class Action Limit;
- (f) any portion or amount of, or liability of SFC for, any Class Action Indemnity Claims by the Third Party Defendants against SFC in respect of the Indemnified Noteholder Class Action Claims to the extent that such Class Action Indemnity Claims exceed the Indemnified Noteholder Class Action Limit;
- (g) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, the directors and officers of Newco, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and

- each and every member (including, without limitation, members of any committee or governance council), partner or employee of any of the foregoing, for or in connection with or in any way relating to: any Claims (including, without limitation, notwithstanding anything to the contrary herein, any Unaffected Claims); Affected Claims; Section 5.1(2) D&O Claims; Conspiracy Claims; Continuing Other D&O Claims; Non-Released D&O Claims; Class Action Claims; Class Action Indemnity Claims; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, claims for contribution, share pledges or Encumbrances related to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries;
- (h) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against Newco, the directors and officers of Newco, the Noteholders, members of the *ad hoc* committee of Noteholders, the Trustees, the Transfer Agent, the Monitor, FTI Consulting Canada Inc., FTI HK, the Named Directors and Officers, counsel for the current Directors of SFC, counsel for the Monitor, counsel for the Trustees, the SFC Advisors, the Noteholder Advisors, and each and every member (including, without limitation, members of any committee or governance council), partner or employee of any of the foregoing, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date (or, with respect to actions taken pursuant to the Plan after the Plan Implementation Date, the date of such actions) in any way relating to, arising out of, leading up to, for, or in connection with the CCAA Proceeding, RSA, the Restructuring Transaction, the Plan, any

proceedings commenced with respect to or in connection with the Plan, or the transactions contemplated by the RSA and the Plan, including, without limitation, the creation of Newco and the creation, issuance or distribution of the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, provided that nothing in this paragraph shall release or discharge any of the Persons listed in this paragraph from or in respect of any obligations any of them may have under or in respect of the RSA, the Plan or under or in respect of any of Newco, the Newco Shares, the Newco Notes, the Litigation Trust or the Litigation Trust Interests, as the case may be;

- (i) any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, against the Subsidiaries for or in connection with any Claim (including, without limitation, notwithstanding anything to the contrary herein, any Unaffected Claim); any Affected Claim (including, without limitation, any Affected Creditor Claim, Equity Claim, D&O Claim, D&O Indemnity Claim and Noteholder Class Action Claim); any Section 5.1(2) D&O Claim; any Conspiracy Claim; any Continuing Other D&O Claim; any Non-Released D&O Claim; any Class Action Claim; any Class Action Indemnity Claim; any right or claim in connection with or liability for the Notes or the Note Indentures; any guarantees, indemnities, share pledges or Encumbrances relating to the Notes or the Note Indentures; any right or claim in connection with or liability for the Existing Shares, Equity Interests or any other securities of SFC; any rights or claims of the Third Party Defendants relating to SFC or the Subsidiaries; any right or claim in connection with or liability for the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC and the Subsidiaries (whenever or however conducted), the administration and/or management of SFC and the Subsidiaries, or any public filings,

statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any indemnification obligation to Directors or Officers of SFC or the Subsidiaries pertaining to SFC, the Notes, the Note Indentures, the Existing Shares, the Equity Interests, any other securities of SFC or any other right, claim or liability for or in connection with the RSA, the Plan, the CCAA Proceedings, the Restructuring Transaction, the Litigation Trust, the business and affairs of SFC (whenever or however conducted), the administration and/or management of SFC, or any public filings, statements, disclosures or press releases relating to SFC; any right or claim in connection with or liability for any guaranty, indemnity or claim for contribution in respect of any of the foregoing; and any Encumbrance in respect of the foregoing; and

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

33. **THIS COURT ORDERS** that nothing in the Plan shall waive, compromise, release, discharge, cancel or bar any of the claims listed in section 7.2 of the Plan.

34. **THIS COURT ORDERS** that, for greater certainty, nothing in the Plan shall release any obligations of the Subsidiaries owed to (i) any employees, directors or officers of those Subsidiaries in respect of any wages or other compensation related arrangements, or (ii) to suppliers and trade creditors of the Subsidiaries in respect of goods or services supplied to the Subsidiaries.

35. **THIS COURT ORDERS** that any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of SFC relating to the Notes or the Note Indentures shall be and are hereby deemed to be released, discharged and cancelled.

36. **THIS COURT ORDERS** that the Trustees are hereby authorized and directed to release, discharge and cancel any guarantees, indemnities, Encumbrances or other obligations owing by or in respect of any Subsidiary relating to the Notes or the Note Indentures.

37. **THIS COURT ORDERS** that any claims against the Named Directors and Officers in respect of Section 5.1(2) D&O Claims or Conspiracy Claims shall be limited to recovery from any insurance proceeds payable in respect of such Section 5.1(2) D&O Claims or Conspiracy

Claims, as applicable, pursuant to the Insurance Policies, and Persons with any such Section 5.1(2) D&O Claims against Named Directors and Officers or Conspiracy Claims against Named Directors and Officers shall have no right to, and shall not, make any claim or seek any recoveries from any Person, (including SFC, any of the Subsidiaries or Newco), other than enforcing such Persons' rights to be paid from the proceeds of an Insurance Policy by the applicable insurer(s).

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

THE MONITOR

39. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and in the Plan, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Plan and this Plan Sanction Order to facilitate the implementation of the Plan.

40. **THIS COURT ORDERS** that: (i) in carrying out the terms of this Plan Sanction Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Order of this Court dated April 20, 2012 expanding the powers of the Monitor, and as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Plan Sanction Order and/or the Plan, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of SFC and any information provided by SFC without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

41. **THIS COURT ORDERS** that upon completion by the Monitor of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders, the Monitor may file with the Court a certificate stating that all of its duties in respect of SFC pursuant to the CCAA, the Plan and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor.

42. **THIS COURT ORDERS** that in no circumstances will the Monitor have any liability for any of SFC's tax liabilities, if any, regardless of how or when such liabilities may have arisen.

43. **THIS COURT ORDERS** that, subject to the due performance of its obligations as set forth in the Plan and subject to its compliance with any written directions or instructions of the Monitor and/or directions of the Court in the manner set forth in the Plan, SFC Escrow Co. shall have no liabilities whatsoever arising from the performance of its obligations under the Plan.

RESERVES AND OTHER AMOUNTS

44. **THIS COURT ORDERS AND DECLARES** that the amount of each of the Indemnified Noteholder Class Action Limit, the Litigation Funding Amount, the Unaffected Claims Reserve, the Administration Charge Reserve, the Directors' Charge Reserve, the Monitor's Post-Implementation Reserve and the Unresolved Claims Reserve, is as provided for in the Plan, the Plan Supplement or in Schedule "D" hereto.

45. **THIS COURT ORDERS AND DECLARES** that, on the Plan Implementation Date, at the time or times and in the manner set forth in section 6.4 of the Plan, each of the Charges shall be discharged, released and cancelled, and any obligations secured thereby shall be satisfied pursuant to section 4.2(b) of the Plan, and from and after the Plan Implementation Date: (i) the Administration Charge Reserve shall stand in place of the Administration Charge as security for the payment of any amounts secured by the Administration Charge; and (ii) the Directors' Charge Reserve shall stand in place of the Directors' Charge as security for the payment of any amounts secured by the Directors' Charge.

46. **THIS COURT ORDERS** that any Unresolved Claims that exceed \$1 million shall not be accepted or resolved without further Order of the Court. All parties with Unresolved Claims shall have standing in any proceeding with respect to the determination or status of any other Unresolved Claim. Counsel to the Ad Hoc Noteholders, Goodmans LLP, shall continue to have standing in any such proceeding on behalf of the Ad Hoc Noteholders, in their capacity as Affected Creditors with Proven Claims.

EFFECT, RECOGNITION AND ASSISTANCE

47. **THIS COURT ORDERS** that nothing in this Plan Sanction Order or as a result of the implementation of the Plan shall affect the standing any Person has at the date of this Plan Sanction Order in respect of the CCAA Proceeding or the Litigation Trust.

48. **THIS COURT ORDERS** that the transfer, assignment and delivery to the Litigation Trustee pursuant to the Litigation Trust of (i) rights, title and interests in and to the Litigation Trust Claims and (ii) all respective rights, title and interests in and to any lawyer-client privilege, work product privilege or other privilege or immunity attaching to any documents or communications (whether written or oral) associated with the Litigation Trust Claims, regardless of whether such documents or copies thereof have been requested by the Litigation Trustee pursuant to the Litigation Trust Agreement (collectively, the "**Privileges**") shall not constitute a waiver of any such Privileges, and that such Privileges are expressly maintained.

49. **THIS COURT ORDERS** that the current directors of SFC shall be deemed to have resigned on the Plan Implementation Date. The current directors of SFC shall have no liability in such capacity for any and all demands, claims, actions, causes of action, counterclaims, suits,

debts, sums of money, accounts, covenants, damages, judgments, orders, including, without limitation, for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, arising on or after the Plan Implementation Date.

50. **THIS COURT ORDERS** that SFC and the Monitor may apply to this Court for advice and direction with respect to any matter arising from or under the Plan or this Plan Sanction Order.

51. **THIS COURT ORDERS** that this Plan Sanction Order shall have full force and effect in all provinces and territories of Canada and abroad as against all persons and parties against whom it may otherwise be enforced.

52. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court or any judicial, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Plan Sanction Order and to assist SFC, the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to SFC and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Plan Sanction Order, to grant representative status to the Monitor in any foreign proceeding, or to assist SFC and the Monitor and their respective agents in carrying out the terms of this Plan Sanction Order.

53. **THIS COURT ORDERS** that each of SFC and the Monitor shall, following consultation with Goodmans LLP, be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other courts and judicial, regulatory and administrative bodies, and take such steps in Canada, the United States of America, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, as may be necessary or advisable to give effect to this

Plan Sanction Order and any other Order granted by this Court, including for recognition of this Plan Sanction Order and for assistance in carrying out its terms.

54. **THIS COURT ORDERS** that this Plan Sanction Order shall be posted on the Monitor's Website at <http://cfcanada.fticonsulting.com/sfc> and only be required to be served upon the parties on the Service List and those parties who appeared at the hearing of the motion for this Plan Sanction Order.

Schedule "A"

Schedule “B”

Schedule “C”

Schedule “D”

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

PLAN SANCTION ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Rob Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for Sino-Forest Corporation

APPENDIX F – THE INITIAL ORDER AFFIDAVIT

(See Attached)

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

AFFIDAVIT OF W. JUDSON MARTIN
(Sworn March 30, 2012)

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

1. I am the Vice-Chairman and Chief Executive Officer of Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.
2. This affidavit is sworn in support of an application by SFC for an initial order (the "Initial Order") pursuant to the *Companies' Creditors Arrangement Act* (the "CCAA"), a sale process order (the "Sale Process Order") and other requested relief. In preparing this affidavit, I have consulted with other members of SFC's senior management team and, where necessary, members of the senior management teams of certain of SFC's subsidiaries.

3. All references to dollar amounts contained in this affidavit are to United States Dollars unless otherwise stated.

I. OVERVIEW

4. SFC is a Canadian corporation and is the direct or indirect parent of approximately 140 subsidiaries, the majority of which are incorporated in the People's Republic of China (the "PRC"). The terms "Sino-Forest Companies" and "Sino-Forest" refer to the global enterprise as a whole (but, for greater certainty, do not include the Greenheart Group, defined below).

5. Sino-Forest is a major integrated forest plantation operator and forest products company. Its principal businesses include the ownership and management of plantation forests, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. The majority of Sino-Forest's plantations are located in the southern and eastern regions of the PRC, primarily in inland regions suitable for large-scale replanting.

6. Sino-Forest's business operations are mainly in the PRC with corporate offices in Hong Kong and Ontario, Canada.

7. On June 2, 2011, Muddy Waters, LLC ("Muddy Waters"), which held a short position on SFC's shares, published a report (the "MW Report") alleging that Sino-Forest, among other things, was a "near total fraud" and a "Ponzi scheme." SFC's board of directors (the "Board") appointed an independent committee (the "IC") to investigate the Muddy Waters allegations.

8. While the IC has been able to address certain of the allegations made by Muddy Waters, the MW Report has had a ripple effect in causing substantial damage to SFC, its business, and future prospects for viability. As part of the fallout from the MW Report, (i) SFC now finds

itself embroiled in multiple class action proceedings across Canada and in the U.S., (ii) SFC is the subject of Ontario Securities Commission ("OSC"), Hong Kong Securities and Futures Commission ("HKSF"), and Royal Canadian Mounted Police ("RCMP") investigations, and (iii) SFC's Audit Committee recommended, and the Board agreed, that SFC should defer the release of SFC's third quarter 2011 financial statements (the "Q3 Results") until certain issues could be resolved to the satisfaction of the Board and SFC's external auditor

9. Significantly, SFC's inability to file its Q3 Results resulted in a default under its note indentures, which could have resulted in the acceleration and enforcement of approximately \$1.8 billion in notes issued by SFC and guaranteed by many of its subsidiaries.

10. Following extensive discussions with an ad hoc committee of noteholders (the "Ad Hoc Noteholders"), holders of a majority in principal amount of SFC's senior notes agreed to waive the default arising from SFC's failure to release the Q3 Results on a timely basis, on certain terms and conditions that were set forth in waiver agreements between certain of the noteholders and SFC, which were made publicly available on January 12, 2012 and are attached as Exhibit "A".

11. While the waiver agreements prevented the indenture trustees under the relevant note indentures from accelerating and enforcing the note indebtedness as a result of SFC's failure to file its Q3 Results, those waiver agreements will expire on the earlier of April 30, 2012 and any earlier termination of the waiver agreements in accordance with their terms. In addition, SFC's pending failure to file its audited financial statements for its fiscal year ended December 31, 2011 (the "2011 Results") by March 30, 2012 will again put the indenture trustees in a position

to accelerate and enforce the bond indebtedness, creating additional uncertainty around Sino-Forest's business.

12. SFC has made considerable efforts to address issues identified by SFC's Audit Committee and the IC and by its external auditor, Ernst & Young LLP, as requiring resolution in order for SFC to be in a position to obtain an audit opinion in relation to its 2011 financial statements.

13. However, notwithstanding SFC's best efforts, many of these issues cannot be resolved to the satisfaction of SFC's auditor or cannot be resolved within a timeframe that would protect and preserve the value of the business, and that would allow SFC to comply with its obligations under its note indentures. Therefore, absent a resolution with the noteholders, the indenture trustees would be in a position to enforce their legal rights as early as April 30, 2012.

14. Following extensive arm's length negotiations between SFC and the Ad Hoc Noteholders, the parties agreed on the framework for a consensual resolution of SFC's defaults and the restructuring of its business, and entered into a support agreement (the "Support Agreement") on March 30, 2012, which was executed by holders of SFC's notes holding approximately 40% of the notes. The Support Agreement contemplates, and in fact provides an incentive for, additional noteholders becoming party to the Support Agreement by way of joinder agreements. Accordingly, I fully expect that noteholders holding more than 50% of each series of notes will ultimately sign up to the Support Agreement.

15. The Support Agreement provides that SFC will pursue a plan of arrangement or compromise (the "Plan") on the terms set out in the Support Agreement in order to implement the agreed-upon restructuring transaction as part of this CCAA proceeding which would, among other things, (i) see SFC's business operations conveyed to, and revitalized under, a new entity to

be owned primarily by the noteholders ("SF Newco"), (ii) provide stakeholders of SFC with claims ranking behind the noteholders (the "Junior Constituents") with certain participation rights in SF Newco, and (iii) create (and provide funding for) a framework for the prosecution of certain litigation claims for the benefit of certain of SFC's stakeholders. The agreement also provides that each noteholder that is a signatory thereto (the "Consenting Noteholders") will vote its notes in favour of the Plan at any meeting of creditors.

16. The Support Agreement further provides that SFC will undertake a sale process (the "Sale Process") in accordance with the sale process procedures (the "Sale Process Procedures") which have been developed in consultation with the proposed monitor, and have been accepted by the parties to the Support Agreement.

17. The Sale Process is intended to provide a "market test" by which third parties may propose to acquire Sino-Forest's business operations through a CCAA Plan (in a manner that would under certain scenarios potentially allow Junior Constituents to share in the proceeds of a sale even though the noteholders may not be paid in full) as an alternative to the SF Newco restructuring transaction between SFC and its noteholders, described above.

18. A redacted copy of the Support Agreement (redacted to preserve confidentiality of the parties only) is attached as Exhibit "B" and will be posted on SEDAR and the proposed monitor's website at <http://cfcanada.fticonsulting.com/sfc>.

19. As described in greater detail below, SFC's business operations are primarily in the PRC and are held by SFC through intermediate holding companies incorporated (for the most part) in either the British Virgin Islands ("BVI") or Hong Kong. Most of these intermediate holding companies are guarantors of SFC's note indebtedness.

20. As further described below, as a result of the uncertainty created by the MW Report, Sino-Forest's business has been severely curtailed, and Sino-Forest's ability to grow its business has been severely reduced. Therefore, SFC now needs to be restructured in order to continue the development of the business and unlock the value of its asset base for the benefit of its stakeholders. Further, although the PRC government has been generally cooperative and encouraging of Sino-Forest to date, it has expressed increasing concern as to the future of Sino-Forest in the PRC. As discussed below, the ongoing support and relationship with the PRC government (on all levels) is crucial to Sino-Forest's operations.

21. Among other things, the Sino-Forest Companies are (i) having a difficult time maintaining existing and obtaining new credit in the PRC to help fund the PRC-based business operation and in Hong Kong for the imported log trading business, (ii) making very few purchases of new timber (and therefore not expanding their asset base), (iii) finding it difficult to collect their accounts receivables, and (iv) receiving increasing demands on their accounts payable. I believe that, if Sino-Forest's business is to be saved in a manner beneficial to SFC's stakeholders, it is imperative that SFC take steps to demonstrate that Sino-Forest's business is being separated from the uncertainty created by the MW Report.

22. Accordingly, and for the reasons set out herein, the commencement of a restructuring and the Sale Process is urgently required and should be pursued to preserve SFC's business as a going concern and thus the inherent value of the enterprise.

23. This application has been authorized by the Board.

II. PERSONAL BACKGROUND

24. I began my career with PricewaterhouseCoopers in 1979. In 1982 I joined Trizec Corporation Ltd. ("Trizec"), a Toronto Stock Exchange ("TSX") listed commercial real estate company then controlled by the Brascan Group. During my 13 years with the group of companies controlled by the Brascan Group, I held several senior positions, including Vice President, Finance and Treasurer of Trizec, Executive Vice President and Chief Financial Officer of Brookfield Development Corporation, and President and CEO of Trilon Securities Corporation.

25. After leaving the Brascan Group, I joined MDC Corporation, where my positions included Senior Executive Vice President, Chief Financial Officer and Chief Operating Officer, and a member of the company's board of directors.

26. In 1999, I was appointed Senior Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc. ("Alliance Atlantis"), then Canada's leading entertainment and broadcasting company that was then listed on the TSX and on the NASDAQ. I ceased to be an executive and employee of Alliance Atlantis in 2005 due to health reasons and thereafter acted as a consultant to Alliance Atlantis until 2007.

27. I have been a director of SFC since 2006. I joined the Board in 2006 as an independent, external director. I was appointed Lead Director in 2007, a position I held until June 2010, when I became an employee of SFC responsible for its acquisition of Greenheart Group Limited (Bermuda) ("Greenheart") and its subsidiaries (collectively, the "Greenheart Group"). At that time I became Executive Vice-Chairman of SFC and, following SFC's acquisition of a majority interest in Greenheart in August 2010, I became the CEO and an Executive Director of

Greenheart and in 2011 was appointed Chairman of Greenheart. On August 26, 2011, I was appointed as CEO of SFC. I have lived and worked out of Hong Kong since becoming an employee of SFC in 2010.

III. SINO-FOREST CORPORATION

A. Overview

28. SFC was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsage Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to SFC's class A subordinate-voting shares and SFC's class B multiple-voting shares.

29. On June 25, 2002, SFC filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, SFC filed articles of amendment whereby its class A subordinate-voting shares were reclassified as common shares and its class B multiple-voting shares were eliminated. A copy of the articles of continuance referred to above is attached as Exhibit "C".

30. Subject to paragraph 31 below, copies of all SFC financial statements prepared during the year preceding the application for the Initial Order are attached as Exhibit "D". In considering these financial statements, the Court should be aware that SFC cautioned in a January 10, 2012 press release, a copy of which is attached as Exhibit "E", that its historic financial statements (upon which portions of this affidavit are based) and related audit reports should not be relied upon. The circumstances giving rise to the press release are discussed below.

31. Attached as Exhibit "F" is a copy of the management-prepared unaudited financial statements for the third quarter of 2011. These statements have not been approved by SFC's Audit Committee or the Board and are subject to the limitations described in the January 10, 2012 press release. Moreover, they have not been subject to the same level of internal and external review and analysis as SFC's prior annual audited and quarterly financial statements. These financial unaudited statements have not previously been publicly disclosed.

32. Sino-Forest is a publicly listed major integrated forest plantation operator and forest products company, with assets predominantly in the PRC. Its principal businesses include the sale of standing timber and wood logs, the ownership and management of forest plantation trees, and the complementary manufacturing of downstream engineered-wood products. As at December 31, 2010, Sino-Forest reported approximately 788,700 hectares of forest plantations under management, located primarily in the southern and eastern regions of the PRC.

33. In addition, SFC holds an indirect majority interest in Greenheart, a Hong Kong listed investment holding company, which, together with its subsidiaries, as at March 31, 2011, owned certain rights and managed approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand.

34. While Greenheart is an indirect subsidiary of SFC, it has its own distinct operations and financing arrangements and is not party to or a guarantor of the notes issued by SFC. Greenheart Group and SFC operate out of separate office buildings in Hong Kong.

35. Greenheart Group was not implicated in the allegations made against Sino-Forest by Muddy Waters on June 2, 2011, discussed below. As such, the Greenheart Group and matters

relating thereto are not intended to be affected by or included in this proceeding. Greenheart Group has nevertheless been impacted by the allegations made against Sino-Forest. Among other things, Greenheart Group has previously relied on funding from SFC and could be negatively impacted if SFC's business ceases to operate as a going concern. This in turn could negatively impact the value of SFC's investment in Greenheart.

36. Since 1995, SFC has been a publicly listed company on the TSX with its shares traded under the symbol "TRE". SFC's registered office is in Mississauga, Ontario and its principal executive office is in Hong Kong. Two of SFC's senior financial officers reside in Ontario, as do three of its external directors.

37. SFC has issued four series of notes which have a combined principal amount outstanding of approximately \$1.8 billion. Two of the series of notes are supported by guarantees from 64 of SFC's subsidiaries (none of which are incorporated in the PRC), and the other two series of notes are supported by guarantees from 60 of those same subsidiaries and share pledges from 10 of those same subsidiaries.

38. Certain other Sino-Forest Companies have their own distinct banking facilities which are not intended to be affected by or included in this proceeding. In particular, none of the subsidiaries incorporated in the PRC are party to or guarantors of SFC's notes and are not intended to be affected by or included in this proceeding.

B. Corporate Structure

39. SFC is the sole shareholder of Sino-Panel Holdings Limited (incorporated in the BVI), Sino-Global Holdings Inc. (incorporated in the BVI), Sino-Panel Corporation (incorporated in Canada), Sino-Wood Partners Limited (incorporated in Hong Kong), Sino-Capital Global Inc.

(incorporated in the BVI), and Sino-Forest International (Barbados) Corporation (incorporated in Barbados). SFC also holds all of the preference shares of Sino-Forest Resources Inc. (incorporated in the BVI). Some of these subsidiaries have further direct and indirect subsidiaries. A copy of the Sino-Forest corporate organization chart is attached as Exhibit "G" (which includes certain major subsidiaries of Greenheart).

40. A total of 137 entities make up the Sino-Forest Companies: 67 PRC incorporated entities (with 12 branch companies), 58 BVI incorporated entities, 7 Hong Kong incorporated entities, 2 Canadian entities and 3 entities incorporated in other jurisdictions. A list of all subsidiaries with addresses is attached as Exhibit "H" (which does not include subsidiaries of Greenheart, but does contain Sino-Forest branch companies).

C. Capital Structure

1. Equity

41. The authorized share capital of SFC consists of an unlimited number of common shares and an unlimited number of preference shares issuable in series. Each holder of common shares is entitled to one vote at meetings of shareholders other than meetings of the holders of another class of shares.

42. Each holder of common shares is also entitled to receive dividends if, as and when declared by the Board. Holders of common shares are also entitled to participate in any distribution of net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the common shares.

43. As at June 30, 2011, a total of 246,095,926 common shares were issued and outstanding. No preference shares have been issued.

2. Debt

44. SFC has issued four series of notes which remain outstanding. The four series of notes mature at various times between 2013 and 2017. The note indenture for each series of notes provides that it is governed by New York law. Each note indenture contains a "no suits by holders" clause. Other than the debt outstanding under the notes, SFC does not have any significant levels of normal course payables.

(a) 2017 Senior Notes

45. On October 21, 2010, SFC issued guaranteed senior notes in the principal amount of \$600 million. These notes mature on October 21, 2017, and interest is payable semi-annually, on April 21 and October 21, at a rate of 6.25% per annum. These notes are listed on the Singapore Stock Exchange and are supported by guarantees from 60 subsidiaries of SFC and share pledges from 10 of those same subsidiaries. A copy of the relevant indenture is attached as Exhibit "I".

(b) 2016 Convertible Notes

46. On December 17, 2009, SFC issued convertible guaranteed notes in the principal amount of \$460 million. These notes mature on December 15, 2016, and interest is payable semi-annually, on June 15 and December 15, at a rate of 4.25% per annum. These notes are supported by guarantees from 64 subsidiaries of SFC. A copy of the relevant indenture is attached as Exhibit "J".

(c) 2014 Senior Notes

47. On July 27, 2009, SFC issued guaranteed senior notes in the principal amount of \$399,187,000. These notes mature on July 28, 2014, and interest is payable semi-annually, on January 26 and July 26, at a rate of 10.25% per annum. These notes are listed on the Singapore Stock Exchange and are supported by guarantees from 60 subsidiaries of SFC and share pledges from 10 of those same subsidiaries. A copy of the relevant indenture is attached as Exhibit "K".

(d) 2013 Convertible Notes

48. On July 23, 2008, SFC issued convertible guaranteed notes in the principal amount of \$345 million. These notes mature on August 1, 2013, and interest is payable semi-annually, on February 1 and August 1, at a rate of 5% per annum. These notes are supported by guarantees from 64 subsidiaries of SFC. A copy of the relevant indenture is attached as Exhibit "L".

49. In addition to the four series of notes issued by SFC, many of SFC's subsidiaries (including the Greenheart Group and many of those incorporated in the PRC) have their own distinct banking facilities, including lending facilities, which are not intended to be affected by this proceeding.

D. The Business Model**1. Plantation / Timber Rights in the PRC**

50. There are four types of rights associated with plantations in the PRC, namely (i) plantation land ownership, (ii) plantation land use rights, (iii) timber ownership, and (iv) timber use rights. All of these are separate rights and can be separately owned by different parties.

51. Generally, private enterprises cannot own plantation land in the PRC but may hold plantation land use rights for a specified duration (up to 70 years but typically 30 to 50 years), timber ownership and timber use rights. However, foreign enterprises cannot acquire land use rights and can instead only acquire timber ownership or timber use rights.

52. The various rights associated with plantations in the PRC and the limitations on which entities can hold which rights were the driving forces behind Sino-Forest's complex business models discussed below.

53. For its timber business in the PRC, Sino-Forest utilizes two models, one involving BVI entities ("BVIs"), and the other involving subsidiaries incorporated in the PRC as wholly foreign owned enterprises ("WFOEs").

2. The BVI Model

54. Until 2004, due to restrictions on foreign companies carrying on business in the PRC, and foreign ownership restrictions on land ownership and use rights, the BVI structure was the model primarily used by Sino-Forest for its forestry business in the PRC. Sino-Forest has established 58 BVI companies, 55 of which are guarantors of at least certain of SFC's notes. Not all of these BVIs are involved in the BVI model or standing timber business. Of the 58, there are 20 involved in the BVI standing timber business while the remaining BVIs are either holding companies or used in Sino-Forest's log trading business.

55. The Sino-Forest BVI entities involved in the standing timber business acquire standing timber from suppliers. The suppliers are usually aggregators who acquire the standing timber and, typically, land use rights from other suppliers or from original timber owners, such as villagers or collectives, or from smaller aggregators. As non-PRC companies, the BVIs could

not and did not acquire land use rights in the PRC, and instead only acquired the rights to timber in the PRC pursuant to the relevant standing timber purchase contracts.

56. Due to restrictions under PRC laws, foreign companies are not permitted to conduct business in the PRC without business licenses granted by competent governmental authorities. Therefore, the Sino-Forest BVI entities do not sell standing timber directly to customers. Instead, for historical and commercial reasons, they conduct the sale of standing timber through "authorized intermediaries" ("AIs", which are also called "entrusted sales agents" in the BVI model) pursuant to "entrusted sales agreements". The AIs serve as Sino-Forest's customers under the BVI model of its standing timber business.

57. Pursuant to the entrusted sales agreements entered into with the AIs, the AIs are obliged to deduct and remit all of the applicable taxes on behalf of Sino-Forest. Sino-Forest is not, however, in a position to know whether or not the AIs have in fact remitted applicable taxes on behalf of Sino-Forest.

58. As at June 30, 2011, Sino-Forest therefore accumulated and recognized a provision, based on a probability-weighted average of the amounts that the PRC tax authorities might seek to recover under various scenarios, of \$204,722,000 in its reported financial results to account for this potential tax liability. The method used to calculate this provision is explained at note 18 of SFC's 2011 second quarter financial statements, which were previously attached. A similar provision was included in SFC's 2010 Audited Financial Statements and was audited by SFC's external auditors.

59. BVIs are not allowed to have bank accounts in the PRC and money flowing in and out of the PRC is strictly controlled through foreign exchange controls. As a result, the Sino-Forest

BVI entities do not directly pay the suppliers or receive payments from the AIs. Instead, they are instructed to make set-off payments under which, pursuant to the instructions of Sino-Forest, AIs directly or indirectly make payments directly or indirectly to Sino-Forest's suppliers for amounts owed by Sino-Forest BVI entities to those suppliers. As a result, no cash actually flows directly through the BVIs. SFC then receives confirmations from the suppliers confirming that payments have been made.

60. The BVI structure is the central driver of asset value, revenue and income for Sino-Forest. As at December 31, 2010, it accounted for \$2.476 billion of book value (466,826 hectares of timber assets, representing approximately 59.2% of Sino-Forest's timber holdings by area and 89.2% of its timber holdings by book value), \$1.326 billion in revenue (representing approximately 70% of Sino-Forest's revenue), and approximately \$622 million of gross profit (representing approximately 92.6% of Sino-Forest's gross profits) for the year then ended.

61. The cashless nature of the BVI model means that Sino-Forest cannot obtain cash from its operations or monetize its assets without engaging in the complicated on-shoring process which is discussed further below. Furthermore, the set-off payment system necessitated by the BVI model impaired the IC's efforts to verify the flow of funds during its investigation.

3. The WFOE Model

62. Commencing in 2004, the PRC's Ministry of Commerce permitted foreign investors to invest in PRC-incorporated trading companies and to participate in most areas of the commodity distribution industry, including the purchase of standing timber and land use rights throughout the PRC. Prior to this time, WFOEs were prohibited from engaging in the commodity distribution industry.

63. Since 2004, almost all of Sino-Forest's new capital invested in timber assets has been employed through the WFOE model (as opposed to the BVI model).

64. Unlike BVIs, WFOEs can acquire land use rights or land leases as well as standing timber rights, and can have bank accounts in the PRC. Because of the WFOEs' direct presence in the PRC, they can also obtain financing from PRC banks to finance their operations. WFOEs can log the timber and sell both logs and standing timber to end customers, which means they do not need (and do not use) Als. The WFOEs directly pay the suppliers for the standing timber and directly receive payment from end customers instead of utilizing the set-off arrangement used by Sino-Forest's BVI entities in the BVI model.

65. As at December 31, 2010, Sino-Forest's WFOEs held approximately 244,000 hectares of purchased plantations (representing approximately 30.9% of Sino-Forest's timber holdings by area) and 77,700 hectares of planted plantations (representing approximately 9.9% of Sino-Forest's timber holdings by area). Purchased plantations and planted plantations are discussed in further detail below. The WFOE standing timber assets accounted for approximately 10.8% of Sino-Forest's timber holdings by book value, and represented approximately \$298.6 million of book value, \$74 million in revenue, and \$10 million of income for the 2010 year before the allocation of corporate overhead.

66. None of Sino-Forest's WFOEs are guarantors of SFC's notes, nor have their shares been pledged by their BVI parents.

4. On-shoring Plan

67. Given the inherent problems with the BVI structure and the relative advantages of the WFOE structure, Sino-Forest has explored various methods of migrating or "on-shoring" its BVI

timber assets into WFOE structures. The successful transition of assets from a BVI structure to a WFOE structure has many merits including, significantly, providing a foreign parent an ability to have direct access to the cash generated from the sale of BVI timber assets.

68. The on-shoring process is expected to be a multi-year process due to (i) the volume of assets that need to be moved into the WFOE model, (ii) the large number of different locations in which Sino-Forest has timber assets in the PRC, (iii) the likely multiple rounds of negotiations required with the various stakeholders in each location, and (iv) SFC's limited resources.

E. Operations

69. Sino-Forest's operations are comprised of three core business segments. Wood fibre operations and log trading are the primary revenue contributors, while manufacturing and other operations enhance the value of the fibre operations by producing downstream products.

1. Wood Fibre Operations

70. Sino-Forest's wood fibre operations consists of acquiring, cultivating and selling standing timber or logs from purchased and planted plantations in nine provinces across the PRC.

71. Sino-Forest's upstream wood fibre operations generate the majority of its revenue, accounting for 96.4% of total revenue in the year ended December 31, 2010. Most of the standing timber and logs sold by Sino-Forest come from Sino-Forest's tree plantations, located primarily in the southern and eastern regions of the PRC.

72. Sino-Forest operates plantations for the wood fibre operations using two principal business models: purchased and planted, each of which is explained in greater detail below. The purchased plantation model operates through two legal structures: the BVI/AJ legal structure

and, to a lesser but growing extent, the WFOE legal structure. The planted plantations model is operated exclusively through the WFOE legal structure, although the WFOEs themselves are typically held indirectly through a BVI holding structure. Many foreign investors, including well known multi-national companies, hold their investments in the PRC in special purpose vehicles established overseas in jurisdictions with a familiar and internationally accepted system of corporate governance. For example, over 75% of blue chip companies listed on the Hong Kong Stock Exchange (Hang Seng Index constituent stocks excluding the Finance Sub-Index) utilize BVI holding structures, including for their investments in the PRC.

(a) Purchased Plantation Model

73. The purchased plantation model under the BVI/AI legal structure involves the purchase of standing timber and sale of standing timber pursuant to standardized timber purchase agreements and "entrusted sale agreements". The standing timber purchased is generally on land owned by collectives or villages, not PRC state-owned land. When conducted through the BVI/AI legal structure, of which 20 BVIs hold all of the BVI timber assets, the timber purchases are arranged through suppliers.

74. The BVI structure does not involve the BVIs concurrently purchasing land use rights or leases with the purchase of standing timber, as the BVIs cannot legally acquire land use rights. However, the BVIs' supply contracts typically contain a right of first refusal for the BVIs to acquire, or nominate an affiliate to acquire, the plantation land use rights after the timber has been harvested. Despite such common contractual provisions, such right has rarely, if ever, been exercised.

75. The BVIs do not sell standing timber directly to customers. They sell under contract to the AI (customer) who usually resells the standing timber to its own customers. The BVIs' timber sales accounts receivables are settled by the AI making payments to suppliers (directly or indirectly to other parties on their behalf) on behalf of Sino-Forest. The AI does not pay the same supplier for the same trees it is selling to its customers. It pays a supplier for trees newly purchased by Sino-Forest from that supplier. These payments made by way of set-off enable the BVIs to acquire further standing timber from suppliers, which is matured and later sold. All BVI purchases are funded through the set-off mechanism using accounts receivable owed to Sino-Forest. This is a recognized legal structure in the PRC.

76. WFOEs are also engaged in the purchase and sale of standing timber. When conducted through a WFOE, purchases of standing timber are sometimes accompanied by concurrently obtaining plantation land use rights or leases (which are purchased plantations). WFOE standing timber transactions do not involve payments by way of set-off. They are conducted on a direct fund transfer basis.

77. In both the BVI and WFOE structure, the purchase price of the trees takes into account a variety of factors such as the trees' species, yield, age, size, quality and location. Other considerations include soil and weather conditions for replanting, log prices, and regional market location and demand. Sino-Forest does not typically need to conduct extensive plantation management work with respect to the trees growing on the purchased plantations, but does take measures to ensure that the trees are protected from pests, disease and theft.

78. SFC's approach is to purchase plantations in remote parts of the PRC that the PRC government has identified in its five year plans as being areas for future development. As a result, physical access to the plantations is often very challenging.

79. As at December 31, 2010, the purchased plantations under Sino-Forest management in the PRC consisted of approximately 711,000 hectares. These plantations consisted of a diverse mix of tree species, predominantly pine, Chinese fir and eucalyptus. Purchasing trees allows Sino-Forest to quickly expand its plantation portfolio geographically, as well as its inventory of harvestable fibre and leasable land.

(b) Planted Plantation Model

80. The planted plantation model is conducted by WFOEs, and involves obtaining plantation land use rights, sometimes with standing timber and sometimes as bare land suitable for planting. Sales from these planted plantations do not utilize the AI model but rather generally involve direct fund transfers to and from the WFOEs' suppliers and customers. As of December 31, 2010, SFC's planted plantations in the PRC operated through WFOEs comprised approximately 77,700 hectares.

81. Sino-Forest leases suitable land on a long-term basis, typically 30 to 50 years, and applies scientifically advanced seedling technology and silviculture techniques to improve tree growth. The mature trees are sold as standing timber or as harvested logs, and then Sino-Forest replants the land with seedlings.

82. Sino-Forest's operating model allows for the sale of fibre either as standing timber or harvested logs, depending on its customers' preferences and market demand.

83. Sino-Forest's planted plantations consist primarily of eucalyptus trees, a fast-growing high yielding species. According to the seventh five-year National Forest Inventory released by the State Forestry Administration (2004 to 2008), it is estimated that the PRC has 195 million hectares of forest resources, with approximately 120 million hectares of natural forest and 62 million hectares of plantation forest. The density of its total forest area was only 70 cubic metres per hectare in the PRC.

84. The PRC government encourages the development of the plantation industry in the PRC. In June 2003, the PRC State Council promulgated "The Notice on the Decision to Speed Up the Development of Plantation Industry". Subsequently, in August 2007, "The Key Elements of the Policies in Forestry Industry" was jointly promulgated by seven ministries including the State Forestry Administration, National Development and Reform Commission, Ministry of Finance, Ministry of Commerce, State Administration of Taxation, China Banking Regulatory Commission and China Securities Regulatory Commission to develop the non-state owned plantation industry, and to encourage the participation of foreign investors in the plantation industry, either solely or jointly with others.

85. The planted plantation model is generally viewed more favourably by the PRC government because it demonstrates a long-term commitment to the forestry business. That long-term commitment is very important from the perspective of the PRC government in light of the fact that demand for wood fibre in the PRC is approximately double that of available supply.

2. Log Trading Operations

86. Sino-Forest's operations in the trading of wood logs includes the sourcing of wood logs and wood-based products from the PRC and globally, and selling them in the domestic PRC market.

87. These wood-based products consist primarily of large diameter logs, sawn timber, veneers and other wood-based products sourced from the PRC, Thailand, Suriname, Papua New Guinea, Brazil, Vietnam, Russia and New Zealand. In these transactions, Sino-Forest purchases wood-based products that correspond to the requirements of wood dealers, and sells directly to these dealers. Sino-Forest's customers in these transactions are primarily wood dealers in the PRC.

3. Manufacturing and Other Operations

88. Sino-Forest currently has manufacturing operations in six provinces in the PRC that produce various wood-based products. In addition, Sino-Forest has greenery and nursery operations based in Jiangsu Province, which were established to source, supply and manage landscaping products for property developers and other organizations.

89. In order to maximize and increase the value of Sino-Forest's forestry products, Sino-Forest has been investing in research and development ("R&D"). On January 12, 2010, Sino-Forest announced its acquisition of HOMIX LIMITED ("HOMIX") in order to enhance its R&D portfolio. HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangdong and Jiangsu provinces, covering eastern and southern PRC wood product markets. HOMIX develops a number of new technologies suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered-wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environmentally friendly and versatile, as it uses fibre from forest plantations, recycled wood and/or wood residue.

90. The goal of Sino-Forest's R&D efforts has been to improve tree plantation yields and the quality of the trees grown on Sino-Forest's plantations. While performing R&D activities, Sino-Forest from time to time collaborates with, and receives assistance from, research and academic institutions in the PRC. Sino-Forest's R&D efforts are viewed very positively in the PRC as they also demonstrate a long-term commitment to the forestry business in the PRC and can help address the significant shortage of wood fibre in the PRC.

F. Sales

91. Substantially all of Sino-Forest's sales are generated in the PRC. In the year ended December 31, 2010, sales to customers in the PRC were \$1.8723 billion and sales to customers located in other countries were \$51.3 million. In the year ended December 31, 2010, sales to customers in the PRC of standing timber, logs and other wood-based products accounted for substantially all of Sino-Forest's revenue.

G. Suppliers

92. Logs and wood-based products supplied through Sino-Forest's trading activities are sourced primarily from suppliers outside the PRC. These products are also sourced for Sino-Forest trading activities from overseas, primarily from Thailand, Suriname, Papua New Guinea, Brazil, Vietnam, Russia and New Zealand. The credit terms granted by suppliers of these products generally range from one to three months on open account and by letters of credit. Standing timber is sourced primarily from local suppliers in the PRC.

93. As discussed above, the PRC based suppliers are usually aggregators who acquire standing timber and/or land use rights from other suppliers or from original timber owners such as villagers or collectives who have certified title to the land.

H. Employees

94. SFC currently has 3 employees. Collectively, the Sino-Forest Companies employ a total of approximately 3553 employees, with approximately 3460 located in the PRC and approximately 90 located in Hong Kong. The Greenheart Group employs an additional approximately 273 employees.

I. Assets & Liabilities

95. The unconsolidated book values of SFC's assets and liabilities as at June 30, 2011 are listed below.¹ However, given that, as described below, SFC is in default under the notes and the indenture trustees would be in a position to accelerate and enforce on the notes but for the waiver agreements (subject to sending the appropriate notices and the cure period expiring), I have categorized the full amount of the notes (including the non-current portion and the derivative financial instrument, as opposed to just the current portion) as a current liability below.

<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash and cash equivalents ²	\$5,676,040	Notes (current portion)	\$87,670,000
Prepayments ³	\$1,173,553	Notes ⁴ (non-current)	\$1,541,744,429
Other Receivables ⁵	\$188,575	Notes Derivative Financial Instrument	\$31,858,210
Due from Intercompany ⁶	<u>\$109,813,620</u>	Trade Payable	\$2,202
		Others Payable	\$231,723
		Accrued Liabilities	\$39,687,268
		Due to Intercompany	<u>\$1,818,313</u>
Total Current Assets	\$116,851,788	Total Current Liabilities	\$1,703,012,145

¹ The chart only reflects the assets and liabilities of SFC, and therefore does not accord with the consolidated quarterly financial results for the second quarter ended June 30, 2011.

² Mainly represents cash on hand, cash at bank and short-term deposits with a maturity of three months or less.

³ Mainly represents prepaid legal and professional fees and insurance.

⁴ The Notes (current portion), Notes (non-current) and Notes Derivative Financial Instrument do not equate on this balance sheet to approximately \$1.8 billion (the face value of the notes) due to the accounting treatment of financing costs and the carrying value of the convertible notes.

⁵ Mainly represents HST receivables, staff advances and deposits.

⁶ Non-interest bearing with no fixed date of repayment.

<u>Non-Current Assets</u>		<u>Non-Current Liabilities</u>	
Property, Plant & Equipment ⁷	\$1,166	Intercompany Loans	<u>\$235,000,000</u>
Investment in Subsidiaries ⁸	\$1,589,153,984		
Intercompany Loans ⁹	<u>\$1,582,781,672</u>		
Total Non-Current Assets	\$3,171,936,822	Total Non-Current Liabilities	\$235,000,000
Total Assets	\$3,288,518,610	Total Liabilities	\$1,938,012,145

96. With respect to the assets, while they reflect an accurate implementation of the relevant accounting policies, I do not believe that the book values of the assets reflect the realizable value of those assets for a number of reasons, including the complexities associated with the business, the significant amount of intercompany loans owing to SFC, and the costs and potential PRC tax liabilities that may be payable if the assets were realized on. SFC is not able to simply monetize its assets in the short term in order to satisfy its obligations under the notes as a result of, among other things, the hard to quantify potential PRC tax liability previously discussed at paragraph 58 above and the stringent currency exchange controls in the PRC.

97. As discussed above, Sino-Forest is not in a position to know whether or not the AIs have in fact remitted applicable taxes on behalf of Sino-Forest. Although Sino-Forest recognized a provision as at June 30, 2011 of \$204,722,000 in its reported financial results to account for this potential tax liability, I am advised by SFC's counsel in the PRC, Ching Wo Ng at King & Wood Mallesons, that the amount of the tax liabilities under PRC law arising from the operation of the BVIs could be significantly higher if responsible tax authorities take different views than that of management in respect of a number of tax issues, including, without limitation, whether by their

⁷ Mainly represents office equipment.

⁸ Historical cost for interests in subsidiaries.

⁹ Interest bearing with defined terms of repayment date.

operation the BVIs have formed an establishment in the PRC, whether value added tax is payable, the likelihood and severity of a tax penalty, the applicable default interests on late payments, the numbers of years to "look back", whether certain tax preferential treatments apply to foreign companies such as BVI entities, and other relevant matters. The views on these issues may also differ from locality to locality.

98. In addition, as a result of the currency exchange controls in the PRC, all cash to be repatriated from the PRC is subject to approval from the State Administration of Foreign Exchange (the "SAFE"). I am advised by SFC's counsel in the PRC, Ching Wo Ng at King & Wood Mallesons, that for normal and regular foreign exchange transactions in the PRC which require the approval of SAFE, the applications for such approvals can normally be processed within the time limits prescribed by law. However, the transactions undertaken by the BVIs in respect of their forestry assets in the PRC are very dissimilar to those contemplated by the relevant rules and regulations of the PRC. Therefore, there is no assurance that any application to SAFE for repatriation of funds by the BVIs can be processed within the time limits prescribed by law, or within a reasonable time thereafter.

99. As a result of Sino-Forest, among other things, operating in a critical natural resource sector with insufficient supply in the PRC, investing in research and development initiatives in the PRC, and employing a significant number of people in the PRC, it has generally enjoyed positive working relationships with all levels of government in the PRC. However, I believe that if Sino-Forest were to cease operating under a business strategy that is consistent with and supportive of PRC government policy, including its policy on sustainable forestry, for example, investing in research and development or employing a significant number of people in the PRC, Sino-Forest would enjoy much less favourable treatment from PRC government officials, and

would likely have greater difficulties resolving the issues discussed above relating to tax liabilities and repatriation of cash. This is particularly true in respect of the BVI structure where, among other things, the ability to access cash is further impaired and Sino-Forest is not in a position to know whether or not the AIs have remitted applicable taxes on behalf of Sino-Forest.

J. Importance of Relationships to Doing Business in the PRC

100. From my time with SFC I have come to understand the importance of relationships to doing business in the PRC. This is particularly true in relation to those doing business in the forestry sector.

101. The PRC has extensive resource needs, including in the forestry sector. Historically, forestry resources in the PRC have been collectively owned at a local level. Forestry resources have largely been managed without the resources necessary to increase yields and allow for harvesting at a commercial level from a western forestry perspective.

102. Part of Sino-Forest's success has been attributable to its ability to acquire forestry resources from local sources of supply, at a good price, and to resell them at a good profit. In relation to Sino-Forest's planted plantation model, Sino-Forest also has benefited from the application of advanced silviculture techniques to those resources. Based on my interactions with PRC government officials, I understand that the PRC government recognizes that for the industry to mature, become efficient, and improve yields to reduce the fiber deficit, forest asset management has to be consolidated.

103. A good relationship with the various levels of PRC government is important to doing business successfully in the PRC. Historically, Sino-Forest's relationships with these governments have been important to Sino-Forest's success in the PRC. Loss of their support

could, correspondingly, have significant negative consequences for Sino-Forest, for its ability to continue to do business in the PRC, and its ability to continue to control its PRC-based assets for the benefit of its stakeholders.

104. Sino-Forest's most important relationships have been and continue to be through Allen Chan ("Chan"). From my observations and experience, Chan has established significant relationships in the PRC, and my understanding is that this is a direct result of his long-standing personal contribution to the development of the forestry sector both through Sino-Forest and in a personal capacity as an informal advisor to various relevant industry bodies.

105. Following the MW Report, Chan was requested to meet with officials in the PRC State Forestry Administration ("SFA") and other senior officials on multiple occasions in Beijing. I have been introduced to some officials and attended some of these meetings.

106. My observation from my personal involvement in these discussions and meetings is that Chan continues to be consulted and respected within the PRC government as an expert in the forestry industry. I therefore believe his continued participation will be extremely helpful in allowing SFC to unlock value in the PRC for the benefit of its stakeholders.

107. Notwithstanding the allegations in the MW Report (which have received widespread coverage in the PRC and in Hong Kong), Chan has continued to be honoured within the PRC. In November 2011, at the 2nd China Forestry Expo, Chan was presented an "Outstanding Achievement" award from the China National Forestry Industry Federation (the "CNFIF"). In recognition of his contribution to the forestry industry in the PRC, Chan was the first keynote speaker following the Minister of the SFA at the China Forestry Expo.

108. Chan was also appointed Vice President of the CNFIF in 2010. The CNFIF is an affiliate of the SFA and is chaired by the Minister of the SFA or the Director of the SFA. The SFA is the PRC government ministry responsible for its forests and forest management.

109. In 2007, Chan was appointed an Honourable Director of Renmin University (also known as the People's University of China), one of the most prestigious universities in the PRC with a distinct focus on humanities and social sciences, and highly regarded by top leaders in the PRC. In addition, Chan is a member of the Jiangxi Committee of the Chinese People's Political Consultative Conference.

110. In February 2012, Chan was presented with the "2011 China Forestry Persons of the Year" award by the CNFIF.

111. Many of the PRC's commercially attractive forestry resources are in areas of sensitivity within the PRC, including areas that are sensitive from a military perspective. Private air travel is prohibited or strictly controlled in many of the areas in which Sino-Forest does business.

112. The strategic significance attaching to Sino-Forest's forestry assets in the PRC increases the importance to SFC of maintaining positive relationships with authorities in the PRC. If Sino-Forest is to monetize its PRC based assets for the benefit of stakeholders, I strongly believe that the outcome of this process must be acceptable to relevant authorities in the PRC.

113. In the course of its 18 years of operations, Sino-Forest has been viewed by the Minister of the SFA positively and as a model for privately owned enterprises carrying on business in the PRC and promoting PRC policies. For that reason, Sino-Forest has enjoyed a positive relationship with the PRC. Even since June of last year, the Minister of the SFA has remained

cooperative and encouraging of a solution for Sino-Forest. However, recently, the government has expressed increasing concern and interest as to what the solution is for Sino-Forest. As a result, not only do I believe that any solution needs to be acceptable to the authorities in the PRC, such solution needs to be presented in the very near future.

IV. THE MUDDY WATERS ALLEGATIONS: CHRONOLOGY AND RESPONSES

114. On June 2, 2011, Muddy Waters, which admitted to holding a short position on SFC's shares, published the MW Report alleging, among other things, that Sino-Forest is a "near total fraud" and a "Ponzi scheme."

115. While the allegations contained in the MW Report are diverse and far-reaching, the IC set out to address the issues raised in three core areas: (i) the verification of timber assets reported by Sino-Forest, (ii) the value of the timber assets held by Sino-Forest, and (iii) revenue recognition.

116. Among other things, the MW Report alleged that Sino-Forest does not hold the full amount of timber assets that it reports, that the timber assets actually held by Sino-Forest have been overstated, and that Sino-Forest overstated its revenue. In addition, the MW Report alleged that Sino-Forest has engaged in unreported related-party transactions. A copy of the MW Report is attached as Exhibit "M". Two subsequent reports by Muddy Waters relating to Sino-Forest are attached as Exhibit "N". These reports are attached to provide context to the Court and definitely not because I agree with their contents.

A. The IC, OSC, RCMP and HKSFIC Investigations

117. On June 2, 2011, the same day that the MW Report was released, the Board appointed the IC, a Board committee consisting exclusively of independent directors, which in turn retained

independent legal and financial advisors in Canada, Hong Kong and the PRC, to investigate the allegations set out in the MW Report.

118. On June 8, 2011, the OSC publicly announced that it was investigating matters related to SFC. That investigation has been active and is ongoing.

119. Later in June 2011, the HKSFSC commenced an investigation into Greenheart Group. As a company listed on the Hong Kong Stock Exchange and headquartered in Hong Kong, the HKSFSC is Greenheart's primary securities regulator. I believe that the HKSFSC's investigation was largely reactive to the allegations against Sino-Forest, SFC's control position in relation to Greenheart Group, and to the fact that the principal offices of Sino-Forest and Greenheart Group are located in Hong Kong. As indicated above, SFC had acquired a majority interest in Greenheart Group less than a year earlier, and had separate management and premises.

120. In addition to its investigation of Greenheart Group, the HKSFSC has been assisting the OSC with its investigation. I am advised by Gary Solway of Bennett Jones LLP, counsel to SFC, that the HKSFSC has a mutual-assistance treaty with the OSC. The OSC has conducted witness interviews in Hong Kong with the assistance of and out of the premises of the HKSFSC.

121. Sino-Forest believes that it has attempted to cooperate with the OSC, HKSFSC and RCMP investigations. Sino-Forest has made extensive production of documents, in particular to the OSC, including documents sourced from jurisdictions outside of the OSC's power to compel production.

122. Sino-Forest also has facilitated interviews by the OSC with Sino-Forest personnel. In circumstances where OSC staff sought to examine Sino-Forest personnel resident in the PRC

(where neither the OSC nor the HK.SFC had the ability to compel their attendance at interviews), Sino-Forest arranged to bring individuals to Hong Kong to be examined.

123. Sino-Forest has responded to extensive inquiries, the most far-reaching coming from the OSC, and has provided periodic oral briefings to OSC staff. The IC reports were provided to OSC staff on an unredacted basis, as discussed below.

124. The scope of the IC's review was significant, reflecting the wide range of allegations contained in the MW Report. The IC and its advisors worked to compile and analyze the vast amount of data required for their comprehensive review of Sino-Forest's operations and business, the relationships between Sino-Forest and other entities, and Sino-Forest's ownership of assets.

125. At the beginning of the IC's investigation, the IC informed the Board that the review would likely take at least two to three months to complete. On August 10, 2011, the IC delivered its first interim report to the Board (the "First Interim Report"). A redacted copy of the First Interim Report is attached as Exhibit "O".

126. SFC has publicly disclosed on SEDAR and on its website redacted versions of the First Interim Report and the two subsequent reports of the IC. The three reports have been redacted to protect information that the Board believes is commercially sensitive, the disclosure of which could be harmful to Sino-Forest's business and operations, especially in the PRC. These redactions have not been made to conceal information from regulatory scrutiny. Each of the three reports has been produced without redactions to OSC staff pursuant to a compelled process designed to allow OSC staff to receive information relevant to its investigation, while at the same time protecting SFC's sensitive information.

127. The First Interim Report was the result of the IC and its advisors assembling and organizing significant data from Sino-Forest's records, and reviewing Sino-Forest's cash holdings, revenue and relationships. In the First Interim Report, while the IC did not determine that there was any validity to the allegations in the MW Report, its findings were limited as the investigation was still ongoing.

128. Also in its First Interim Report, the IC's accounting advisors confirmed Sino-Forest's cash balances in specific accounts as at June 13, 2011, for accounts located inside and outside of the PRC. A total of 293 accounts controlled by Sino-Forest in Hong Kong were confirmed, representing 100% of the expected cash position in Hong Kong. However, Sino-Forest had 267 accounts in the PRC, so the logistics and requirements of in-person/in-branch verification in the PRC led the IC advisors to confirm 28 accounts, representing approximately 81% of the expected cash position in the PRC. The IC was satisfied based on this verification that Sino-Forest's expected cash position in the PRC existed as at the date of confirmation.

129. The First Interim Report was delivered to the Board shortly before the Board was asked to authorize the release of SFC's 2011 quarterly financial results for the second quarter ended June 30, 2011 (the "Q2 Results"). The Q2 Results were released on August 15, 2011.

130. Almost immediately after the Q2 Results were released, the IC's advisors identified and brought to the attention of the IC just under 60 documents, some of which raised potential conduct issues and others of which raised questions as to whether Sino-Forest's relationships with some of its AIs and suppliers were conducted at arm's length.

131. The IC concluded that interviews concerning the documents should be conducted with relevant Sino-Forest personnel. The interviews were conducted from August 24 to 26, 2011 in Hong Kong.

132. As part of its efforts to cooperate with OSC staff, on August 24, 2011, before the documents were shown to relevant Sino-Forest personnel and those personnel were provided with an opportunity to comment, the IC's advisors provided copies of the documents to OSC staff. The IC's advisors and SFC's external counsel also provided oral briefings about the interviews to OSC staff from August 24 to 26, 2011, as the interviews were being conducted.

133. Seen in their proper context, and with the benefit of fuller explanations, I believe that the documents identified by the IC's advisors and provided to OSC staff at that time fall well short of the misconduct alleged in the MW Report.

134. However, as a result of the documents and interviews, Sino-Forest placed three employees on administrative leave, and a fourth senior employee was requested to act solely on my instructions. It was my decision in each case to take this action.

135. SFC's Board met on the morning of Friday August 26, 2011, Toronto time (which was Friday evening Hong Kong time) to hear reports about the interviews and about communications between SFC and OSC staff. The Board was told that Chan had agreed to resign as Chairman, CEO and as a director of SFC pending the completion of the review by the IC of the allegations in the MW Report. He was appointed Founding Chairman Emeritus and I was appointed as CEO.

136. On August 26, 2011, the OSC issued a cease trade order with respect to the securities of SFC and with respect to certain senior management personnel. A copy of the cease trade order dated August 26, 2011 (as corrected by the OSC later that day) is attached as Exhibit "P". The Board first learned of the cease trade order during the Board meeting that day, after Chan tendered his resignation.

137. With the consent of SFC, the cease trade order was extended by subsequent orders of the OSC, copies of which are attached as Exhibit "Q". The cease trade order continues in force to this date.

138. Based on my review of the IC's second interim report to the Board (the "Second Interim Report", which is discussed below) and discussions I have had with William Ardell, Board Chair and Chair of the IC, I understand that in late August 2011, counsel for the IC received an inquiry from the RCMP requesting cooperation from the IC in connection with an investigation into the allegations in the MW Report. Representatives of the IC met with and provided information to the RCMP from time to time. The RCMP also has made information requests from time to time. It has been SFC's intention to cooperate with the RCMP in connection with its investigation.

139. On November 13, 2011, the IC delivered its Second Interim Report to the Board, a redacted copy of which is attached as Exhibit "R".

140. Subject to the limitations described therein, the Second Interim Report confirmed registered title or contractual or other rights to Sino-Forest's stated timber assets, reconciled the book value of the BVI timber assets and Sino-Forest WFOE standing timber assets as set out in the 2010 financial statements to the purchase prices for such assets as set out in the BVI and

WFOE standing timber purchase contracts reviewed by the IC advisors, reconciled reported total revenue to sales contracts, and addressed certain allegations regarding related-party transactions.

141. Subject to the scope limitations described in the Second Interim Report, the IC confirmed 99.3% of Sino-Forest's timber area to its satisfaction and that Sino-Forest had registered title to 100% of its disclosed planted timber holdings by area, and contractual or other rights to approximately 81.3% of its disclosed purchased timber holdings by area. The IC reported that it or its advisors had reviewed originals or copies of purchase contracts for the acquisition by Sino-Forest of virtually all of its disclosed timber holdings as at December 31, 2010.

142. The IC indicated in its Second Interim Report that it viewed its work to be substantially complete and that it expected to deliver its final report prior to the end of 2011.

B. Failure to Release Q3 Results and Default Under the Notes

143. Subsequent to August 26, 2011, the IC's advisors identified additional documents that raised issues meriting comment and explanation from SFC's management. Also, SFC's external counsel, in responding to requests from the OSC, also identified documents of a similar nature. Further documents meriting comment and explanation were identified by SFC's external auditors and in interviews conducted by OSC staff.

144. As SFC reached the November 15, 2011 deadline to release its 2011 third quarter financial statements (the "Q3 Results"), the Audit Committee recommended and the Board agreed that SFC should defer the release of the Q3 Results until certain issues could be resolved to the satisfaction of the Board and SFC's auditor. The issues included (i) determining the nature and scope of the relationships between Sino-Forest and certain of its AIs and suppliers, as discussed in the Second Interim Report, and (ii) the satisfactory explanation and resolution of issues raised

by certain documents identified by the IC's advisors, SFC's counsel, SFC's external auditors, and/or by OSC staff.

145. On November 15, 2011, the date upon which SFC's Q3 Results were due, SFC issued a press release announcing that the IC had delivered its Second Interim Report to the Board. A copy of the November 15, 2011 press release is attached as Exhibit "S". The executive summary to the Second Interim Report is attached as a schedule to the press release.

146. The November 15, 2011 press release also stated that the Board had concluded that, as a result of ongoing work arising from the allegations raised in the MW Report, it was not in a position to authorize the release of the Q3 Results at that time. The release stated that SFC would try to release the Q3 Results within 30 days.

147. SFC's failure to file the Q3 Results and provide a copy of the Q3 Results to the trustee and to its noteholders under its senior and convertible note indentures on or before November 15, 2011 constituted a default under those note indentures. Pursuant to the indentures, an event of default would have occurred if SFC failed to cure that breach within 30 days in the case of the senior notes, and 60 days in the case of the convertible notes, after having received written notice of such default from the relevant indenture trustee or the holders of 25% or more in aggregate principal amount of a given series of notes.

148. While SFC worked diligently to try to resolve the outstanding issues, it became clear that SFC was not going to be able to release the Q3 Results within that timeframe. On December 12, 2011, SFC issued a press release announcing that it would not be able to release the Q3 Results within the 30-day period originally indicated.

149. Moreover, in the press release, SFC announced that, in the circumstances, there was no assurance that it would be able to release the Q3 Results, or, if able, as to when such release would occur. In the December 12, 2011 press release, SFC also announced that the Board had determined not to make the \$9.775 million interest payment on SFC's 2016 convertible notes that was due on December 15, 2011. A copy of the December 12, 2011 press release is attached as Exhibit "T".

150. As disclosed in the December 12, 2011 press release, the circumstances that caused SFC to be unable to release the Q3 Results also could impact SFC's historic financial statements and SFC's ability to obtain an audit for its 2011 fiscal year.

151. SFC's failure to make the \$9.775 million interest payment on the 2016 convertible notes when due on December 15, 2011 constituted a default under that indenture. Under the terms of that indenture, SFC had 30 days to cure its default and make the required interest payment in order to prevent an event of default from occurring, which could have resulted in the acceleration and enforcement of the approximately \$1.8 billion in notes which have been issued by SFC and guaranteed by many of its subsidiaries outside of the PRC.

152. On December 18, 2011, SFC announced that it had received written notices of default dated December 16, 2011, in respect of its senior notes due 2014 and its senior notes due 2017. The notices, which were sent by the trustees under the senior note indentures, referenced SFC's previously-disclosed failure to release the Q3 Results on a timely basis. SFC reiterated in the December 18, 2011 press release that it did not expect to be able to file the Q3 Results and cure the default within the 30 day cure period. A copy of the December 18, 2011 press release is attached as Exhibit "U".

153. In response to the receipt of the notices of default, among other considerations, on December 16, 2011, the Board established a Special Restructuring Committee of the Board (the "Restructuring Committee") comprised exclusively of directors independent of management of SFC, for the purpose of supervising, analyzing and managing strategic options available to SFC. The members of the Restructuring Committee are William Ardell, Chair of the Board, who is also Chair of the Restructuring Committee and Garry West. James Hyde, Chair of the Audit Committee and an independent director, while not a member of the Restructuring Committee, has attended meetings of the Restructuring Committee and participated fully in its deliberations.

154. Following discussions with its external auditors, on January 10, 2012, SFC issued a press release cautioning that its historic financial statements and related audit reports should not be relied upon. The January 10, 2012 press release is previously attached.

C. The Waiver Agreements

155. On January 12, 2012, SFC announced that following extensive discussions with the Ad Hoc Noteholders, holders of a majority in principal amount of SFC's senior notes due 2014 and its senior notes due 2017 agreed to waive the default arising from SFC's failure to release the Q3 Results on a timely basis. A copy of the January 12, 2012 press release, together with the waiver agreements, is attached as Exhibit "V".

156. Pursuant to the waiver agreements, SFC agreed to, among other things, make the \$9.775 million interest payment on its 2016 convertible notes that was due on December 15, 2011, curing that default. That payment was made in accordance with the waiver agreements.

157. While the waiver agreements prevented the indenture trustees under the relevant note indentures from accelerating and enforcing the note indebtedness as a result of SFC's failure to

file its Q3 Results, those waiver agreements expire on the earlier of April 30, 2012 and any earlier termination of the waiver agreements in accordance with their terms. In addition, should SFC fail to file its 2011 Results by March 30, 2012 (and upon the necessary notices being sent and cure periods expiring), the indenture trustees would again be in a position to accelerate and enforce.

D. The IC's Final Report and Verification of SFC's Assets

158. On January 31, 2012, SFC publicly released a redacted version of the final report of the IC (the "Final Report"). A copy of the redacted Final Report is attached as Exhibit "W".

159. Following the delivery of the Final Report, and in accordance with the waiver agreements, the Board adopted a resolution instructing the IC to cease its investigative, review and oversight activities. Any issues within the authority of the IC that remained outstanding were referred to SFC's Audit Committee or Restructuring Committee.

160. In its January 31, 2012 press release, attached as Exhibit "X", announcing the release of the Final Report, SFC also disclosed the results of a "proof of concept" exercise undertaken to determine if the standing timber referenced in particular purchase contracts could be located and quantified by an independent forestry expert engaged to undertake the exercise. The exercise was undertaken to address the issue raised in the Second Interim Report regarding the absence of maps in the possession of SFC's BVI subsidiaries to show the precise location of the timber subject to plantation purchase contracts.

161. As disclosed in the January 31, 2012 press release, the proof of concept exercise was confined to two compartments. The selection criteria limited the sample to purchased timber assets located in Yunnan province. The candidate assets were acquired prior to the allegations in

the MW Report. They were listed as being held by BVIs and not by WFOEs. At the IC's request, the consultants selected a shortlist of ten possible compartments covering multiple forestry bureaus and meeting the criteria above, avoiding any prospect that the sampling involved personnel from Sino-Forest. Multiple county forestry bureaus were represented in the shortlist, and the IC made the final selection of compartments to ensure more than one county forestry bureau was represented.

162. As described in the Final Report and the accompanying press release, maps for the two compartments were obtained from the relevant forestry bureaus in the PRC by the contracted survey companies and made available to the consultants. Using the techniques described in the Final Report, compartment boundaries were superimposed on recent high resolution satellite imagery which allowed for the measurement of each compartment's forest cover. The consultants compared the net stocked area of forest cover that they assessed for each compartment with that stated in the Sino-Forest purchase contracts and forest survey reports. The consultants found that the net stocked area of forest cover in each compartment was up to six percent greater than that stated in the relevant purchase contracts and forest survey reports, with the current assessed area for each compartment exceeding the purchase contract area.

163. While the consultant report and press release cautioned against extrapolation of these findings over Sino-Forest's broader forestry assets, I took considerable comfort from these findings. In relation to two randomly-selected contracts held through the BVI structure, the property descriptions and expected forest cover in the contracts matched the boundaries and forest cover on the ground.

164. Subsequent to January 31, 2012, Sino-Forest has taken steps to see the proof of concept process applied over a statistically relevant sampling of Sino-Forest's forest assets. That work is ongoing.

E. Gating Issues to an Audit

165. SFC has worked diligently to address issues identified by SFC's Audit Committee, the IC and by its external auditor, Ernst & Young LLP, as requiring resolution in order for SFC to be in a position to obtain an audit opinion in relation to the 2011 Results. Many of the same issues also impact SFC's ability to release the Q3 Results.

166. As SFC has publicly disclosed in its press releases, the gating issues to the release of the Q3 Results and to obtaining an audit of the 2011 Results include (i) determining the nature and scope of the relationships between Sino-Forest and certain of its AIs and suppliers, and (ii) the satisfactory explanation and resolution of issues raised by certain documents identified by the IC's advisors, SFC's counsel, SFC's auditors, and/or by OSC staff.

167. The "relationship issues" described above are discussed extensively in the Second Interim Report and in the Final Report of the IC. Relationship issues were prominent in the approximately 60 documents provided to OSC staff on August 24, 2011, and relationships continue to be an issue that SFC has been unable to resolve.

168. As part of the IC's investigative process a significant amount of electronic data was extracted and reviewed by the IC and its advisors. The same data also has been reviewed by counsel for SFC and SFC's advisors. Over one million electronic records have been reviewed.

169. The search of electronic records and other inquiries have not produced evidence to support the allegations made in the MW Report that Sino-Forest is a near total fraud or Ponzi scheme. The searches and inquiries have produced some evidence of possible lesser improper conduct that SFC has been making efforts to investigate, address and quantify.

170. There is no single theme among the documents and issues that SFC has been taking steps to address. In some cases, the documents speak to efforts to deal with foreign currency exchange restrictions applicable to the PRC. The documents suggest that in some cases SFC personnel may have received personal benefits at Sino-Forest's expense and may have appropriated some of Sino-Forest's assets. They also show that, in a few cases, whistleblower complaints in some subsidiaries alleging misconduct by certain personnel in those subsidiaries appear not to have been adequately investigated and addressed.

171. The record-keeping of SFC's subsidiaries in the PRC appeared to be adequate prior to the recent heightened scrutiny being focused on companies with significant operations in the PRC. The nature of SFC's books and records, combined with the inability to compel disclosure and participation by third party PRC companies, primarily SFC's customers (AIs) and suppliers, and the unwillingness of these companies to become involved in an investigation, makes it difficult to definitively assess some of the explanations offered by Sino-Forest personnel.

172. In light of this heightened scrutiny, SFC's subsidiaries in the PRC do not have the scope of books and records that might be used to definitively address some issues raised by potentially problematic email communications. The nature of SFC's BVI structure, and the absence of contractual rights to examine the books and records of customers and suppliers, deprives SFC of

access to information that may be necessary to allow SFC to determine whether some of the documents and issues identified are material from a financial reporting perspective.

173. Notwithstanding SFC's best efforts, many of these issues may not be capable of resolution, and certainly not within a timeframe that would allow SFC to comply with its obligations under its note indentures and securities laws. Consequently, absent a resolution with the noteholders, the indenture trustees would be in a position to enforce their legal rights as early as April 30, 2012.

174. However extensive and challenging the work done to respond to the MW Report has been, the simple fact is that the uncertainty it has created has caused Sino-Forest's business to deteriorate. Repairing the damage to the business simply cannot wait any longer. Without decisive action in the immediate term, I fear that the ability to save the business for the benefit of SFC and its stakeholders will be irreparably lost.

175. As described in greater detail herein, even though the allegations set out in the MW Report and the OSC cease trade orders are unproven, the allegations have had a catastrophic negative impact on Sino-Forest's business activities and have created substantial uncertainty regarding the future of Sino-Forest's business in the minds of the Sino-Forest Companies' stakeholders in the PRC, including its lenders, customers, suppliers, employees, and governmental officials. The allegations made against SFC have resulted in a substantial erosion of Sino-Forest's business. The business in the PRC continues to deteriorate with every passing day and it has become clear to SFC that the Sino-Forest business needs to be separated from the cloud that continues to hang over SFC if there is any future for that business (and thus value for SFC's stakeholders) to be preserved.

V. IMPACT OF MUDDY WATERS ALLEGATIONS ON SINO-FOREST

A. Class Action Lawsuits

176. SFC and certain of its officers, directors and employees, along with SFC's current and former auditors, technical consultants and various underwriters involved in prior equity and debt offerings, have been named as defendants in eight class action lawsuits.

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

178. The action purports to be brought on behalf of noteholders. The plaintiffs and plaintiff law firms have not complied with the prerequisites to bringing suit in the relevant note indentures, which each contain a "no suits by holders" clause.

179. Parallel class actions have been filed in Quebec and Saskatchewan. Copies of the originating documents in those actions are attached as Exhibit "Z".

180. Additionally, on January 27, 2012, a class action was commenced against SFC and other defendants in the Supreme Court of the State of New York, U.S.A. The complaint alleges that

the action is brought on behalf of persons who purchased SFC shares on the over-the-counter market and on behalf of non-Canadian purchasers of SFC debt securities. The quantum of damages sought is not specified in the complaint. A copy of the complaint in this action is attached as Exhibit "AA".

181. Additional law firms in both the United States and Canada have announced that they are investigating SFC and certain directors and officers thereof with respect to potential additional class action lawsuits.

B. Effects of MW Report and Related Events

182. The allegations set forth in the MW Report, despite being denied by SFC, have had catastrophic negative effects on the reputation and business of Sino-Forest. As a result, Sino-Forest's ability to conduct its operations in the normal course of business has been materially affected. For example: creditors are increasing legal demands with respect to accounts payable; at the same time, collections of accounts receivables is increasingly difficult due to a widespread belief that Sino-Forest will not survive; sales in the WFOE model have also slowed substantially in response to views on accounts receivable payments; cash flow issues have resulted in a cessation of any expansion or modernization; the inability to fund purchases of raw materials has caused a slowdown in production or, in many cases, a shutdown; certain timber assets have been frozen as Sino-Forest has been unable to keep current with payments; deposits put down on standing timber purchases by WFOEs, of approximately \$27 million, may be unrealizable due to an inability to generate cash to pay off outstanding payables under those contracts; offshore banking facilities have been repaid and frozen or cancelled, leading to substantial damage in Sino-Forest's trading business; relationships with local governments and plantation land owners have become strained; Sino-Forest is unable to complete various projects, contracts and

acquisitions; and the PRC government is expressing increased concern over SFC and is becoming less inclined to be supportive of Sino-Forest, making the ability to obtain legal documents for Sino-Forest's operations increasingly difficult.

1. Diversion of Operational Resources & Effects on Operations

183. The investigations being conducted by the OSC, the HKSFCA and the RCMP, the examination by the IC (and now the Audit Committee and Restructuring Committee), and the class action lawsuits have required, and will continue to require, significant resources to be expended by the directors, officers and employees of Sino-Forest. As a result, the diversion of such resources has affected Sino-Forest's ability to conduct its operations in the normal course of business. Sino-Forest's timber and trading businesses have effectively been frozen and have ground to a halt.

184. Since the MW Report was released, in order to conserve cash, Sino-Forest has only completed cash purchases which were previously committed to and has not made any new commitments (i.e. in the WFOE structure), despite having been presented with some attractive buying opportunities. Sino-Forest has therefore not grown its asset base as it would have but for the MW Report.

185. Also, the Sino-Forest Companies have had an extremely difficult time collecting outstanding receivables as a result of the perceived uncertainty surrounding them in the PRC. The total amount of outstanding receivables in the WFOE structure was approximately \$130.5 million as at February 29, 2012, with more than 83.5% of those receivables being over 90 days. Sino-Forest's counsel in the PRC, KaiTong Law Firm, has sent legal demand letters to 12 BVI trading companies for accounts receivable totaling approximately \$126 million and five WFOE

companies totaling approximately RMB 224.5 million. Additional legal demand letters for smaller accounts are also in process, and other accounts receivable are being negotiated.

186. At the same time that the Sino-Forest Companies are having a difficult time collecting outstanding receivables, they are receiving increased demands on their payables. Certain of Sino-Forest's creditors in the PRC have taken aggressive collection tactics in the PRC, including filing court claims in an effort to be paid amounts owed to them by Sino-Forest. If the uncertainty related to SFC is allowed to continue to affect Sino-Forest's business operations, Sino-Forest expects increasing legal actions from other creditors.

187. Sino-Forest has not been able to secure or renew certain existing onshore banking facilities and has been unable to obtain offshore letters of credit to facilitate Sino-Forest's trading business. All offshore banking facilities have been repaid and frozen, or cancelled. Since June 2, 2011, all Hong Kong banks have asked for voluntary repayment of outstanding loans. Banking facilities with a total credit amount of \$67.9 million were terminated by four banks between June 10, 2011 and August 29, 2011. Facilities of \$152.3 million were frozen upon full repayment. In the PRC, facilities totaling RMB 159.6 million were asking for voluntary repayments. For the PRC banks providing facilities, Sino-Forest was requested to increase its cash deposits so as to demonstrate financial strength. This has led to substantial damage in Sino-Forest's operations, and affects Sino-Forest's ability to complete obligations under existing contracts, resulting in losses potentially in excess of \$100 million.

188. Various projects and contracts, such as nursery projects in certain provinces with a contract value of approximately RMB 1 billion, have been stopped or are unable to be fulfilled.

189. Due to the allegations in the MW Report, the PRC government is expressing increased concern over SFC and is becoming less inclined to be supportive of Sino-Forest, making the ability to obtain legal documents more difficult. For example, the PRC government has withheld cutting licenses resulting in lower harvesting volumes. Relationships with local government and local plantation suppliers have also become strained, resulting in many difficulties and obstacles in Sino-Forest's operations including an inability to complete certain acquisitions of plantations. For example, in the Anqing, Anhui area in the PRC, the local government no longer showed support to Sino-Forest and the plantation land owner refused to honour the plantation purchase contracts.

2. Fees and Expenses

190. SFC has and will continue to incur a substantial amount of fees and expenses in connection with the examination by the IC (and now the Audit Committee and Restructuring Committee), the investigations by the OSC and the RCMP, and the class action lawsuits. Further, pursuant to indemnification agreements between SFC and its directors and certain officers as well as with auditors, underwriters and other parties, SFC may be obligated to indemnify such individuals for additional legal and other expenses pursuant to such proceedings. The aggregate of such fees and expenses is substantial and has had an extremely negative effect on Sino-Forest's operating results.

3. Value of Common Shares and Credit Rating

191. Prior to the release of the MW Report on June 2, 2011, SFC's common shares had a 20-day volume weighted average price of CDN \$19.58 for a total market capitalization of approximately CDN \$4.8 billion. In the weeks that followed the release of the MW Report, the value of SFC's common shares plunged to a low of CDN \$1.29 for a total market capitalization of

approximately CDN \$300 million. As at August 25, 2011, the day prior to the OSC cease trading SFC's common shares, its shares were trading at CDN \$4.81 for a total market capitalization of approximately CDN \$1.2 billion.

192. The allegations set forth in the MW Report have resulted in a material decline in the market value of SFC's common shares and notes. On June 30, 2011, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on SFC to 'B+' from 'BB', lowered the issue ratings on SFC's outstanding senior notes and convertible notes to 'B+', and lowered the Greater China scale credit ratings on SFC and its notes to 'cnBB' from 'cnBBB-'. On August 29, 2011, Standard & Poor downgraded to 'CCC-', then withdrew its ratings. Fitch Ratings withdrew its Foreign Currency Issuer Default Rating and senior debt rating of 'BB-' on July 14, 2011, after placing SFC on Negative Watch on June 20, 2011. On July 19, 2011, Moody's Investors Service downgraded the corporate family and senior unsecured debt ratings of SFC to 'B1' from 'Ba2'. On August 29, 2011, Moody's downgraded to 'Caa1' from 'B1', and on December 14, 2011, Moody's downgraded to 'Ca1' and withdrew its rating.

193. Sino-Forest's primary sources of funding have been short-term and long-term borrowings, equity offerings and cash generated by operating activities. However, as a result of the reputational damage that the MW Report inflicted on SFC, I believe that SFC has no ability to access the capital markets at the present time, including to refinance its notes.

VI. CLAIM AGAINST MUDDY WATERS

194. On March 29, 2012, SFC commenced a claim in the Ontario Superior Court of Justice against Muddy Waters, its principal, and persons who traded with prior knowledge of the MW Report. A copy of SFC's claim against Muddy Waters *et al* is attached as Exhibit "BB".

195. In this action, SFC seeks total damages in the sum of CDN \$4 billion in relation to harm caused to SFC as a result of the allegations made by Muddy Waters. If SFC is successfully restructured as contemplated, it is anticipated that the action will be funded by the litigation trust provided for in the Support Agreement described below, and the benefits of the action will be shared as contemplated by the Support Agreement.

VII. PROPOSED RESTRUCTURING TRANSACTIONS

196. Following extensive arm's length negotiations between SFC and the Ad Hoc Noteholders, the parties entered into the Support Agreement. The Support Agreement contains, among other things, the summary terms and conditions of a going concern restructuring of SFC (the "Restructuring Transaction"). A copy of the Support Agreement is previously attached.

197. The Support Agreement provides that SFC will file the Plan in order to implement the Restructuring Transaction as part of this CCAA proceeding, and that the Consenting Noteholders will vote their notes in favour of the Plan at any meeting of creditors, each subject to certain conditions.

198. From a commercial perspective, the Restructuring Transaction contemplated by the Support Agreement is intended to accomplish the following objectives:

- (a) the separation of Sino-Forest's business operations from the problems facing SFC outside of the PRC by transferring the intermediate holding companies which own "the business" and SFC's intercompany claims against its subsidiaries (which include the entire substantive operations of the Sino-Forest Companies) to the noteholders in compromise of their claims against SFC (if the Sale Process does not generate a superior transaction, as described below);

- (b) the Sale Process being undertaken to determine if any person or group of persons will purchase Sino-Forest's business operations pursuant to the Plan for an amount of consideration acceptable to SFC and the noteholders, with the potential for excess above such amount being directed to Junior Constituents. The Sale Process is intended to ensure that SFC is pursuing all avenues to maximize value for its stakeholders;
- (c) a structure (including funding) that will enable litigation claims to be pursued for the benefit of SFC's stakeholders in accordance with the Support Agreement against a number of potential defendants (including Muddy Waters, its principal, and any persons who benefited from the allegations made by Muddy Waters in a coordinated way); and
- (d) if the Sale Process does not result in a sale, the Junior Constituents recovering some "upside" in the form of a profit participation if Sino-Forest's business operations acquired by the noteholders are monetized within seven years from the date of the implementation of the Plan at a profit, as further described in the Support Agreement.

199. The decision to enter into the Support Agreement was given careful consideration by SFC and the Board and was not taken lightly. However, the inability to obtain an audit creates a default under the note indentures which simply cannot be cured within a reasonable timeframe, if at all.

200. More significantly, it has become clear that the problems facing SFC outside of the PRC are causing Sino-Forest's business operations in the PRC to deteriorate and that, unless decisive

steps are taken to restructure Sino-Forest, the PRC business operations will continue to deteriorate to the point that they will cease to be capable of being turned around, which will further diminish the value that can be realized for SFC and its stakeholders. While there remains substantial work ahead in the PRC to turn the business around and convince stakeholders in the PRC (including customers, suppliers, employees and PRC governmental officials of all levels) that the Sino-Forest business built up over the past 18 years is here to stay, I firmly believe that the transactions which SFC proposes to initiate pursuant to the CCAA will show a path out of the uncertainty which it has faced since last June.

201. The Support Agreement provides that SFC will make an application under the CCAA in order to implement the Plan. The Consenting Noteholders executed the Support Agreement on the basis that a restructuring of SFC as proposed would be undertaken pursuant to the CCAA.

202. But for the negotiation and execution of the Support Agreement, SFC would be unable to prevent the acceleration and enforcement of the rights of the noteholders as soon as April 30, 2012, in which case SFC would be unable to continue as a going concern, and is thus insolvent. Accordingly, and for the reasons set out herein, a restructuring is urgently required and should be pursued to preserve its enterprise value.

203. SFC has reached an agreement on a consensual restructuring transaction with the Ad Hoc Noteholders. SFC is seeking a stay of proceedings under the CCAA in order to allow it time to proceed to develop the Plan which, if approved by the creditors and this Honourable Court, would, among other things, allow for a going concern emergence of Sino-Forest's business.

VIII. THE SALE PROCESS

204. Under the Sale Process, SFC, through its financial advisor, Houlihan Lokey ("Houlihan"), and with the oversight of the monitor, will seek qualified purchasers (including existing shareholders and noteholders) of SFC's assets on a global basis and attempt to engage them in the Sale Process. The Sale Process Procedures, which were agreed to by the parties to the Support Agreement in consultation with the proposed monitor, provide that SFC will have up to 90 days to solicit letters of intent, and if qualified letters of intent are received, a further 90 days to solicit qualified bids. A copy of the Sale Process Procedures is attached as Schedule D to the Support Agreement.

205. I believe it is critically important that the Sale Process Order be granted at this time for a variety of reasons. First and most importantly, it is very important that SFC conclude a restructuring by the end of the third fiscal quarter. The business of the Sino-Forest Companies is seasonal, and the vast majority of transactions (both purchases and sales) typically occur in the third and fourth quarters. All stakeholders will therefore be prejudiced if SFC cannot complete a restructuring by the end of the third quarter, or soon thereafter, as the business will continue to be frozen through the critical fourth quarter.

206. With that target end date in mind, the process must begin immediately. I understand that in other insolvency filings in Canada, sale processes have been done on much shorter timetables than what SFC is proposing; however, I believe the proposed timetable is necessary and appropriate in light of the specific circumstances. In fact, given the critical timing of this process, I am aware that Houlihan has already been in contact with parties who may be interested parties in this Sale Process.

207. The assets being sold, especially given the allegations in the MW Report, are extremely complex and are being offered for sale without current audited financial statements. Potential buyers therefore need to be afforded sufficient time to do due diligence.

208. In addition, there are limited potential buyers for these assets. I believe that potential buyers will need to have, in addition to the significant capital to complete a transaction of this size, an in-depth and intimate knowledge of the PRC market. I do not expect that the ultimate buyer for these assets, if any, will be a typical buyer of distressed assets in an insolvency proceeding.

209. Accordingly, given that a transaction must be implemented as soon as possible, and given the complexity of the assets and the fact that there is a limited universe of potential buyers, I believe it is necessary that the Sale Process Order be granted at this time, and that the Sale Process provides the best potential for recovery for SFC's stakeholders.

210. I have no reason to believe that any creditors have a *bona fide* reason to object to the Sale Process.

IX. SFC MEETS CCAA STATUTORY REQUIREMENTS

211. I am advised by Gary Solway of Bennett Jones LLP, counsel to SFC, that the CCAA applies in respect of a "debtor company" if the claims against the debtor company or affiliated debtor companies total more than CDN \$5 million. I am further advised by Gary Solway that a "debtor company" is a company incorporated under an Act of Parliament or the legislature of a province which has, among other things, become bankrupt or insolvent.

A. SFC is a "Company" Under the CCAA

212. SFC is a "company" to which the CCAA applies as it is a company continued under the CBCA. A copy of SFC's articles of continuance was previously attached.

B. SFC has Claims Against it in Excess of \$5 Million

213. As discussed above, SFC has debts against it far in excess of the CDN \$5 million statutory requirement.

C. SFC is Insolvent

214. I am advised by Gary Solway of Bennett Jones LLP, counsel to SFC, that under section 2 of the *Bankruptcy and Insolvency Act* (and a similar definition exists under sections 192(2) and 208 of the CBCA), an insolvent person is one whose liabilities to creditors exceeds CDN \$1,000 and (i) is for any reason unable to meet his obligations as they generally become due, (ii) has ceased paying his current obligations in the ordinary course of business as they generally become due, or (iii) the aggregate of whose property is not, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would not be sufficient to enable payment of all his obligations, due and accruing due.

215. As discussed herein, the holders of SFC's senior notes entered into waiver agreements wherein they agreed not to have the indenture trustees demand immediate payment of the principal amount of the senior notes. Such waiver agreements expire on the earlier of April 30, 2012 and any earlier termination of the waiver agreements in accordance with their terms. Moreover, in addition to the default dealt with pursuant to the waiver agreements in respect of the Q3 Results, SFC will be in further default on April 30, 2012 as a result of the fact that it will

fail to file its audited 2011 Results. As discussed in greater detail herein, SFC will be unable to cure such default in the immediate to near term (if ever).

216. But for the execution of the Support Agreement and the standstill provided for therein, the indenture trustees under the notes could be entitled to accelerate and enforce the rights of the noteholders as soon as April 30, 2012. Without the liquidity provided by the waiver agreements, SFC would be unable to meet its obligations as they come due or continue as a going concern and is thus insolvent.

X. RELIEF SOUGHT

A. Stay of Proceedings

217. SFC needs a stay of proceedings to pursue and implement the Restructuring Transaction in an attempt to complete a going concern restructuring of its businesses. In the interim, the class actions lawsuits, as well as any other potential actions, need to be stayed so that the Restructuring Committee can focus on formulating the Plan.

B. Appointment of Monitor

218. FTI Consulting Canada Inc. ("FTI") has consented to act as the monitor of SFC (the "Monitor") in the CCAA proceedings, and I believe that FTI is qualified and competent to so act.

219. FTI will be filing a pre-filing report with the Court as prospective monitor in conjunction with SFC's request for relief under the CCAA.

C. Payments During CCAA Proceeding

220. During the course of this CCAA proceeding, SFC intends to make payments for goods and services supplied post-filing as set out in the cash flow projections described below and as permitted by the draft Initial Order.

D. Administration Charge

221. It is contemplated that the Monitor, counsel to the Monitor, counsel to SFC, counsel to the Board, Houlihan, FTI Consulting (Hong Kong) Limited, counsel to the Ad Hoc Noteholders and the financial advisor to the Ad Hoc Noteholders would be granted a first priority Court-ordered charge on the assets, property and undertakings of SFC, other than SFC's assets which are subject to *Personal Property Security Act* registrations (the "SFC Property") in priority to all other charges (the "Administration Charge") up to the maximum amount of CDN \$15 million in respect of their respective fees and disbursements, incurred at standard rates and charges. SFC believes the Administration Charge is fair and reasonable in the circumstances.

222. The nature of the Sino-Forest Companies' business requires the expertise, knowledge and continuing participation of the proposed beneficiaries of the Administration Charge in order to complete a successful restructuring. I believe this Administration Charge is necessary to ensure their continued participation.

223. I do not believe that there is any unwarranted duplication of roles between the proposed beneficiaries of the Administration Charge.

E. Directors' Charge

224. A successful restructuring of SFC will only be possible with the continued participation of the Board. These personnel are essential to the viability of the continuing business of Sino-Forest. SFC's Board members have specialized expertise and relationships with Sino-Forest's suppliers, employees and other stakeholders, as well as knowledge gained throughout the IC process that cannot be replicated or replaced.

225. The directors of SFC have indicated that due to the potential for significant personal liability, they cannot continue their service in this restructuring unless the Initial Order grants a charge on the SFC Property in priority to all other charges except the Administration Charge, as security for SFC's indemnification obligations for the potential obligations and liabilities they may incur after the commencement of these proceedings. It is proposed that the directors of SFC be granted a directors' charge in the amount of CDN \$3.2 million (the "Directors' Charge") over the SFC Property. SFC believes the Directors' Charge is fair and reasonable in the circumstances.

226. SFC, for itself and its subsidiaries, currently has primary insurance coverage of \$10 million and five separate excess insurance policies collectively providing CDN \$45 million (the "2012 Insurance Policies"), for a total of CDN \$55 million of coverage in place to attempt to protect SFC and its directors and officers. The 2012 Insurance Policies were put in place and became effective after prior policies of insurance were not renewed following their expiry on December 31, 2011, by the insurers who had issued the policies (the "2011 Insurance Policies"). Although coverage is being provided to SFC and certain of its directors and officers under the 2011 Insurance Policies for claims that were advanced or threatened prior to the expiry of the 2011 Insurance Policies on December 31, 2011, those policies provide no coverage or protection to SFC or its officers and directors for new claims that are made after December 31, 2011 which are based on new events or allegations unrelated to the subject matter of the claims that have already been advanced or threatened.

227. As was the case with the 2011 Insurance Policies, the 2012 Insurance Policies provide for three types of coverage: (i) director and officer liability, (ii) corporate liability for indemnifiable loss, and (iii) corporate liability arising from securities claims. The 2012 Insurance Policies expire on December 31, 2012 and exclude coverage for directors' liabilities for wages. There are

also other exclusions and limitations of coverage which may leave SFC's directors and officers without coverage under the 2012 Insurance Policies. Depending on the circumstances of any particular claim, the insurers which have issued the 2012 Insurance Policies may deny coverage on the basis that the 2012 Insurance Policies exclude such other claims, that coverage limits have been exhausted by claims made against the 2012 Insurance Policies, or that the matters reported fall within the coverage provided by the 2011 Insurance Policies (which are already responding to a number of significant claims that have the potential to exhaust or exceed the applicable limits). Finally, there is no guarantee that SFC will be able to renew the 2012 Insurance Policies when they expire at the end of the year.

228. Contractual indemnities have been provided by SFC to its directors. SFC does not have sufficient funds to satisfy those indemnities should the directors of SFC incur obligations and liabilities in that regard after the commencement of these proceedings.

229. The Directors' Charge is necessary so that SFC may benefit from its directors' experience, knowledge and ability to guide SFC's restructuring efforts. It is critical to the restructuring efforts that SFC's directors remain with SFC in order to assist SFC in achieving the Restructuring Transaction to benefit SFC's stakeholders.

230. As such, it is proposed that the priorities of the Administration Charge and the Directors' Charge be as follows:

- (a) First – Administration Charge; and
- (b) Second – Directors' Charge.

231. Based on the books and records of SFC, and to the best of my knowledge, there are no secured creditors who are likely to be affected by the Administration Charge or the Directors' Charge.

F. Postponement of Annual Shareholders' Meeting

232. As previously mentioned, SFC is a public company under the CBCA. I am advised by Gary Solway of Bennett Jones LLP, counsel to SFC, that, as such, SFC is required, pursuant to paragraph 133(1)(b) of the CBCA, to call an annual meeting of its shareholders by no later than June 30, 2012, being six months after the end of its preceding financial year which ended on December 31, 2011. Accordingly, SFC is required to call its annual general meeting no later than June 30, 2012. SFC's annual general meeting has typically been held in the month of May.

233. However, the management of SFC and other Sino-Forest Companies are presently devoting their efforts to stabilizing the business with a view to implementing the Restructuring Transaction in accordance with the terms of the Support Agreement.

234. Preparing the proxy materials required for an annual meeting of shareholders (which must be prepared well in advance of any meeting so that they can be mailed to shareholders in advance of the meeting) and holding the annual meeting of shareholders would divert the attention of senior management of the Sino-Forest Companies away from implementing the Restructuring Transaction, would require significant financial resources, and could impede SFC's ability to achieve a restructuring under the CCAA.

235. In addition, pursuant to section 155 of the CBCA, SFC is required to place before the annual meeting financial statements of SFC for a period ended not more than six months prior to

the date of the annual meeting. SFC has been unable to complete its financial statements for the reasons already discussed.

236. I am advised by Gary Solway of Bennett Jones LLP, counsel to SFC, that, under subsection 106(6) of the CBCA, if directors are not elected at an annual meeting, the incumbent directors will continue to hold office until their successors are elected.

237. Certain financial and other information is and will continue to be available to the public through SFC's court filing which will be easily accessible on the proposed Monitor's website (<http://cfcanda.fticonsulting.com/sfc>). Consequently, the failure to hold an annual general meeting within the time prescribed by the CBCA will not deprive shareholders of access to the financial information of SFC that is publicly available from SFC.

238. Under the circumstances, I believe it is impractical for SFC to call and hold an annual meeting of shareholders during this CCAA proceeding.

G. Foreign Proceedings

239. SFC is seeking in the Initial Order to have the Monitor authorized, as the foreign representative of SFC, to apply for recognition of these proceedings, as necessary, in any jurisdiction outside of Canada, including as "Foreign Main Proceedings" in the United States pursuant to Chapter 15 of the *U.S. Bankruptcy Code* (the "Chapter 15 Proceedings"). The initial effect of the Chapter 15 Proceedings would be to give effect to the Initial Order in the United States.

H. Financial Advisor Agreement

240. It became clear to SFC at the beginning of September 2011, that it would greatly benefit from the expertise of a financial advisor. Accordingly, SFC invited four reputable global financial advisory firms to make presentations for the role on or about September 14, 2011. Houlihan was selected as SFC's first choice as a result of, among others, its significant experience in debt restructurings, its strong presence and reputation in both the North American and Asian markets, and its strong standing with the global noteholders community, especially those event driven funds which customarily play a leadership role in these situations.

241. On or about September 26, 2011, Bennett Jones LLP, as counsel to SFC, entered into an agreement with Houlihan relating to Houlihan's provision of financial advisory and investment banking services to SFC. That agreement was amended and replaced by an agreement dated as of December 22, 2011 (the "Financial Advisor Agreement"). A copy of the Financial Advisor Agreement is attached as Exhibit "CC".

242. The Financial Advisor Agreement provides, among other things, that if SFC commences any proceedings under the CCAA or similar legislation or statute, SFC will promptly seek to have the Court approve (i) the Financial Advisor Agreement, and (ii) Houlihan's retention by SFC under the terms of the Financial Advisor Agreement, including the payment to be made to Houlihan thereunder. As such, the draft Initial Order provides for such approvals.

243. It is my belief that Houlihan's significant restructuring experience and expertise in the area of debt restructuring has greatly benefited SFC. The proposed Restructuring Transaction would not have been achievable without the advice and assistance of Houlihan. Houlihan was also instrumental in assisting SFC in obtaining the waiver agreements described herein.

244. Houlihan has spent approximately seven months working closely with senior management of SFC and its other advisors. Houlihan has greatly assisted SFC in its restructuring efforts to date and has gained a thorough and intimate understanding of the Sino-Forest business. If SFC was deprived of the benefit of Houlihan's continued advice and assistance and was required to retain a new financial advisor, it would likely take a significant period of time for such a financial advisor to acquire a similar working knowledge of the business and would make it extremely difficult, if not impossible, to implement the Restructuring Transaction in the currently contemplated time frame. Thus, I believe that the continued involvement of Houlihan is essential to the completion of the Restructuring Transaction.

245. It is also my belief that the quantum and nature of the remuneration provided for in the Financial Advisor Agreement is fair and reasonable. Specifically, the restructuring fees payable to Houlihan are only payable if a restructuring transaction is completed and the quantum of those fees is dependent on various factors intended to measure the success of the restructuring.

XI. 13 WEEK CASH FLOW FORECAST

246. As set out in the cash flow forecast attached as Exhibit "DD", SFC's principal uses of cash during the next 13 weeks will consist of the payment of ongoing day-to-day operational expenses, the costs associated with the ongoing investigation into the MW Report, the costs associated with responding to demands from the OSC, HKSFC and RCMP for information, and professional fees and disbursements in connection with these CCAA proceedings.

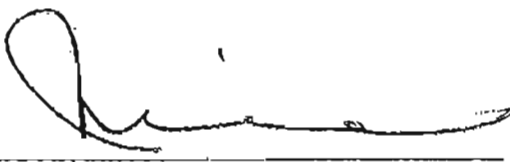
247. As at March 29, 2012, SFC had approximately \$67.8 million available cash on hand. SFC's cash flow forecast projects that, subject to obtaining the relief outlined herein, it will have sufficient cash to fund its projected operating costs for the next 13 weeks.

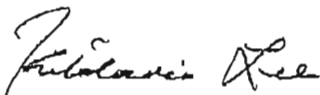
XII. CONCLUSION

248. I am confident that granting the Initial Order and Sale Process Order sought by SFC is in the best interests of SFC and its stakeholders. SFC requires the stay of proceedings to pursue and implement the Restructuring Transaction in an attempt to complete a going concern restructuring of its businesses. The Ad Hoc Noteholders support this application and SFC's pursuit of the Plan in this CCAA proceeding.

249. Without the stay of proceedings and the opportunity to effect the Restructuring Transaction (including the Sale Process), Sino-Forest faces a possible cessation of going concern operations, the liquidation of its assets, and the loss of employment for a significant number of employees worldwide. The granting of the requested stay of proceedings will assist an orderly restructuring of SFC.

SWORN BEFORE ME at the City of Hong Kong, Special Administrative Region, People's Republic of China, this 30th day of March, 2012


W. Judson Martin



LEE HONG KU KILDARIA

Solicitor, Hong Kong SAR

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

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

AFFIDAVIT OF W. JUDSON MARTIN
(Sworn March 30, 2012)

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

Robert W. Staley (LSUC #27115J)
Kevin Zych (LSUC #33129T)
Derek J. Bell (LSUC #43420J)
Jonathan Bell (LSUC #55457P)
Tel: 416-863-1200
Fax: 416-863-1716

Lawyers for the Applicant

APPENDIX G – THE PRE-FILING REPORT

(See Attached)

Court File No. _____

Sino-Forest Corporation

PRE-FILING REPORT OF THE PROPOSED MONITOR

March 30, 2012

Court File No. _____

**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

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI Canada**" or the "**Proposed Monitor**") has been informed that Sino-Forest Corporation (the "**Company**") intends to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and to seek an initial order (the "**Initial Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), granting, *inter alia*, a stay of proceedings against the Company until April 29, 2012, (the "**Stay Period**") and appointing FTI Canada as monitor of the Company's CCAA Proceedings (defined below). The proceedings commenced by the Company under the CCAA, if granted, will be referred to herein as the "**CCAA Proceedings**".
2. FTI Canada is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. FTI Canada has provided its consent to act as Monitor.

Engagement of FTI Consulting and Preparation of this Report

3. FTI was originally retained through its Hong Kong office, FTI Consulting (Hong Kong) Limited (“**FTI HK**” and together with FTI Canada, “**FTI Consulting**”) in October 2011. The purpose of FTI HK’s retainer was primarily in connection with the work being done to determine whether the Q3 Results (defined below) could be issued. The scope of FTI HK’s retention was expanded in January 2012. The expanded role of FTI HK included assisting management in the review and preparation of detailed cash flow forecasts and analysis of outstanding receivables, including collection options. FTI Canada has been formally retained since March 12, 2012. FTI HK and FTI Canada have worked together in advising the Company and in the preparation of this report.
4. Since its engagement, FTI Consulting has worked with the Company and its advisors extensively. Among other things, FTI Consulting has:
 - (a) Attended in-person meetings involving Houlihan (defined below), senior management including the chief executive officer, chief financial officer and Allen Chan (Sino-Forest’s founder and chief executive officer up to August 2011) and others in order to gain information regarding Sino-Forest and its situation;
 - (b) Attended in-person and telephone meetings with other stakeholders including the Ad Hoc Noteholders (defined below), the Board (defined below) and others;
 - (c) Engaged legal counsel in Canada who has also participated in certain of these meetings;
 - (d) Had a local team review certain Sino-Forest documents and engage in discussions with Sino-Forest in both Hong Kong and the PRC (defined below);
 - (e) Met with Sino-Forest finance personnel located in Canada, Hong Kong

and the PRC;

- (f) Obtained financial and other information produced by Sino-Forest relating to its operations, its cash flow forecasts and current financial situation;
 - (g) Reviewed redacted versions of the IC Reports (defined below);
 - (h) Reviewed certain of the books and records of the Company;
 - (i) Reviewed the Note Indentures (defined below) and related guarantee and security documents; and
 - (j) Reviewed various other documents and materials relevant to the Company and its business.
5. As a result of these efforts, FTI Consulting has become familiar with the Company's current state of affairs including the basis on which it is now seeking CCAA protection, and approval of the Sale Process (defined below).
6. Although this Report has been prepared in anticipation of FTI Canada's appointment as monitor of the Company, it has been prepared with the same duty and care and with the same level of diligence as though FTI Canada had already been appointed to such role.
7. In preparing this report, the Proposed Monitor has relied upon unaudited financial information of the Company, the Company's books and records, certain financial information prepared by the Company, the IC Reports (defined below) and discussions with the Company's management. Other than as described in paragraph 4 above, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Proposed Monitor expresses no opinion or other form of assurance on the information contained in this Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

Purpose of this Report

8. The purpose of this report is to:
 - (a) Inform the Court on the following:
 - (i) an overview of the Company and its current situation;
 - (ii) an outline of the Proposed Monitor's understanding of circumstances that have led to the Company's current request for relief;
 - (iii) the proposed restructuring activities of the Company including the Support Agreement (defined below);
 - (iv) the Sale Process to be undertaken for the business and assets of the Sino-Forest Companies (defined below);
 - (v) the Company's March 29 Forecast (defined below); and
 - (b) Support the Company's application and recommend that the Court grant the proposed Initial Order and Sale Process Order including the following relief:
 - (i) a stay of proceedings to April 29, 2012;
 - (ii) approval of certain payments during the CCAA Proceedings;
 - (iii) approval of a charge securing the fees and expenses of the Monitor, its counsel and counsel to the Company, counsel to the Board (defined below), Houlihan, FTI HK, counsel to the Ad Hoc Noteholders (defined below) and the financial advisor to the Ad Hoc Noteholders in the aggregate amount of CAD\$15 million (the "**Administration Charge**");
 - (iv) approval of a charge securing an indemnity in favour of the

directors and officers of the Company in the aggregate amount of CAD\$3.2 million (the “**Directors’ Charge**”);

- (v) approval of the engagement of Houlihan Lokey Capital, Inc. (“**Houlihan**”), pursuant to an engagement letter dated as of December 22, 2011, (the “**Financial Advisor Agreement**”);
 - (vi) approval of the Sale Process (defined below); and
 - (vii) authorizing and directing the Company and the Proposed Monitor to engage in certain procedures to notify the Company’s noteholders regarding certain issues related to the Support Agreement (defined below).
9. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
10. The terms “**Sino-Forest Companies**” and “**Sino-Forest**” refer to the global enterprise as a whole but do not include references to the Greenheart Group (defined below).
11. This report focuses on the Company’s current situation and immediate need for court protection. This report should be read in conjunction with the affidavit of W. Judson Martin, vice-chairman and chief executive officer of the Company, sworn March 30, 2012 (the “**Martin Affidavit**”) which provides an overview as to Sino-Forest’s history, business and operations and is therefore not repeated herein.

BACKGROUND

Overview of Sino-Forest

12. Sino-Forest conducts business as a forest plantation operator in the People’s Republic of China (“**PRC**”). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs

- and complementary manufacturing of downstream engineered-wood products.
13. The Company is a public holding company whose common shares are listed on the Toronto Stock Exchange (“**TSX**”). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the TSX.
 14. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
 15. Since the issuance of the MW Report, the Company has devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (the “**OSC**”), the Royal Canadian Mounted Police (“**RCMP**”) and the Hong Kong Securities and Futures Commission (“**HKSFC**”).
 16. To carry out this work, on June 2, 2011, the Company’s board of directors (the “**Board**”) appointed a three (3) person independent committee (the “**IC**”) to investigate the allegations contained in the MW Report. The IC retained three (3) law firms in Canada, Hong Kong and the PRC as well as financial advisors to assist in the IC investigation.
 17. The IC ultimately issued three (3) reports on August 10, 2011, November 13, 2011 and January 31, 2012 (the “**First Interim Report**” the “**Second Report**” and the “**Final Report**” and collectively, the “**IC Reports**”). The IC was able to reach many conclusions addressing many of the allegations contained in the MW Report. However, the IC was unable to make certain conclusions, particularly as it related to certain of Sino-Forest’s relationships with third party intermediaries and suppliers. The inability of the IC (and others) to have conclusively resolved those

- issues has had an ongoing impact on the Company, namely the ability of the Company to issue its Q3 Results and the 2011 Financial Statements (both defined below).
18. With the issuance of its Final Report, the IC concluded its active investigation. However, the Board established a Special Restructuring Committee of the Board comprised exclusively of directors independent of management of the Company for the purpose of supervising, analyzing and managing strategic options available to the Company.
 19. Despite the work that was done by the IC, the IC's advisors, the Company (including senior management) and others in the last nine months, it is apparent to the Proposed Monitor that the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest's operations. For the reasons discussed below, the Proposed Monitor is of the view that the events and occurrences over the last nine months have led the Company and the business into a stalemate that cannot be resolved without a Court supervised solution.

Current State of Sino-Forest

20. The Proposed Monitor understands that the current state of the Sino-Forest Companies is effectively as follows:
 - (a) Business impact:
 - (i) The ability of Sino-Forest to access new offshore capital injections for expansion has dried up and PRC funding has been substantially curtailed given the uncertainty around the Company;
 - (ii) The Proposed Monitor understands that operations in the trading and standing timber business outside the PRC and the standing timber business in the WFOEs are effectively frozen, the trading

business has stopped importing (other than the existing Thai Redwood transaction which is ongoing) and manufacturing is operating at lower levels than normal;

- (iii) Many customers have ceased paying their receivables despite concentrated efforts by Sino-Forest to collect on outstanding balances, which, the Proposed Monitor understands includes SFC's counsel in the PRC sending legal demand letters to 12 BVI trading companies for accounts receivable totalling approximately \$126 million and 5 WFOE companies totalling approximately RMB 224.5 million;
 - (iv) Sino-Forest has had to reserve millions of dollars to pay suppliers for outstanding debts, in order to avoid litigation or further hostile situations from its suppliers and landlords/farmers (which the Proposed Monitor understands has historically involved threats of violence and occupation of Sino-Forest offices in Hunan);
 - (v) The Company has been unable to release its financial results for the nine-month period ended September 30, 2011 (the "**Q3 Results**") and for reasons discussed below, is unlikely to be in a position to release such statements in the near term, if ever;
 - (vi) The Company has been unable to release its 2011 audited financial statements for the year ended December 31, 2011 ("**2011 Financial Statements**") and for reasons discussed below, is unlikely to be in a position to release such statements in the near term, if ever;
- (b) Financial situation:
- (i) As of March 23, 2012, the Company has approximately \$70.5 million in cash;

- (ii) The ability to repatriate funds from the PRC into off shore (i.e. non-PRC) companies is limited by many factors including the historic “BVI” corporate structure, state administration of foreign exchange (“SAFE”) regulations and other currency control issues (which are discussed extensively in the Martin Affidavit);
 - (iii) The Company has limited prospects of being able to raise further capital or debt in the near future;
 - (iv) Sino-Forest has not been able to secure or renew certain existing onshore banking facilities, has been unable to obtain offshore letters of credit to facilitate Sino-Forest’s trading business, and all offshore banking facilities have been repaid and frozen, or cancelled;
 - (v) Sino-Forest’s operating subsidiaries have lost access to capital injections, local bank financing and intercompany funding for expansion opportunities due to the Company’s financial situation;
 - (vi) Due to the business constraints above, Sino-Forest’s operations are now operating on a significant burn as they are being pressured to continue to honour payables while collecting minimal receivables and failing to generate significant new sales;
- (c) Legal and Regulatory Proceedings:
- (i) Sino-Forest continues to divert significant resources to address the ongoing regulatory and criminal investigations by the OSC and the RCMP as well as inquiries from the HKSFC;
 - (ii) Numerous class actions have been commenced in Canada and the US and more are threatened;
 - (iii) The OSC has issued a Cease Trade Order in respect of the Company’s shares, which is ongoing;

- (d) Default under the Note Indentures:
- (i) As a result of the Company's failure to issue its Q3 Results, the Company is in default (the "**Financial Reporting Covenant Default**") under its four (4) series of issued notes (the "**Notes**") and is unlikely to be in a position to cure such default in the near term, if ever;
 - (ii) On January 12, 2012, the Company announced that holders of a majority of its 2014 Senior Notes and 2017 Senior Notes (who had issued default notices under their respective note indentures) had agreed to waive (the "**Waiver Agreements**") the Financial Reporting Covenant Default on certain terms and conditions (discussed below) including a covenant to make certain interest payments;
 - (iii) The Waiver Agreements terminate on the earlier of April 30, 2012 and any earlier termination of the Waiver Agreements in accordance with their terms;
 - (iv) The failure to deliver the 2011 Financial Statements by March 31, 2011 will constitute a further default under the Note Indentures (subject to a 30 day cure period);
- (e) Failure to Produce Q3 Results and 2011 Audited Statements
- (i) As set out in the IC's Second Report, subsequent to August 26, 2011, a number of documents came to the IC's attention that required further investigation and review;
 - (ii) On or before November 15, 2011, the deadline for the release of the Q3 Results, the Board's audit committee recommended and the Board agreed that the Company should defer the release of the Q3 Results until certain issues could be resolved to the satisfaction of

the Board and the Company's external auditor;

- (iii) The issues included (A) determining the nature and scope of the relationships between Sino-Forest and certain of its AIs (defined below) and suppliers, as discussed in the Second Report, and (B) the satisfactory explanation and resolution of issues raised by certain documents identified by the IC's advisors, the Company's counsel, the Company's auditors, and/or by OSC staff;
- (iv) Although the Company (and the IC) continued to work to resolve these issues, the allegations set out in the MW Report and raised by the OSC, the Company subsequently announced that there was no assurance that it would be able to release the Q3 Results, or, if able, as to when such release would occur;
- (v) Those same issues outlined above remain gating items to the Company's ability to release 2011 Audited Financial Statements;
- (f) Political Factors:
 - (i) Sino-Forest requires ongoing support from all levels of the PRC government to operate its business in a manner that will be profitable;
 - (ii) To date, the PRC government has been supportive, but has recently expressed concern regarding the ongoing distress of the business and has indicated that it expects the Company to propose a viable solution in the near future; and
 - (iii) Loss of support from the PRC government would likely be fatal to any chance of success in restructuring the Company in a way that maximizes value for the Company's stakeholders.

21. In summary, Sino-Forest's state of affairs is such that it cannot maintain a status quo for much longer.

CIRCUMSTANCES OF THE CCAA APPLICATION

22. The Martin Affidavit provides a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information. The Martin Affidavit also provides a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011 including the formation of the IC, the issuance and conclusions set out in the IC Reports, the Class Actions, the OSC, RCMP and HKSFC investigations and the defaults under the Notes.
23. This Report does not propose to repeat those details. Instead, the Proposed Monitor has focused on the following areas, which it believes are relevant for understanding the basis on which it is recommending the granting of the Initial Order and the approval of the Sale Process at this time:
- (a) Sino-Forest’s historical method of doing business and certain of the legal issues that are embedded within that structure;
 - (b) the role of the PRC government and the forestry industry in the PRC; and
 - (c) Sino-Forest’s current options.

The Company’s history

24. Sino-Forest operates through two different corporate models – the “BVI” model and the “WFOE” model. It is significant to understand the corporate models used by Sino-Forest in its operations because of the corresponding issues associated with repatriating value offshore from each of those various entities.

BVI Forestry Holding Companies (“BVIs”)

25. Until 2004, Sino-Forest used the BVI model exclusively to invest in timber rights in the PRC. The Proposed Monitor understands that the BVI model essentially involves the use of a British Virgin Island company to invest in timber rights in the PRC. Due to the restrictions on foreign companies under PRC law which do not permit foreign companies to conduct business in the PRC without business

licenses granted by competent government authorities, BVIs must carry on their sale activities through authorized intermediaries (“AIs”) onshore. Further, BVIs are not permitted to have bank accounts in the PRC. It is the AIs who enter into the direct contracts for the sale of standing timber with end customers. AIs are also responsible for remitting taxes arising from sales to the relevant PRC tax authorities. Once money is in the BVI system, it has never been repatriated off shore and any profit has always been re-invested in further plantation timber rights. The only exception to that are in the small instances where Sino-Forest has tested its on-shoring strategy (discussed in further detail below).

26. The BVI model was the model used by Sino-Forest when it started operations in 1994 due to the restrictions on foreign business operations in the PRC. Over the years, the BVI model was therefore used to purchase significant amounts of Sino-Forest’s reported timber holdings (approximately 60% of its reported timber holdings). From an investor/creditor perspective, the model is problematic for a number of reasons including:
 - (a) BVIs are restricted from carrying on business directly in the PRC – as such, many of the title verification issues that were contained in the MW Report and arose during the IC investigation were due to the fact that when BVIs purchase timber, they are only purchasing the timber rights and not any underlying land use rights (which interests are capable of being registered in most parts of the PRC);
 - (b) BVIs must sell through the AIs. This has resulted in a certain lack of transparency in a number of issues that were the focus of the MW Report and the IC investigation – including the relationships between the AIs and certain of the suppliers, an inability to see into the books and records of the AIs to verify booked sales, and the extent to which the AIs had, in fact, remitted applicable taxes to relevant tax authorities; and
 - (c) The Proposed Monitor understands that for various reasons, but primarily related to the SAFE regulations, there is no way for a BVI to efficiently

repatriate cash off shore without giving rise to significant negative tax consequences - as such, since the businesses' inception, all profit has simply been further re-invested in the BVI model in new trees.

WFOEs

27. In 2004, the Ministry of Commerce for the PRC began allowing wholly foreign owned enterprises (“**WFOEs**”) to conduct business in the trading of timber on shore in the PRC. Post 2004, almost all of Sino-Forest's new capital invested in timber assets has been employed through the WFOE model. The Proposed Monitor understands that the WFOE model is preferable for several reasons including:

- (a) WFOEs can conduct business on shore in the PRC and as such, they do not need to use the AI model. They can (and do) transact directly with customers;
- (b) Financial information as to the WFOE holdings on Sino-Forest's books and records is more readily verifiable and therefore more transparent in nature;
- (c) WFOEs can acquire land use rights through pre-paid long term leases. The ability of WFOEs to invest in land use rights is advantageous because (i) for the most part, it appears that these rights can be registered and are therefore more easily verifiable; (ii) the WFOE can finance its business against its land rights; and (iii) it is viewed favourably by the PRC because it is evidence of Sino-Forest's long term intentions within the forestry industry in the PRC; and
- (d) WFOEs are preferable from a foreign investor perspective because there is an identifiable process for the repatriation of funds off-shore to the foreign investor parent.

28. As of December 31, 2010, approximately 40% of Sino-Forest's reported timber

holdings were held through the WFOE structure.

On-shoring

29. As part of its long term strategy, the Company has been considering options to transition its BVI assets into WFOE assets. This process is referred to as “on-shoring”. The Proposed Monitor understands there is no single standard protocol for on-shoring Sino-Forest’s assets and that Sino-Forest is looking into various alternative methods of migrating the ownership of the BVI assets. At its root, on-shoring requires the creation of a new WFOE that is capitalized to receive timber rights from the BVIs and at the same time, acquire the accompanying underlying land use rights. The Proposed Monitor understands that the precise methods for successfully on-shoring varies on a county to county basis and requires extensive negotiations with various stakeholders including potentially the land owners and tax authorities. It could also involve the cooperation of suppliers and AIs.
30. The Proposed Monitor understands there are no assurances that on-shoring will be successful on a large scale basis and that, even if the Company is successful in on-shoring certain of its assets, that does not necessarily mean it will be successful in other regions. However, the Company has indicated that it believes there are incentives for parties to cooperate with an on-shoring process as it generally involves the promotion of business in more rural areas, the ongoing employment of individuals in those regions and cash injections to the land owners on the pre-paid leases.

The Role of the PRC Government

31. Based on the conversations that the Proposed Monitor has had with members of senior management of the Company and various of its advisors, the Proposed Monitor understands that the PRC government has and will continue to play a key role in any successful restructuring.
32. The forestry industry in the PRC is subject to The Forestry Law which provides for a limited system pursuant to which verification as to legal ownership of timber

- or land may be obtained. The Monitor has also been advised that it is not clear that the Forestry Law has been fully implemented on a nation-wide basis such that, in some instances, no verification from regional forestry bureaus may be available.
33. The Company has advised that the PRC has taken numerous steps in the last years to promote the timber plantation industry including opportunities for foreign investment. It is also apparent that navigating timber operations within the PRC has obvious political and state related implications due to the role of the Chinese government in business operations in China generally, the geographic location of many of the plantations, the reliance upon provincial and other registries for asset verification, and the uncertainty surrounding certain taxation and other laws in the PRC that could have significant implications on Sino-Forest's business structure and/or ability to expand.
34. Further, it is clear that in many instances, there is an emphasis put on "business relationships" among parties that is paramount to any contractual or legal relationship that may have been entered into by the parties. These relationships are relied upon for the conduct of business in this industry in the PRC. In the course of its investigation, the IC reported that it was apparent that integral to Sino-Forest's business model was its relationships with business partners.
35. The Company has advised the Proposed Monitor that it believes that the PRC has been and will continue to be supportive of Sino-Forest as an ongoing business. Sino-Forest is the largest private forestry operator in the PRC and it has complied with and promoted PRC policy in terms of growth and efficiency in the natural resource sector over its 18 years of business. All of these factors have resulted in Sino-Forest having a positive and encouraging relationship with the PRC government. Consequently, the PRC government has, by and large, been facilitative of Sino-Forest's business. Ongoing support will be required if this restructuring process is to be successful. Maintaining relations with the PRC government both nationally and locally will also be crucial to Sino-Forest's on-shoring strategy.

36. Through extensive discussions that the Proposed Monitor has had with the Company and various advisors to the Company, it has become apparent that much of Sino-Forest's historical success has been due to the leadership of Allen Chan. Although Mr. Chan resigned as CEO and chairman after the issuance of the MW Report, Mr. Chan has remained involved in Sino-Forest and, in particular, plays a key role in maintaining and building on existing PRC relations. The Martin Affidavit also contains further detail as to the importance of Mr. Chan in any restructuring.
37. It is equally clear to the Proposed Monitor that the PRC government has the ability to be a significant impediment to solutions that it does not view as favourable or in furtherance of PRC policy. The Company and Houlihan have both expressed the view that if attempts were made to break up the company, that could be viewed as being contrary to the general direction of, and have a significant impact on, the PRC's natural resource growth policies and would likely be viewed negatively by the PRC government. Further, the PRC government is cognizant of the location of many of the Sino-Forest plantations and their proximity to state run facilities and has expressed concern to the Company as to how these issues will be addressed going forward if ownership is to change hands.

The Company's Options

38. The Proposed Monitor is aware that the Company, in consultation with its various advisors, has considered many alternatives to solve both the Company's current problems as well as to provide longer term solutions to the issues inherent in the BVI structure. For various reasons, the options of maintaining the status quo or attempting to liquidate the assets (i.e. timber) are not feasible options notwithstanding the guarantees and pledges that may have given the noteholders certain rights to do so. Some of the issues that would prohibit status quo or liquidation are as follows:
- (a) Status quo – as set out above and in the Martin Affidavit, the MW Report

and subsequent events have left the Sino-Forest business paralyzed and unable to continue. Sources of outside funding for expansion have dried up, sales have been halted while the business continues to burn money necessary to its operations. Further, the Company has advised that based on meetings between members of senior management and the PRC, the PRC is not content to allow Sino-Forest's current situation to continue indefinitely and has insisted that a path forward for Sino-Forest be proposed;

- (b) Liquidation – It is not clear to the Proposed Monitor that a liquidation could even be achieved in this circumstance. However, even if it could be, liquidating the timber assets within the PRC is unlikely to achieve any desired result. As set out above, given the historical structural issues inherent within the BVI structure, it is doubtful that any proceeds of a liquidation could be moved off shore successfully.
39. The Proposed Monitor is aware that the Company and its advisors have engaged in extensive conversations and negotiations with an ad hoc committee of noteholders (the “**Ad Hoc Noteholders**”) for the past several months as to the various options available to Sino-Forest as well as the noteholders.
40. The Proposed Monitor understands that these extensive arm's length negotiations involved email, telephonic and in-person meetings between the various parties and have included, at different times, the Company's senior management (including Mr. Martin, the Company's chief financial officer, Mr. David Horsley and Mr. Chan), Houlihan, the Company's legal advisors, certain of the Ad Hoc Noteholders themselves and their legal and financial advisors. During the course of these meetings, the parties have explored the options available to both the Company and the noteholders including the liquidation option.

THE SUPPORT AGREEMENT AND PROPOSED RESTRUCTURING

41. Following extensive arm's length negotiations, the Company and the Ad Hoc

Noteholders have reached agreement on the terms of a support agreement (the “**Support Agreement**”). The Proposed Support Agreement has been executed by holders of the Notes holding approximately 40% of the Notes. The Support Agreement contemplates (and provides incentive for) additional noteholders becoming party to the Support Agreement by way of Joinder Agreement. As set out below, it is contemplated that the Proposed Monitor will post a copy of the Support Agreement on its website. The material terms of the Support Agreement are set out in the Martin Affidavit.

42. The Proposed Monitor has reviewed the terms of the Support Agreement. The Proposed Monitor believes that the terms of the Support Agreement are reasonable in the circumstances. In reaching that conclusion, the Proposed Monitor first considered the fact that Sino-Forest’s situation is not that of a typical debtor. The Company’s options in terms of realizing value on its assets are limited given not only the legal impediments, but also the nature and location of the physical assets. Further, other considerations included the following:
- (a) Neither maintaining the status quo nor liquidation are realistic options;
 - (b) The debt outstanding under the Indentures constitutes an overwhelming majority of the Company’s overall debt;
 - (c) The Support Agreement proposes a solution through the use of a CCAA plan that provides for, among other things:
 - (i) a structured solution pursuant to which the business operations will be liberated from the existing legal challenges facing the Company (namely the extensive litigation and contingent claims) and put into a new structure which will ultimately be able to work to fix the structural issues in Sino-Forest’s business;
 - (ii) participation rights for certain junior constituents whose claims rank behind the noteholders;

- (iii) a framework for the litigation and/or resolution of the claims faced by the Company;
- (d) As discussed below, there are significant challenges to finding another buyer of the business;
- (e) Notwithstanding those challenges, the Support Agreement contemplates a Sale Process (defined and discussed below) to determine whether a higher or better option is available; and
- (f) As discussed above, neither maintaining the status quo nor liquidation are desirable or possibly viable options.

THE PROPOSED SALE PROCESS

Sale Process Terms

- 43. As contemplated under the Support Agreement, the Company is also seeking approval of certain sale process procedures (the “**Sale Process**”) and related relief. If approved, the Company, in consultation with the Proposed Monitor and Houlihan, will immediately commence a marketing process for the Sino-Forest business.
- 44. The material terms of the Sale Process are set out in the Martin Affidavit. The Proposed Monitor has been consulted in the development of the proposed Sale Process terms and believes they are reasonable in the circumstances.
- 45. The Company, the Proposed Monitor, Houlihan, and advisors to the Ad Hoc Noteholders have had extensive discussions as to the appropriate time frame in which the business may be marketed. The Proposed Monitor believes that it is appropriate for the Company to seek approval of the Sale Process as part of its initial application based on the following factors:
 - (a) As set out above, the growth of the forestry business and the trading business has effectively come to a halt and are rapidly burning cash;

- (b) The Sino-Forest business is extremely complicated – for any buyer, there will be significant legal, tax, regulatory, political and cultural considerations that will need to be addressed;
 - (c) Given the extensive negative publicity that has surrounded the business, buyers will likely require extensive due diligence and that may include not just document review, but meetings in HK as well as the PRC, site visits and other time intensive exercises;
 - (d) Timber is a seasonal business with the majority of sales taking place in Q3 and Q4 of each year – if a transaction is not completed before the end of Q3 of this year, that will effectively result in a further year with few or no sales; and
 - (e) The Company needs to be able to demonstrate to the PRC government, in the near future, that it has a clear path forward, absent which it risks losing its support.
46. The proposed Sale Process is intended to be a market test of the terms of the proposed restructuring set out in the Support Agreement. However, given the size of the business and the issues surrounding the business, both Houlihan and the Company have indicated that there is likely to be a limited landscape of potential buyers. The Proposed Monitor agrees that this may be the case but nonetheless believes that it is important as part of the CCAA Proceedings that the Sale Process be commenced to determine what other interest may exist.
47. Given the urgency described above, the Proposed Monitor is aware that Houlihan has already commenced certain efforts in respect of the proposed Sale Process. Given the circumstances of this situation, the Proposed Monitor is of the view that such actions by Houlihan have been prudent.

Retention of Houlihan

48. In anticipation of a potential filing and Sale Process, the Company retained

- Houlihan pursuant to the terms of the Financial Advisor Agreement. The terms of the Financial Advisor Agreement, including the proposed fee structure, are set out in the Martin Affidavit. The Proposed Monitor is aware that the Company considered at least three (3) other candidates, all of whom are well-known international investment banks, prior to retaining Houlihan.
49. The Proposed Monitor understands that the Board's decision to retain Houlihan was based on Houlihan's experience in debt restructurings including working with noteholders as well as its extensive presence in North American and Asian markets.
50. The Proposed Monitor has reviewed the terms of the Financial Advisor Agreement. The Proposed Monitor believes that, in the circumstances, it is reasonable for the Company to have retained Houlihan and negotiated the terms contained in the Financial Advisor Agreement. Accordingly, the Proposed Monitor recommends the approval of the Financial Advisor Agreement.

THE COMPANY'S CASH FLOW FORECAST

Cash Flow Projections

51. The Company, with the assistance of the Proposed Monitor, has prepared consolidated 13-week cash flow projections of its receipts and disbursements (the "**March 29 Forecast**"). The March 29 Forecast, together with the management's report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as Appendix A. The March 29 Forecast shows a negative net cash flow of approximately \$19.3 million in the period March 31 to June 29, 2012, and is summarized below:

	\$000 CAD
Cash inflow	
Interest Income	\$ 412
Total cash inflows	\$ 412
Cash outflow	
Payroll and Benefits	\$ 181
Board & Committee Fees	\$ 253
Travel	\$ 315
Rent, Communication & Utilities	\$ 60
Taxes & Other	\$ 195
Total cash outflows	\$ 1,004
Net Operating Cashflow	\$ (591)
Restructuring Costs	
Professional Fees	\$ 18,730
Total Restructuring Costs	\$ 18,730
Net Cash Flow	\$ (19,321)
Opening Cash Balance	\$ 67,846
Net Cash Balance	\$ (19,321)
Ending Cash Balance	\$ 48,525

52. It is anticipated that the Company's projected liquidity requirements throughout the CCAA Proceedings will be met by existing cash available to the Company.

Proposed Monitor's Report on the Reasonableness of the Cash Flow Projections

53. Section 23(1)(b) of the CCAA states that the Proposed Monitor shall:

“review the company's cash-flow statement as to its reasonableness and file a report with the court on the Proposed Monitor's findings;”

54. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1 (“CAIRP SOP 09-1”), the Proposed Monitor hereby reports as follows:

- (a) The March 29 Forecast has been prepared by the management of the

Applicant for the purpose described in Note 1, using the Probable and Hypothetical Assumptions set out in Notes 2 to 6;

- (b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the March 29 Forecast. The Proposed Monitor has also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash-Flow Statement;
- (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:
 - (i) the Hypothetical Assumptions are not consistent with the purpose of the March 29 Forecast;
 - (ii) as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the March 29 Forecast, given the Hypothetical Assumptions; or
 - (iii) the March 29 Forecast does not reflect the Probable and Hypothetical Assumptions;
- (d) Since the March 29 Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the March 29 Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the

Proposed Monitor in preparing this report; and

- (e) The March 29 Forecast has been prepared solely for the purpose described in Note 1 on the face of the March 29 Forecast and readers are cautioned that it may not be appropriate for other purposes.

RELIEF SOUGHT

The Stay of Proceedings

- 55. For the reasons set out herein, the Company requires a stay of proceedings while it carries out its proposed restructuring activities. The Monitor believes that the initial 30-day request is fair and reasonable in the circumstances.

Payments During the CCAA Proceedings

- 56. The Company intends to make certain ordinary course payments during the course of the CCAA Proceedings in accordance with and as set out in the March 29 Forecast. The Monitor believes this course of action is fair and reasonable in the circumstances.

Administration Charge

- 57. The Company is seeking an Administration Charge in the amount of CAD\$15 million with priority over all encumbrances against the Company's assets other than the Company's assets which are subject to *Personal Property Security Act* registrations (the "**Encumbered Property**"). Based on personal property registry searches that were conducted by the Proposed Monitor's counsel as of March 28, 2012, other than the Indenture Trustees under the Notes who have security in respect of the pledged shares of the Company's subsidiaries there was only one registration that appeared on its face to be with respect to specific equipment.
- 58. The beneficiaries of the Administration Charge if granted would be the Proposed Monitor, the Proposed Monitor's counsel, counsel to the Board, FTI HK, counsel to the Company, Houlihan, counsel to the Ad Hoc Noteholders and the financial

advisor to the Ad Hoc Noteholders.

59. The Proposed Monitor has reviewed the underlying assumptions upon which the Company has based the quantum of the proposed Administration Charge, the complexities of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and believes that the limit of CAD\$15 million is reasonable in the circumstances.
60. The Proposed Monitor also believes that it is appropriate that the other proposed beneficiaries of the Administration Charge be afforded the benefit of a charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

The Directors' Charge

61. The Company is seeking the Directors' Charge in the amount of CAD\$3.2 million with priority over all encumbrances on the Company's assets other than the Administration Charge and the Encumbered Property. The Proposed Monitor understands that the Board has insisted on the protection of the Directors' Charge in order to remain on the Board during the course of the CCAA Proceedings. The Martin Affidavit also sets out a summary of the current insurance policies that are available to the Board as well as the exclusions and possibility of non-renewal at the end of the term.

The Financial Advisor Agreement

62. Houlihan's engagement is reasonable given the Company's proposed Sale Process. As set out above, Houlihan was considered along with other international investment banks and selected on merit- based criteria.

Publication of Notices Support Agreement

63. The proposed initial order contemplates that the Monitor will, among other things,
 - (a) Without delay, post a copy of the Support Agreement on its website at <http://cfcanada.fticonsulting.com/sfc>; and

- (b) Publish a notice in the Globe and Mail and the Wall Street Journal (in form and substance satisfactory to the Company, the Monitor and counsel to the Ad Hoc Noteholders) notifying noteholders of the Support Agreement and the deadline of 5:00pm (Toronto time) on the Consent Date (as defined in the Support Agreement) by which any noteholders (other than an Initial Consenting Noteholder) who wishes to become entitled to the Early Consent Consideration pursuant to the Support Agreement must execute and return a Joinder Agreement.

The Sale Process

64. As set out above, the proposed Sale Process is contemplated by the Support Agreement and is intended to test the market to determine whether a higher or better offer than the transaction contemplated under the Support Agreement is available. Further, given the circumstances and complexities of the situation as set out above, the Proposed Monitor recommends approval of the Sale Process Order on the date of this application.

CONCLUSION

65. The Proposed Monitor is of the view that the relief requested by the Company is necessary, reasonable and justified. The Proposed Monitor is also of the view that granting the relief requested will provide the Company the best opportunity to undertake the CCAA Proceedings, to preserve value and maximize recoveries for the Company's stakeholders. As set out above, absent a restructuring, the Monitor is of the view that the business has little chance of viability. Further, given the circumstances, liquidation would likely destroy any stakeholder value.
66. Accordingly, the Proposed Monitor respectfully recommends that the Company's request for the Initial Order and the Sale Process Order.

The Proposed Monitor respectfully submits to the Court this Pre-Filing Report.

Dated this 30th day of March, 2012.

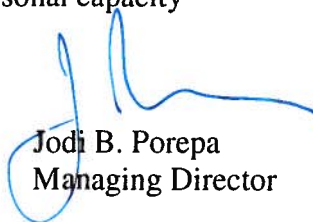
FTI Consulting Canada Inc.

In its capacity as proposed monitor of

Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



Jodi B. Porepa
Managing Director

Court File No.:

**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)

**PRE-FILING REPORT OF THE PROPOSED
MONITOR, FTI CONSULTING CANADA INC.**

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Proposed Monitor,
FTI Consulting Canada Inc.

**APPENDIX H – THE SIXTH REPORT
(WITHOUT APPENDICES)**

(See Attached)

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

Sino-Forest Corporation

SIXTH REPORT OF THE MONITOR

August 10, 2012

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

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

INTRODUCTION

1. On March 30, 2012 (the “**Filing Date**”), Sino-Forest Corporation (the “**Company**”) filed for and obtained protection under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the “**Monitor**”) in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company’s subsidiaries. Pursuant to an Order of this Court made on May 31, 2012, this Court granted an Order extending the Stay Period (as defined in the Initial Order) to September 28, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the “**Sale Process Order**”).
3. The purpose of this Sixth Report is to:
 - (a) Provide an update on the Company’s CCAA proceedings including with respect to:

- (i) the Sale Process;
 - (ii) Mediation;
 - (iii) the Plaintiffs' Motion re Document Production;
 - (iv) Claims Process;
 - (v) the Company's Equity Claims Motion;
- (b) Report on the receipts and disbursements of the Company for the period May 19, 2012 to July 20, 2012; and
- (c) Provide certain information relating to the Sino-Forest Subsidiaries, including:
- (i) overview of the Sino-Forest chops, annual review and process to change legal representatives;
 - (ii) the cash position of the Sino-Forest Subsidiaries;
 - (iii) receivables;
 - (iv) the Thai Redwood Transaction;
 - (v) management's internal December 2011 financial statement impairment provisions;
 - (vi) disbursements;
 - (vii) cumulative variance analysis for the Sino-Forest Subsidiaries;
- (d) Provide an update on Sino-Forest Subsidiary operations, including:
- (i) operational changes;
 - (ii) wood fibre operations;
 - (iii) other businesses; and

- (e) Provide an update on timber assets and verification efforts.
4. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**" and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Sixth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Sixth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
 5. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
 6. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to the Greenheart Group. "**Sino-Forest Subsidiaries**" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
 7. Capitalized terms not defined in this Sixth Report are as defined in the pre-filing report of the proposed monitor dated March 30, 2012 (the "**Pre-Filing Report**") and the affidavit of W. Judson Martin sworn March 30, 2012 (the "**Initial Order Affidavit**"). Copies of the Initial Order Affidavit (without exhibits) and the Pre-Filing Report are attached as Appendices "A" and "B" hereto.

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People's Republic of China ("**PRC**"). Its principal businesses include ownership and management of forest plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.
9. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange ("**TSX**"). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol "TRE" on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
10. On June 2, 2011, Muddy Waters, LLC ("**MW**"), which held a short position on the Company's shares, issued a report (the "**MW Report**") alleging, among other things, that Sino-Forest is a "ponzi-scheme" and a "near total fraud". The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission ("**OSC**"), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
12. In view of the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest's operations. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
13. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest's corporate structure, business, reported assets and financial information as well as

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

UPDATE ON CCAA PROCEEDINGS

Update on Sale Process

14. On the Filing Date, the Company obtained the Sale Process Order. The Phase 1 Bid Deadline (as defined in the Sale Process Order) was June 28, 2012. On July 10, 2012, the Company issued a press release announcing that the Company had determined that none of the letters of intent were qualified letters of intent and therefore it was terminating the Sale Process and proceeding with the restructuring transaction contemplated under the Support Agreement.
15. Also on July 10, 2012, the Monitor issued its fourth report (the “**Fourth Report**”) to the Court providing an update with respect to the Sale Process and the letters of intent that had been received on the Phase 1 Bid Deadline. The Fourth Report also noted that none of the LOIs (as defined in the Fourth Report) were deemed “Qualified Letters of Intent” under the sale process procedures and the Company subsequently issued a press release confirming the termination of the sale process.
16. Many parties actively involved in these proceedings have requested a summary of the LOIs received. The Monitor agrees with the Company that this information is sensitive and should not be publicly available. However, the Monitor does believe that summary information regarding the LOIs should be placed in the Data Room (defined below) and made available to Mediation Parties (defined below) who have executed a Mediation Confidentiality Agreement (defined below) prior to the Mediation (defined below).

Update on Mediation

17. The Monitor’s fifth report dated July 16, 2012 filed in support of the Monitor’s motion for a mediation order (the “**Mediation Motion**”) provided the background and context leading up to the Mediation Motion.
18. On July 25, 2012, this Court granted an Order (the “**Mediation Order**”):

- (a) directing mediation (“**Mediation**”) among specified “Mediation Parties”;
- (b) providing for the establishment of a data room (“**Data Room**”) for access by Mediation Parties subject to confidentiality restrictions;
- (c) scheduling September 4, 5 and, if necessary, 10 as the mediation dates; and
- (d) appointing the Honourable Justice Newbould as mediator.

A copy of the Mediation Order is attached as Appendix C hereto.

19. Since the granting of the Mediation Order, the Company has worked with the Plaintiffs and the Third Party Defendants to execute confidentiality agreements in the form agreed to with such parties at the hearing for the Mediation Order (the “**Mediation Confidentiality Agreement**”). A copy of the index to the Data Room and access to the Data Room has been provided to those Mediation Parties that have executed a Mediation Confidentiality Agreement as of the date of this Report.

The Plaintiff’s Motion re Document Production

20. On July 10, 2012, the Plaintiffs served a notice of motion (the “**Notice of Motion**”) (followed by a full motion record on July 11, 2012) for a motion returnable July 16, 2012 (the “**Plaintiffs’ Document Motion**”) regarding the disclosure of certain documents set out in their Notice of Motion. At a Court conference call held on July 13, 2012, the Plaintiffs’ Document Motion was adjourned to July 25, 2012. At a 9:30 appointment held on July 23, 2012, the motion was further adjourned to July 30, 2012.
21. The Plaintiffs and the Company subsequently agreed upon the list of documents to be put in the Data Room and settled a form of Order in respect of the Plaintiffs’ Document Motion. The Order was granted by this Court on July 30, 2012. A copy of the Order is attached as Appendix D hereto.

Update on Claims Process

22. Pursuant to an Order of this Court made on May 14, 2012, this Court granted the Claims Procedure Order providing for a call for claims against the Company and its officers and

directors. While the Claims Procedure Order did not purport to create a bar date in respect of claims against Sino-Forest Subsidiaries, claimants against the Company were ordered to indicate whether they asserted or intended to assert a similar claim against some or all of the Sino-Forest Subsidiaries. The primary claims bar date was June 20, 2012 (the “**Claims Bar Date**”).¹

23. On or about the Claims Bar Date, the Monitor received a total of 228 claims with a face value in excess of \$112 billion. This includes potential duplicative claims filed against the Company and its officers, directors and subsidiaries. A summary of the claims received to date is as follows:

	# of Claims Submitted	\$ of Claims Submitted (millions)
Claims	164	\$ 66,334
D&O Claims	64	\$ 45,861
Total Claims	228	\$ 112,195

24. As of the date of this Report, the Monitor is continuing to review the claims received, particularly in light of the Equity Claims Decision (defined below), discussed in further detail below.
25. The Monitor is also reviewing the claims under the Company’s four series of notes including the guarantees and pledges given by Sino-Forest in connection with the notes. The Monitor intends to put its summary regarding the guarantees and security in the Data Room.

¹The applicable bar date for certain claims including Restructuring Claims and D&O Indemnity Claims is as set out in the Claims Procedure Order.

The Company's Equity Claims Motion

26. On June 26, 2012, this Court heard a motion brought by the Company for a direction that certain claims against the Company that result from the ownership, purchase or sale of an equity interest in the Company and resulting indemnity claims are “equity claims” as defined in the section 2 of the CCAA. The motion was not opposed by the Plaintiffs but was opposed by certain Third Party Defendants.
27. On July 27, 2012, this Court issued its decision (the “**Equity Claims Decision**”). A copy of the Equity Claims Decision is attached as Appendix E hereto. Pursuant to the Equity Claims Decision, this Court found, *inter alia*, that:²
- (a) It was not premature to determine the issue set out in the Company’s motion. Instead:
 - (i) it had been clear since the outset of the CCAA proceedings that this issue would have to be determined and this issue could be determined independently of the Claims Procedure Order;
 - (ii) the Court did not accept that any party can be said to be prejudiced if this threshold issue is determined at this time;
 - (iii) this threshold issue does not depend upon a determination of quantification of any claim; and
 - (iv) the effect of the Equity Claims Decision will be to establish whether the claims of E&Y, BDO and the Underwriters will be subordinated pursuant to the CCAA and is independent of determinations as to validity and quantification.
 - (b) The Shareholder Claims and Related Indemnity Claims are “equity claims” as defined in section 2 of the CCAA.

² Capitalized terms used in the summary and not otherwise defined have the meaning given to them in the Equity Claims Decision. This summary is for information purposes only. Reference should be made to the Equity Claims Decision itself.

- (c) With respect to the claims of E&Y, BDO and the Underwriter, the Court concluded that the most significant aspect of those claims constitute “equity claims”. However, the Court did not make a determination as to whether defence costs incurred in defending the class action claims were “equity claims”.
- (d) The Equity Claims Decision was without prejudice to the Company’s right to apply for a similar order with respect to (i) any claims in the statement of claim that are in respect of securities other than shares and (ii) any indemnification claims against the Company related thereto.
28. On August 3, 2012, the Court issued an Order reflecting the terms of the Equity Claims Decision, a copy of which is attached as Appendix F hereto.

RECEIPTS AND DISBURSEMENTS OF THE COMPANY FOR THE PERIOD TO JULY 20, 2012

Actual Receipts & Disbursements for the Period May 19, 2012, to July 20, 2012

29. The Company’s actual net cash flow for the period from May 19, 2012, to July 20, 2012 (the “**Current Period**”) together with an explanation of key variances as compared to the May 23 Forecast (as defined in the Monitor’s Third Report) is described below. Actual net cash flows for the Current Period were approximately \$8.5 million higher than forecast and summarized as follows:

\$000 CAD	Forecast	Actual	Difference
Cash inflow			
Insurance Proceeds	\$ -	\$ 6,664	\$ 6,664
Interest Income	\$ 412	\$ 417	\$ 5
Total cash inflow	\$ 412	\$ 7,081	\$ 6,669
Cash outflow			
Payroll and Benefits	\$ 121	\$ 111	\$ (9)
Board & Committee Fees	\$ 392	\$ 307	\$ (85)
Travel	\$ 185	\$ 47	\$ (137)
Rent, Communication & Utilities	\$ 40	\$ 52	\$ 13
Taxes & Other	\$ 102	\$ 47	\$ (55)
Total cash outflow	\$ 839	\$ 565	\$ (273)
Net Operating Cashflow	\$ (426)	\$ 6,516	\$ 6,942
Restructuring Costs			
Professional Fees	\$ 10,482	\$ 8,946	\$ (1,536)
Total Restructuring Costs	\$ 10,482	\$ 8,946	\$ (1,536)
Net Cash Flow	\$ (10,908)	\$ (2,430)	\$ 8,478
Opening Cash Balance	\$ 61,007	\$ 61,007	\$ -
Net Cash Balance	\$ (10,908)	\$ (2,430)	\$ 8,478
Ending Cash Balance	\$ 50,099	\$ 58,577	\$ 8,478

30. The key variances in actual receipts and disbursements compared to the May 23 Forecast is a favourable variance of approximately \$8.5 million primarily relating to:
- A positive variance of approximately of \$6.7 million in cash inflows. This variance is permanent in nature and related to insurance proceeds received by Sino-Forest in respect of professional fees incurred. The timing and estimated value of potential insurance proceeds was unknown at the time of the preparation of the May 23 Forecast and therefore was not included as part of the Forecast; and
 - A positive variance of approximately \$1.5 million in professional fees. This variance is temporary in nature and is expected to reverse in the coming weeks as invoices are submitted by the professionals and paid by Sino-Forest.

INFORMATION RELATING TO SINO-FOREST SUBSIDIARIES

31. As set out in the Third Report of the Monitor, the Monitor (both directly and through FTI Consulting (Hong Kong) Limited (“**FTI HK**” and together with the Monitor, “**FTI**”)) established communication protocols and reporting mechanisms with Sino-Forest in Hong Kong and the People’s Republic of China (“**PRC**”).
32. The Monitor was granted further powers pursuant to the Expanded Powers Order dated April 20, 2012, the majority of which related to direct access and involvement in the Sino-Forest Subsidiaries, as opposed to the Company itself. The Company’s request for the Expanded Powers Order was primarily as a result of certain enforcement notices received from the OSC in April 2012, and personnel changes resulting from those changes.
33. FTI continues to work with Sino-Forest on its operational, financial, legal and other issues. Much of the Monitor’s activities to date have included, and continue to include, monitoring and reviewing financial information and Sino-Forest Subsidiaries’ activities in addition to attending certain meetings between the Company and third parties.
34. The purpose of this overview is to inform on the status of the Sino-Forest Subsidiaries from the start of the CCAA proceedings to date. In assessing Sino-Forest, including what actions and steps should be taken, reference was made to the IC Reports and the work and background conducted by the Independent Committee and its advisors. Copies of the IC Reports are attached as Appendices G through I hereto.

General Overview

35. As was set out in the Initial Order Affidavit as well as the Pre-Filing Report, in the months after the release of the MW Report and the subsequent commencement of investigations and litigation involving Sino-Forest Corporation, the ultimate parent of the Sino-Forest Companies, the majority of the business in the PRC came to a virtual standstill. Although certain business segments continued, they did so at diminished levels and Sino-Forest’s primary business, namely the purchase and sale of standing timber, froze. Both the Initial Order Affidavit and the Pre-Filing Report observed that a

court supervised process was necessary for any chance of resolving the stalemate that the business found itself in.

36. As discussed in the following sections, Sino-Forest's financial and operational aspects of the business in the PRC continue to be negatively impacted by the uncertainty regarding the Company's affairs. Operations in Sino-Forest's standing timber business (which accounts for the vast majority of Sino-Forest's historical reported revenue and asset base) remain frozen and the remainder of Sino-Forest's businesses are operating at substantially lower levels than in past years.
37. Further, Sino-Forest's existing senior management team has been significantly reduced since the commencement of the CCAA proceedings. As has been previously reported and disclosed by the Company, in April 2012, in response to enforcement notices issued by the OSC, a number of personnel changes were made whereby members of senior management were terminated. The chief financial officer also stepped down from that role, although he remains an employee of the Company. The Monitor understands that the terminated personnel played a significant role in Sino-Forest's business. Due to the on-going concern in the Company and the Sino-Forest business, it has not been an option for Sino-Forest to replace these individuals.
38. Although Sino-Forest's cash position may appear to be ahead of its forecast (see below), the original subsidiary level forecast was mostly prepared by individuals who are no longer employed by Sino-Forest as a result of the personnel changes in April 2012 and may not be an appropriate reference point. In reality, although disbursements are lower than normal, collection of receivables is proving difficult (as discussed below) and, to date, Sino-Forest has not been able to revive its business.
39. As evidenced by recent events, Sino-Forest is experiencing the results of a deteriorating business across multiple fronts, including:
 - (a) Provisions in respect of uncollectible receivable balances and assets with impaired values have been taken in the 2011 year end internal financial statements (which are discussed in further detail below);

- (b) Management will need to review the impact of the recent de-registrations on the interim 2012 internal financial statements and to consider the need for further provisions in respect of amounts owed by de-registered AIs (which is discussed in more detail below);
 - (c) Work being performed by third party consultants to verify Sino-Forest's forestry estate is on-going and estimated to take years to complete and/or to verify a substantial portion of the estate;
 - (d) There is no indication that Sino-Forest will be able to resume its business absent a successful restructuring and resolution in these CCAA proceedings; and
 - (e) There is a limited pool of funds that continues to be depleted throughout the CCAA proceedings.
40. The deterioration of Sino-Forest is also directly influenced by what appears to be the beginning of a breakdown of its relationships with certain AIs and suppliers. As described in the Pre-filing Report, the Initial Order Affidavit and as set out in the IC Reports, it is clear that there is an emphasis put on "business relationships" among parties that is paramount to any contractual or legal relationship that may have been entered into by the parties. These relationships are relied upon for the conduct of business in this industry in the PRC. In the course of its investigation, the IC reported that it was apparent that integral to Sino-Forest's business model was its relationship with business partners. Recent events highlight the breakdown:
- (a) Certain authorized intermediaries ("AIs") who are necessary for selling standing timber under the BVI structure and who had outstanding receivable balances with Sino-Forest, have de-registered (which is discussed in more detail below);
 - (b) Certain suppliers responsible for selling standing timber to Sino-Forest have de-registered; and

(c) The trading business has stopped importing, other than the existing Thai Redwood transaction. The Thai Redwood transaction that was expected to occur in May 2012 has been delayed multiple times.

41. The Monitor also notes that as the restructuring proceedings continue with no resolution, the ability of Sino-Forest to maintain its relationship with the PRC government may become increasingly difficult.

Chops, Annual Review and Process to Change Legal Representatives

42. Upon filing, FTI began discussions regarding the corporate governance of the Sino-Forest Subsidiaries, particularly the PRC entities which are located in various regions in the PRC. Through initial conversations and advice provided by Hong Kong and PRC counsel, the Monitor learned that, as a corporate governance matter, companies incorporated in the PRC:

- (a) Are represented by an individual who is appointed as the “legal representative” of that company in dealing with external parties and under the PRC law; and
- (b) conduct business through “chops” which are akin to company seals. PRC companies can have different kinds of chops including the “company chops”, “financial chops” and “individual bank signatory chop”. These chops are generally located at the subsidiary where they are used and may only be used by authorized individuals.

43. Shortly after the Filing Date, Sino-Forest sent out a company-wide letter (the “**Letter**”) to all of the subsidiaries identifying new restrictions on the use of the chops and prohibiting the use of these chops without prior permission from identified senior management of Sino-Forest. As discussed in further detail below, the Letter also outlined a new protocol for proposed disbursements and for entering into new contracts and commitments above a pre-determined threshold, including prior review by FTI.

44. As previously reported, in April 2012 there were several personnel changes due in large part to the ongoing investigation and charges laid by the OSC. As a consequence of these

changes, the Company and FTI undertook a diligence exercise to determine the legal representatives for all Sino-Forest PRC companies and the location and security of the various chops. A summary of the steps taken is as follows:

- (a) The Company, through its legal counsel, conducted a corporate review of the PRC subsidiaries to determine the identity of the legal representatives of each company. This review showed that there was a consistent legal representative across many of the subsidiaries and that in most cases the legal representative was no longer an employee of Sino-Forest.
 - (b) FTI then conducted physical visits of approximately 50% of Sino-Forest's PRC subsidiaries and observed the location of the company chop, financial chop and individual bank signatory chop for those subsidiaries it inspected.
 - (c) It was determined that it was not necessary or prudent to conduct an initial review of all PRC subsidiaries. This determination was based on the fact that: chops are physically located at the subsidiary offices throughout the PRC, the costs associated with physically visiting all locations and the relative levels of business historically reported by such subsidiaries. Instead, FTI selected a sample of subsidiaries to visit based on levels of business, cash balances and physical ability to visit those locations.
45. Based on the inspections that FTI has conducted, the chops appear to be physically locked in storage or other cabinets at the subsidiary level. Initially, there was one exception, but FTI has been advised that it has been remedied. FTI cannot be sure that the chops are kept under lock and key at all times given the practical prohibitions on such monitoring. However, FTI is advised by Sino-Forest management that the protocols set out in the Letter continue to be followed.
46. The Monitor expressed concern to Sino-Forest regarding the physical location of the chops at each of the subsidiaries as well as the legal representatives (particularly those that are no longer employees of Sino-Forest). These concerns were somewhat mitigated by the implementation of the new controls under the Letter. Further, at the time these

concerns were initially raised, Sino-Forest's view was that (a) physical relocation of the chops to a more centralized location was not possible as a practical matter as they are needed by each subsidiary on a daily basis to conduct any business; and (b) any changes in legal representatives or other protocols at that time were not timely due to the fact that the PRC subsidiaries were undergoing their annual review process. The annual review process is described in more detail below.

47. Over the past number of months, Sino-Forest's PRC subsidiaries have been undergoing annual reviews. These reviews are government mandated and companies are required to pass these reviews every year in order to carry on business in the PRC. As of July 31, 2012, all of the annual reviews have now been completed. FTI is advised that all but three (3) of the PRC subsidiaries have passed their review and FTI is now in the process of receiving copies of the stamped business licenses indicating that the reviews were successful. For those three (3) that remain outstanding, two (2) are expected to be complete by August 10, 2012 and the last one by August 31, 2012.
48. Given the completion of the annual reviews, the Monitor is re-visiting discussions with Sino-Forest management to determine whether further steps should be taken to either replace the legal representatives and/or obtain a greater degree of certainty on the use and security of the chops.

Cash Position of Sino-Forest Subsidiaries

49. Prior to the CCAA proceedings, the Independent Committee, through its financial advisor, PricewaterhouseCoopers LLP ("PwC") was trying to verify the cash position of Sino-Forest. PwC was able to complete verification as of June 13, 2011 of 81% of the cash position in the PRC and 100% in Hong Kong.
50. Since the Filing Date, FTI has continued to work with Sino-Forest to verify cash positions on an on-going basis particularly given the fact that the PwC verification was as of ten (10) months prior to the filing.
51. Sino-Forest has approximately 546 bank accounts, 327 of which are located in various parts of the PRC. FTI initially commenced work to understand the logistics, location and

reported balances in these accounts and based on that, determined that the best approach was to conduct an initial review of all accounts with a balance over \$5 million. The further following actions continue to be taken by FTI in order to verify cash positions:

- (a) FTI performs a monthly review of bank statements for over 60% of the bank accounts as compared to the bank statements. Included in the accounts that are under review are all of the accounts with significant balances as well as a monthly random review of selected accounts with smaller balances;
 - (b) FTI has also physically visited specific banks in efforts to confirm certain account balances as at March 31, 2012. Sino-Forest has 17 bank accounts in the PRC with balances in excess of \$5 million as at March 30, 2012. The 17 accounts represent approximately 65% of the expected total of all PRC bank accounts, or 44% of the expected total of all account balances;
 - (c) FTI selected 9 of the 17 accounts to be verified and visited the banks with local Sino-Forest personnel located in: Hunan Province, Jiangzi Province, Guizhou Province, Shanghai and Guangzhou. No material misstatements were identified for any of the reviewed account balances as of March 30, 2012; and
 - (d) There were 216 non-PRC bank accounts with a total balance of approximately \$167 million as at March 30, 2012. FTI has verified all of these accounts with a balance of over \$100,000 by checking bank statements, which represents approximately 99% of the total non-PRC balance. FTI performs a selected review of a portion of the non-PRC bank accounts on an ongoing basis.
52. As an example, the breakdown of accounts reviewed per segment for June 2012 is detailed below. Based on the review procedures set out in 51(a) and (d) above, there were no material misstatements in those accounts checked.

USD	Sino-Wood	Sino-Panel	Non-PRC	Total
# of accounts with balances	147	180	219	546
Balances as at June 30, 2012 (\$ 000s)	\$ 92,709	\$ 126,275	\$ 145,235	\$364,218
% of bank account balances reviewed	58%	64%	69%	64%

Receivables

53. The Initial Order Affidavit set out Sino-Forest's receivable balances, including ongoing difficulties in collecting those receivables given the MW Report and the uncertainty surrounding the business. Sino-Forest had, in fact, instructed one of its then PRC counsel to send demand letters in respect of significant receivable balances.
54. As of July 12, 2012, the Company had recorded receivables totalling approximately \$1 billion. Details regarding the outstanding receivables balance can be found below:

	\$	%
BVI Standing Timber	\$ 887	82%
Wood WFOE Standing Timber	\$ 1	0%
Panel WFOE Standing Timber	\$ 42	4%
BVI Trading	\$ 126	12%
WFOE Trading	\$ 11	1%
Miscellaneous	\$ 14	1%
Total	\$ 1,081	100%

55. Subsequent to the commencement of the CCAA proceedings, management engaged another PRC law firm, Jingtian & Gongcheng (“J&G”) to follow up on the collection of outstanding receivables. Collection methods include detailed analysis of existing outstanding receivables, demand letters, follow up on demand letters that Sino-Forest's prior PRC counsel had advised it sent and face-to-face discussions with third parties in respect of certain specific outstanding receivables.
56. FTI has also begun participating (and continues to participate) in weekly meetings with Sino-Forest for a status update on legal proceedings/actions launched against specific debtors throughout the CCAA proceedings. FTI has also been participating (and continues to participate) in weekly meetings with subsidiaries as well as weekly calls with Jingtian & Gongcheng.
57. More recently, FTI has taken additional measures in following up on the status of the outstanding receivables, understanding the nature of collection methods being used and the impact these methods may have had on reducing the total outstanding balance.

58. In the course of FTI's increased role in assisting with the collection of receivables, FTI requested J&G to conduct searches of several entities, the results of which can be summarized as follows:
- (a) Searches were conducted against six (6) AIs with whom the BVI entities conduct business for standing timber and who make up approximately \$887 million of the Company's reported receivables. Based on the search results, three (3) of those entities, representing \$504 million in receivables, have been de-registered.
 - (b) Searches were conducted against twelve (12) entities with whom the BVI entities conduct business for BVI trading and who make up approximately \$126 million of the Company's reported receivables. Based on the search results, six (6) of those entities, representing \$63 million, have been de-registered, one (1) of which is also included in paragraph (a) above.
59. Although discussions are ongoing regarding the impact of de-registration and possible recourse available to Sino-Forest, the receivables position of Sino-Forest appears to be significantly different from past reported receivables. On July 31, 2012, the Company issued a press release outlining the discoveries made regarding the de-registration of these parties. A copy of the press release is attached as Appendix J hereto.
60. By far, the most significant impact of the above has been the de-registration of the AIs. As was set out in the IC Reports as well as the Initial Order Affidavit, there has always been very little insight into the business of the AIs including their books and records, cash collections and disbursements. Further, based on the IC investigation, it is apparent that there are on-going issues with respect to many aspects of the business transactions between Sino-Forest and the AIs, including the nature of many of these relationships. Historically, receivables from AIs were not collected as they were used to offset new standing timber purchases, as described in the description of the BVI model in the Initial Order Affidavit and the IC Reports.
61. The Monitor has been informed by King & Wood Mallesons that "de-registration" in the PRC is effectively the wind-up or termination of such company. In other words, after de-

registration, the company ceases to exist. However, as of the date of this Report, the Company and the Monitor are still at the stage of obtaining further legal advice regarding the de-registration process and possible civil and/or criminal remedies that might be available to Sino-Forest including pursuit of the shareholders of the AIs that have been de-registered and other related parties.

62. In the event that, in fact, these debts are not honoured, they may be written off by the Sino-Forest Subsidiaries that they are owed to, which would be a typical accounting practice.

The Thai Redwood Transaction

63. In March 2011, at the initiation of a former senior employee of Sino-Forest, Sino-Forest entered into two contracts (which were subsequently amended) for the purchase of approximately 6,500 tons of Thai Redwood through a PRC distributor (the “**Thai Redwood Transaction**”). In connection with the entering into of those contracts, Sino-Forest paid a deposit of \$15 million in April 2011 and a further deposit of \$32 million in December 2011.
64. Since the commencement of the proceedings, Sino-Forest has made ongoing efforts to either receive the Thai Redwood or get a return of the deposits. In that regard, numerous meetings have taken place with various individuals involved in the Thai Redwood Transaction. FTI has attended some of these meetings.
65. To date, Sino-Forest has not received shipment of the Thai Redwood. Sino-Forest and FTI have been advised by the supplier that the delay is due to many complicating factors including the political changes in Thailand and weather conditions. However, the significant delay has been of great concern to both the Monitor and the Company and, as a result, Sino-Forest is in ongoing negotiations with its supplier for return of the deposit or delivery of the wood. As of the date of this report, no resolution has been reached. It is the Monitor’s view that, at this point, recovery of either the deposits or delivery of the Thai Redwood is uncertain.

Management's Internal December 2011 Financial Statement Impairment Provisions

66. Management of the Company advised the Monitor that it has recorded approximately \$560 million in impairment provisions in respect of its internal 2011 financial statements. Management is currently working on finalizing the internal financial statements for Q1 2012 and expects to do so over the coming weeks.
67. A majority of the write-offs that pertain to the internal 2011 year-end financial statements relate to goodwill impairment, trade receivable impairments, fair value impairments of standing timber and deposits and plantation prepayments made in respect of contractual commitments. The 2011 provision does not take into account any potential additional write-offs related to accounts receivable, that may have to be accounted for due to the recent discovery of the de-registration of AIs or other third parties as described above. Any additional provisions will be recorded in the Q1 2012 internal financial statements.
68. The Monitor has had a number of discussions with the Company's management to understand the rationale and underlying justification for this provision. The Monitor has also requested back up information and documentation to try to understand the Company's decision more thoroughly. To date, the Monitor has reviewed a number of documents and makes the following observations:
- (a) Approximately 13% of the provision taken relates to trade receivable impairments and bad debts written off. The impairment provision relates to the fact that the receivables balances are more than one year old and the Company follows a policy of providing for receivables that are more than one year past due. There are a number of customers that may also be suppliers and/or be related to suppliers and therefore there may be opportunities for set-off that management is currently looking into;
 - (b) Approximately 20% of the provision taken relates to wood log deposits, of which approximately 30% relate to certain 2011 deposits with the same supplier discussed above, who is party to the Thai Redwood Transaction, but relating to separate transactions. The assumptions underlying the impairments are based on

a lack of activity with counterparties to Sino-Forest's log supply agreements since MW;

- (c) Approximately 38% of the provision taken appears to be related to Mandra goodwill and intangibles and write offs of the fair value of timber assets based on management's estimate of recovery;
 - (d) The remaining provision amounts include certain balances that management has deemed impaired and/or written off due to existing external circumstances; and
 - (e) There are a number of explanations that are still outstanding as they relate to specific questions in the PRC and/or analysis performed by individuals who are no longer employed by Sino-Forest.
69. The Monitor continues to hold discussions with management to better understand the assumptions underlying the write-offs and potential impact on the existing business. The Monitor continues to review explanations and supporting documentation in both Canada and Hong Kong.

Disbursements

70. As set out above, the Letter provided for a new protocol on authorized disbursements. The Letter specifically provided that no disbursements or new commitments were to be made over an agreed upon threshold without approval from senior management and review by FTI.
71. FTI continues to work with Sino-Forest to monitor disbursements and confirm that the protocol on disbursements is followed. On a weekly basis, FTI reviews a list of proposed payments by Sino-Forest in excess of a pre-determined threshold. On a monthly basis, FTI reviews a sample of bank statements to verify that payments in excess of a pre-determined threshold were made and to verify the ending cash balances. Based on these controls, with one exception that took place shortly after the Filing Date, the appropriate protocols on disbursements appear to be followed.

72. As of July 20, 2012, Sino-Forest is approximately \$91 million ahead of its cash flow, a significant portion of this relating to a difference in actual versus forecast disbursements. Further details explaining the variance analysis can be found in the section entitled “Cumulative Variance Analysis”.
73. A significant portion of the approximately \$91 million is attributable to lower actual disbursements than forecast in Sino-Panel. The differences are primarily a result of:
- (a) approximately \$18 million in operating expenses that were lower than forecast due to lower work levels at manufacturing plants, poor weather conditions; and
 - (b) approximately \$50 million in outstanding accounts payable payments for plantation purchases and lease payments that have been delayed (at this point in time, it is still unknown what portion of the difference is timing versus permanent).

Cumulative Variance Analysis

74. The Sino-Forest Subsidiaries’ net cash flows broken down by Sino-Forest’s key operating lines, together with an explanation of key variances as compared to forecast is described below. Actual net cash flows are for the period from March 30, 2012 to July 20, 2012.

USD millions	Actual	Forecast	Difference
HK/BVI/Barbados	\$ (16)	\$ (18)	\$ (2)
Sino-Wood	\$ 12	\$ (10)	\$ (22)
Sino-Panel	\$ (10)	\$ (63)	\$ (53)

The key variances in actual receipts and disbursements as compared to forecast are:

- (a) Sino-Wood:
 - (i) Sino-Wood received a \$5 million bank loan which was not originally forecast by the Company;

- (ii) Sino-Wood was supposed to receive an approximate \$5 million capital injection which has been delayed;
 - (iii) Expenses related to planted plantations of approximately \$5 million were lower than forecast due to unforeseen weather and timing issues; and
 - (iv) General overhead expenses were lower than forecast by approximately \$3 million resulting primarily from timing differences.
- (b) Sino-Panel:
- (i) Sino-Forest forecast that the Thai Redwood Transaction would be completed and that approximately \$14 million in sales would have occurred. The Thai Redwood Transaction has been delayed and therefore the sales have not yet materialized;
 - (ii) Delayed payment to a specific supplier harvesting timber has further delayed expected revenue of approximately \$9 million related to the timber;
 - (iii) A majority of the forecast accounts payable have been delayed. A portion of the positive variance of approximately \$50 million may be a permanent difference, but this has not yet been determined; and
 - (iv) Operating expenses were lower than forecast due to lower work levels at the manufacturing plants than forecast, poor weather and the delayed Thai Redwood Transaction. A portion of the positive variance of \$18 million may be permanent, but this has not yet been determined.

UPDATE ON SINO-FOREST SUBSIDIARY OPERATIONS

75. Reference should be made to the IC Reports and the Initial Order Affidavit for an overview of the different segments of Sino-Forest's business as well as historic operating levels.

Operational Changes

76. Since the filing, the Monitor is not aware of any new Sino-Forest entities being incorporated or any major transfers of assets among subsidiaries. Sino-Forest has continued to employ the vast majority of its employees (other than those personnel changes that have previously been discussed), the majority of whom work in Sino-Forest's manufacturing operations.
77. Subsequent to the filing, management of the Sino-Panel subsidiaries was replaced after the April 2012 personnel changes were made. New management of Sino-Panel are in the process of dealing with on-going operational issues, meeting with agents and negotiating resolutions to the outstanding legal matters.

Wood Fibre Operations

78. As set out in the Initial Order Affidavit for the year ended December 2010, revenue from wood fibre operations accounted for approximately 96.4% of Sino-Forest's reported revenue. In June 2011, upon the release of the MW Report, wood fibre operations, effectively halted, with very little purchases or sales in the third or fourth quarter of 2011 and no purchases or sales in 2012.

Other Businesses

79. The balance of Sino-Forest's businesses (which are all described in the Initial Order Affidavit) accounted for approximately 3.6% of Sino-Forest's reported revenue in 2010. These businesses were also significantly impacted by the MW Report, and have continued at diminished levels for the balance of 2011 and the first quarter of 2012.
80. A brief summary of some of those on-going businesses is as follows:
- (a) *Manufacturing and Other Operations.* The industrial segment of the subsidiaries includes manufacturing and industrial operations and employs approximately 2290 employees. Historically, only two of the operations provided positive financial performance, the remaining industrial operations have historically incurred financial losses. There has been no significant changes in the operations of this business segment.

- (b) *Log Trading.* The subsidiaries dealing with trading activities are in the process of being shut down. The only potential forecast incoming supply of logs is related to the Thai Redwood Transaction, which has been discussed above. The trading business segment has an inventory of existing logs, which they are in the process of selling.

Overall Impact

81. The Monitor continues to be of the view that it is important for these proceedings to be completed as soon as possible given the events that have taken place and may continue to take place which have a significantly negative impact on the business.

UPDATE ON TIMBER ASSETS AND VERIFICATION EFFORTS

82. The Monitor is aware that verification and valuation of the Sino-Forest assets is of ongoing interest to many participants in the Sino-Forest CCAA proceedings for various reasons. Indeed, verification and valuation were issues that was addressed by the IC in its reports. The Final Report provided some information regarding verification work that was considered. However, the IC observed that even if verification work was able to be completed, there were still significant hurdles to establishing valuation given the title issues in the BVI model and the relationship issues regarding many of the AIs.
83. Indufor was engaged by Sino-Forest during the course of the independent committee investigation to perform an area verification of the forestry estate of Sino-Forest. However, for the reasons set out above as well as the time consuming nature of verification, very little or no verification was completed prior to the issuance of the Final Report.
84. Indufor, under the supervision of Stewart Murray and the Company, has continued to work on verification post-filing. The area verification process is a two stage process that is being undertaken in the PRC. The process involves incrementally confirming the geographic location of each compartment, followed by a verification of each compartment's area of stocked forest cover using an independent source of satellite imagery.

85. The Monitor has been advised that the area verification exercise currently being undertaken by Indufor is a lengthy process and requires the dedication of long term resources. The work Indufor is undertaking includes the following:
- (a) Registering and digitizing maps;
 - (b) The use of Satellite imagery and image pre-processing routines;
 - (c) Atmospheric Correction;
 - (d) Vegetation classification;
 - (e) Map uplift, digitization and satellite imagery process (a time-consuming process that is necessary to ensure compliance with restrictions that apply to the distribution of PRC maps); and
 - (f) Area verification.
86. To date, Indufor has completed six (6) verification reports confirming the compartment locations of 63,956 hectares of the Sino-Forest estate to date. The confirmation involves geo-referencing and digital mapping of the compartments and represents approximately 8% of total Sino-Forest reported net stocked area of 808,685 hectares as at the end of December 31, 2011. Analysis and findings of these reports are limited solely to the area that has been verified. No extrapolations of findings to the wider Sino-Forest estate are possible or implied.
87. The Monitor is not yet clear as to whether the Indufor work will ultimately be timely or helpful in resolving the questions concerning the value of Sino-Forest's business. The Monitor understands that this type of work is extremely time consuming and that, in order to complete any meaningful amount of verification could take years, at a minimum.
88. As set out in previous documents including the IC Reports and the Initial Order Affidavit, asset verification to any degree of certainty may be difficult in this situation given many factors including, the nature of the assets, geographical impediments, political impediments and financial resources available. The verification exercise is a lengthy

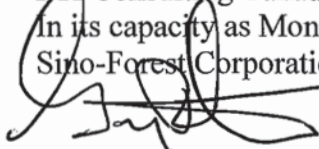
process and likely to take years to verify any significant percentage of the Sino-Forest estate.

89. The Monitor also notes that even if Indufor is able to verify even a portion of the assets, further work will need to be done to verify the underlying documents and assumptions used by Indufor. Lastly, as discussed above, verification does not establish title or deal with the relationships with the AIs (or address the issues arising from the de-registration of AIs).

Dated this 10th day of August, 2012.

FTI Consulting Canada Inc.

In its capacity as Monitor of
Sino-Forest Corporation, and not in its personal capacity



Greg Watson
Senior Managing Director



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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
(PROCEEDING COMMENCED AT TORONTO)

SIXTH REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

**APPENDIX I - THE TENTH REPORT
(WITHOUT APPENDICES)**

(See Attached)

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

Sino-Forest Corporation

TENTH REPORT OF THE MONITOR

October 18, 2012

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

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

INTRODUCTION

1. On March 30, 2012 (the “**Filing Date**”), Sino-Forest Corporation (the “**Company**”) filed for and obtained protection under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the “**Monitor**”) in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company’s subsidiaries. Pursuant to an Order of this Court made on October 9, 2012, this Court granted an Order extending the Stay Period to December 3, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the “**Sale Process Order**”).

3. The Monitor's Sixth Report dated August 10, 2012 (the "**Sixth Report**") provided a report on the Sino-Forest business and subsidiaries. A copy of the Sixth Report (without appendices) is attached hereto as Appendix A. The Monitor and FTI Consulting (Hong Kong) Limited have continued to work with the Company and its advisors with respect to the Sino-Forest business and the financial status of the Sino-Forest Subsidiaries. The purpose of this Tenth Report is to provide a financial and operational update relating to the Sino-Forest Subsidiaries since the Sixth Report.
4. This Tenth Report is based on recent information and is subject to change based on additional information generated as a result of the ongoing activities by FTI (defined below) in Hong Kong in addition to the ongoing work by the Company's advisors located in Hong Kong and the PRC.
5. In preparing this Tenth Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors (the "**Independent Committee**") dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**" and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Tenth Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Tenth Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
6. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.

7. The term “**Sino-Forest**” refers to the global enterprise as a whole but does not include references to the Greenheart Group. “**Sino-Forest Subsidiaries**” refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
8. Capitalized terms not defined in this Tenth Report are defined in the Sixth Report.

GENERAL BACKGROUND

Sino-Forest Business

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

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

FINANCIAL UPDATE REGARDING THE SINO-FOREST SUBSIDIARIES

Overview

14. Since the outset of these proceedings (including the Initial Order Affidavit and the Pre-Filing Report), stakeholders have been informed that the Company's business remained frozen and placed into a stalemate. Further, management of Sino-Forest has advised the Monitor that the uncertainty surrounding the business, and the deterioration of the company's relationships in the PRC, would only increase the longer that these proceedings continued without resolution and contracting parties in the PRC believed that they could avoid honouring their obligations in the expectation that the CCAA Proceedings would not be timely resolved in a way that saw the business continue. Management has also advised and continues to emphasize the importance of relationships in doing business in the PRC, which importance was also noted by the Independent Committee in the Second IC Report.

Financial Statements

15. As previously reported, the Company's most recent consolidated financial statements are as of December 31, 2011. In the following discussion of various balance sheet accounts, the Monitor used the most current information available from the Company based on its internal books and records.

Cash Position of Sino-Forest Subsidiaries

16. The Sixth Report set out the efforts undertaken by the Monitor and FTI Consulting (Hong Kong) Limited (collectively, "FTI") regarding verification of Sino-Forest's cash balances in its various accounts in the PRC and elsewhere. Monthly reconciliations (as described in the Sixth Report) are on-going. The updated breakdown of accounts reviewed up to August 31, 2012 are detailed below. No significant variations or other issues have arisen as a result of those checks.

USD	Sino-Wood	Sino-Panel	Non-PRC	Total
# of accounts with balances	147	175	217	539
Balances as at August 31, 2012 (\$ 000s)	\$ 84,030	\$ 118,943	\$ 130,244	\$ 333,217
% of bank account balances reviewed	79%	83%	90%	85%

Overview of Receivables

17. The Sixth Report provided an overview of Sino-Forest’s receivables. As of December 31, 2011, the Company had recorded receivables totalling approximately \$1.1 billion in their books and records. The \$1.1 billion is net of an allowance of \$73 million that was made in December 2011:

	\$000	%
BVI Standing Timber	887	82%
Wood WFOE Standing Timber	1	0%
Panel WFOE Standing Timber	42	4%
BVI Trading	126	12%
WFOE Trading	11	1%
Miscellaneous	14	1%
Total	1081	100%

(a) BVI Standing Timber Receivables

18. Since the commencement of the CCAA, none of the outstanding BVI Standing Timber receivables (which are owed by authorized intermediaries or “AIs”) have been collected or converted into new standing timber.
19. At the time of the issuance of the Sixth Report, FTI (in consultation with the Company and the advisors to the ad hoc committee of noteholders (the “AHC”)) had started to investigate the receivables in more detail. The Sixth Report set out that approximately \$887 million of these receivables were owed by six (6) AIs (the “AI Receivables”). The Sixth Report also set out that it had been discovered that three (3) of the AIs owing approximately \$504 million in receivables have de-registered themselves under PRC law.

20. Since discovering the de-registrations of these AIs, Sino-Forest has been attempting to set up meetings with the AIs and the financial backers of the AIs. To date, although there have been conversations with some of these AIs, none of the parties have agreed to a meeting. Further, Sino-Forest has been unable to contact the financial backers to the AIs.
21. FTI has been advised by the Company that it is considering the need to take a provision for a portion of the AI Receivables in its books and records as a result of the de-registering of the three (3) AIs as well as the magnitude of such provision.
22. In respect of the de-registered AIs, FTI continues to work with Sino-Forest and legal counsel to determine its available criminal and civil recourse under PRC law. Sino-Forest, with the assistance of its PRC legal counsel, is also exploring other alternatives to prevent additional third parties from de-registering and/or from de-registering without prior notice and has taken preliminary steps in this regard.

(b) BVI Trading Receivables

23. Accounts receivable relating to BVI trading (“**BVI Trading Receivables**”) are made up of sales of wood logs by Sino-Forest to twelve (12) separate entities. Ten (10) of these entities were registered in the PRC the other two (2) are registered in the BVI.
24. As set out in the Sixth Report, since the commencement of the CCAA Proceedings:
 - (a) there have been no collections of the outstanding BVI Trading Receivables; and
 - (b) Six (6) entities owing approximately \$63 million (of the total \$126 million) in receivables for BVI trading, have de-registered.
25. Since the Sixth Report, in consultation with the Company and the AHC, FTI has continued its investigation into these entities. In that regard, FTI has attempted to make contact with the entities owing the BVI Trading Receivables by telephone, but has had limited success in communicating with these entities and has not received any meaningful information as to their status or intention to honour their receivables. In two (2) instances, initial contact was made and a promise to investigate and respond was not kept.

Further contact of these two (2) entities has been attempted, but has been unsuccessful to date.

26. FTI has also made discreet site visits to the PRC entities' addresses of record and has found only one (1) of the entities is operational at the address of record. At the other nine (9) addresses, minimal operation or no evidence of existence of the entity was found.

(c) Panel WFOE Receivables

27. The Sino-Panel WFOE receivables (totalling \$42 million) are made up of sales of wood logs by Sino-Forest to nine (9) separate entities. All nine (9) of these entities were registered in the PRC.

28. Since the commencement of the CCAA:

(a) there have been minimal collections from outstanding Panel WFOE receivables; and

(b) One (1) entity owing approximately \$10 million in receivables for Sino-Panel WFOEs, has de-registered.

29. FTI has attempted to make contact with the entities owing the Panel WFOE receivables by telephone, but has had limited success in communicating with these entities and has not received any meaningful information as to their status or intention to honour their receivables.

30. FTI has also made discreet site visits to all nine (9) entities addresses of record and has found only two (2) of the entities are operational at the address of record. At the other seven (7) addresses, minimal operations or no evidence of existence of the entity was found.

Prepayments and the Status of the Thai Redwood Transaction

31. In the course of both its standing timber and trading business, Sino-Forest made prepayments (or deposits) from time to time. These prepayments were generally either in

respect of wood log deposits (such as in the case of the Thai Redwood Transaction) for prepaid lease interests for standing timber, or for prepaid plantation costs.

32. As of December 31, 2011, the financial statements of the Company show total prepayments of approximately \$219 million, split between current and non-current as detailed below:

Prepayments and Other Assets	Book Value	
	\$ millions	%
Current		
Prepaid Lease Payments	7	9%
Wood Logs Deposits	49	66%
Wood-Based Products Deposit	2	3%
Other	16	22%
Total Current	74	100%
Non-Current		
Prepaid Lease Payments	116	80%
Prepaid Plantation Costs	24	17%
Deposit for acquisition	2	1%
Other	3	2%
Total Non-Current	145	100%
Total	219	

33. The Company made allowances or impairment charges of approximately \$135 million prior to closing the December 31, 2011 books. Approximately \$108 million of the allowance related to wood log deposits, a further \$27 million related to prepaid plantation costs.

(a) Wood Log Deposits

34. As noted above the Company has recorded an impairment charge of \$108 million or roughly 70% of the outstanding wood log deposits at December 31, 2011. Prior to the impairment charge the balance of wood log deposits was \$157 million. The log trading business of the Company was discontinued in April of this year, which is the reason the Company has provided for the impairment charge.

(b) Status of Thai Redwood Transaction

35. The remaining balance of wood log deposits of \$49 million, relates mainly to the Thai Redwood Transaction which was described in detail in the Sixth Report.
36. Sino-Forest has taken additional steps in an attempt to recover its deposits paid to the supplier involved in Thai Redwood Transaction. These steps include:
- (a) Sino-Forest has successfully obtained an ex-parte freezing order over certain of the supplier's assets located in Hong Kong;
 - (b) Sino-Forest has filed a request for Arbitration with the International Chamber of Commerce (the "ICC") on August 28, 2012;
 - (c) Demand letter has been sent to the supplier for the additional approximately \$40 million that the suppliers owed to Sino-Forest; and
 - (d) Sino-Forest and the relevant Supplier have agreed to hold further litigation in abeyance to allow for settlement discussions to take place in late October or early November.

(c) Prepaid Lease Payments

37. Historically, Sino-Forest made land lease payments for future periods in the normal course of its business. Some of these prepayments were for significant periods of time in the future, in certain cases as much as 30 years. Current Sino-Forest management has questioned this practice and has, in certain instances, refused to approve these disbursements. Sino-Forest has not entered into further arrangements of this nature during the CCAA Proceedings.
38. While, FTI has not examined the validity of the historical payments recorded in the books and records of the Company, certain land owners have alleged that they have not received amounts due under specific land leases even though these payments may have been made to third parties (referred to as "agents" by Sino-Forest). The Monitor understands that

litigation among the relevant Sino-Forest Subsidiary and such land owners is ongoing in the PRC.

(d) Prepaid Plantation Costs

39. Prepaid plantation costs are deposits which Sino-Forest has paid to third parties for partial acquisition costs of plantations. Sino-Forest is contractually bound to pay the remainder of the plantation acquisition costs at some point in the future based on the acquisition contract. Given the uncertainty surrounding the future operations of Sino-Forest, the Company has recorded an impairment charge against the amounts already paid as deposits.
40. The Company recorded an impairment charge of approximately \$27 million in December 2011, leaving a net balance of \$24 million in their books and records at December 31, 2011.

Inventory

41. The total inventory recorded in the books and records of the Company as at March 31, 2012 is as follows:

Inventory	\$000
Raw Materials	\$ 3,627
Work in Process	\$ 13,341
Finished Goods	\$ 19,929
Timber logs	\$ 26,581
Nursery	\$ 2,406
Total	\$ 65,884

42. Sino-Forest is not purchasing any new timber and is attempting to sell all of its existing inventory.

Timber Holdings

43. The Sixth Report set out the verification and validation efforts by the Company of its timber holdings. Specifically, the Sixth Report provided an overview of the verification efforts being undertaken by Indufor post-filing in respect of geo-referencing and digital mapping of compartments.
44. As of December 31, 2011, the Company has recorded total timber holdings of approximately \$3.4 billion (approximately 807k hectares):

Forest Estate Category	Sino-Forest Reported Forest Estate Area as at 31 December 2011 (ha)	Book Value at December 31, 2011 (\$000s)	Gross Area Detailed in the Purchase Contracts & Certificate Maps Supplied to Indufor (ha)	% of Hectares for which Maps have been provided by Company
WFOE Planted Timber and Leased Land	50,697	\$134,634	46,951	93%
WFOE Purchased Timber and Leased Land	31,371	\$83,310	13,780	44%
WFOE Purchased Timber Only without Land Leases entered	71,577	\$190,084	-	-
Mandra Purchased Timber and Leased Land	132,695	\$58,107	84,826	64%
BVI Purchased Timber Only without Land Leased entered	520,435	\$2,921,976	5,542	1%
Total	806,775	\$3,388,111	151,099	19%

Note: The book value of the WFOE Timber is approximately \$408 million at December 31, 2011, this amount has been allocated to the three WFOE categories above on a pro rata basis

45. As detailed in the Sixth Report, the Company engaged Indufor Asia Pacific Ltd. (“**Indufor**”) to conduct an area verification of the forestry estate of the Company.
46. In order for Indufor to begin its area verification work it must be provided maps of the various compartments of land by Sino-Forest. To date:
- Sino-Forest has been able to provide Indufor maps for the majority of the compartments which are on leased lands (i.e. WFOE Planted Timber and Leased Lands, WFOE Purchased Timber and Leased Lands and Mandra);
 - Sino-Forest has been able to produce less than 1% of the maps for compartments which do not include land leases; and
 - The maps that were provided in respect of the less than 1% or 5,542 hectares were provided by certain of the former senior management group of Sino-Forest.

47. In the Second IC Report, the Independent Committee reported the potential consequences associated with not obtaining maps for non-leased lands (i.e. BVI Standing Timber), stating that it was not clear “how the Company would be able to identify the relevant areas of timber purchased by the BVI’s at the time of sale or harvesting”.
48. In light of recent results from attempts at obtaining maps, FTI has been informed that Indufor has been instructed by Sino-Forest to discontinue further area verification work at the present time while Sino-Forest, FTI and the AHC continue to discuss the appropriate work to be done.

Timber Suppliers

49. As set out in the Initial Order Affidavit and the Pre-Filing Report, Sino-Forest has a number of key relationships, which have been progressively breaking down since June 2011 such as its relationships with Sino-Forest’s “suppliers” (“**Suppliers**”). These are parties with whom Sino-Forest has entered into the purchase contracts for the timber assets. The contracts entered into by Sino-Forest and the Suppliers contain numerous clauses compelling the Suppliers to assist Sino-Forest (which assistance can include providing land rights certificates, dealing with the land owners and other matters which are crucial to Sino-Forest’s business operations).
50. FTI in consultation with the Company and the AHC, has commenced efforts to contact nine (9) Suppliers who were responsible for supplying approximately 93% of the Company’s total book value and area (hectares) of BVI Standing Timber and has sought to set up meetings with Suppliers.
51. FTI has learned that two (2) of nine (9) Suppliers have de-registered, and has been unable to date to confirm the corporate existence of a third entity. FTI has attempted to contact all nine (9) Suppliers with the result being that the Suppliers have either been unreachable or have indicated they were unavailable until after the end of the PRC national holiday week (which ends on October 7, 2012). Now that the holiday week is completed, efforts with these Suppliers will continue.

52. The Company, the AHC and FTI continue to assess the impact of the deterioration of these Supplier relationships on the Sino-Forest business and its future prospects as well as potential strategies (including legal strategies in the PRC) in that regard.
53. The Monitor notes from its review of the IC Reports that, in the course of its investigation, the Independent Committee also reported on the difficulty in receiving cooperation from AIs and Suppliers in connection with its investigation of Sino-Forest's relationships with such persons.

Mandra Timber Holdings

54. In 2010, the Company purchased Mandra for total consideration of approximately \$263 million. As at December 31, 2011, management booked an impairment charge of approximately \$212 million to the Mandra investment such that the net book value of Mandra as of March 31, 2012 was approximately \$51 million.
55. Sino-Forest has expressed the following reasons for the impairment:
 - (a) Approximately \$89 million of goodwill and intangibles was written off reflecting Sino-Forest's assessment of the deterioration of its business activities after MW and the uncertainty around the ability of the Company to implement its strategy with the Mandra asset; and
 - (b) Approximately \$90 million of timber fair value was written off reflecting Sino-Forest's assessment of a lack of support from local government and a change in attitude since June 2011 in respect of obtaining plantation harvesting rights as well as swapping plantation assets.
56. The future viability of the Mandra timber holdings continues to be reviewed by Sino-Forest, FTI and the AHC.

Management's Internal Financial Statements

57. As discussed earlier, the most current financial statements provided to FTI are December 31, 2011. Management continues to work on consolidated internal financial statements for Q1 and Q2 2012.

Cumulative Variance Analysis

58. The Sino-Forest Subsidiaries' net cash flows broken down by Sino-Forest's key operating lines, together with an explanation of key variances as compared to its forecast, is described below. Actual net cash flows are for the period from March 30, 2012 to September 7, 2012:

USD millions	Actual	Forecast	Difference
HK/BVI/Barbados	(20)	(11)	(9)
Sino-Wood	7	(15)	22
Sino-Panel	(18)	(64)	46

59. The key variances in actual receipts and disbursements as compared to forecast are:

(a) HK/BVI/Barbados:

(i) The significant difference in actual versus forecast balances, is that the forecast assumed there would be revenue of \$9.5 million from the sale of Thai Redwood in early September, however, the sale did not take place. It should be noted that the forecast also assumed an additional \$42.5 million of revenue from the sale of Thai Redwood in September and October 2012.

(b) Sino-Wood

(i) The difference in Sino-Wood remains the same as reported in the Sixth Report. Business continues to be slow and so inflows are lower than

forecast, while expenditures (including capital expenditures) are also lower.

(c) Sino-Panel

- (i) The difference between actual cash inflow/outflow and the forecast has deteriorated by approximately \$7 million since the Sixth Report. The largest difference relates to the sale of Thai redwood which the Forecast assumed to be approximately \$20 million, however, there has been no revenue from the sale of the Thai Redwood in the period. It should be noted that the forecast assumed an additional \$53 million of revenue from the sale of Thai Redwood through the end of the year; and
- (ii) The forecast also assumed the purchase by Sino-Panel of approximately \$20 million in Standing Timber in the period from July 21, 2012 to September 7, 2012. None of the Standing Timber was purchased.

60. Sino-Forest is ahead of its estimated cash position at the present time. As set out in the Sixth Report, the forecast was originally prepared primarily by certain of the former senior manager group of Sino-Forest and as such, the appropriateness of many forecasted disbursements have not been fully assessed. This is particularly the case with respect to those disbursements that relate to future lease payments (discussed above). FTI has and will continue to support delaying the payment of these amounts, including the prepayment of long term land leases, however it should be noted that they are in the books and records of Sino-forest and may need to be paid in the future.

OPERATIONAL UPDATE REGARDING SINO-FOREST SUBSIDIARIES

Chops, Annual Review and Process to Change Legal Representatives

61. Issues relating to the legal representatives and chops (as set out in the Sixth Report) remain outstanding and have not been resolved. However, Sino-Forest's PRC subsidiaries have now completed their annual reviews.

Changes in Operations

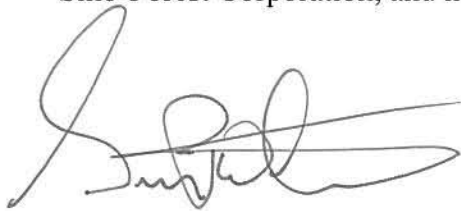
62. Since the Sixth Report, there have been no significant operational changes in the business. With respect to the balance of Sino-Forest's businesses, the Monitor is aware of the following updates:
- (a) Sino-Forest is analyzing all aspects of their current business to ascertain if any functions should be wound down. To date two subsidiaries have been identified as redundant and are in the process of being wound up. It is fully expected that additional subsidiaries will also be identified as redundant and will be wound up in the near term; and
 - (b) Sino-Forest is in the process of identifying real estate that can be leased/ sold for the purpose of realizing on empty premises.

Engagement of an Independent Consultant

63. On September 5, 2012, Sino-Forest Subsidiaries engaged the services of an independent consultant to assist management in its restructuring activities and to help prepare an action plan for the post-plan implementation period. The consultant does not have any management responsibility or control over any Sino-Forest Subsidiaries' operations, assets, business or affairs.

Dated this 18th day of October, 2012.

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

A handwritten signature in black ink, appearing to read 'Greg Watson', with a large, sweeping flourish extending to the right.

Greg Watson
Senior Managing Director

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
(PROCEEDING COMMENCED AT TORONTO)**

TENTH REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

APPENDIX J – THE CLAIMS PROCEDURE ORDER

(See Attached)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST



THE HONOURABLE MR.
 JUSTICE MORAWETZ

)
)
)

MONDAY, THE 14th
 DAY OF MAY, 2012

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

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

CLAIMS PROCEDURE ORDER

THIS MOTION, made by Sino-Forest Corporation (the "Applicant") for an order establishing a claims procedure for the identification and determination of certain claims was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion, the affidavit of W. Judson Martin sworn on May 2, 2012, the Second Report of FTI Consulting Canada Inc. (the "Monitor") dated April 30, 2012 (the "Monitor's Second Report") and the Supplemental Report to the Monitor's Second Report dated May 12, 2012 (the "Supplemental Report"), and on hearing the submissions of counsel for the Applicant, the Applicant's directors, the Monitor, the *ad hoc* committee of Noteholders (the "Ad Hoc Noteholders"), and those other parties present, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Motion Record, the Monitor's Second Report and the Supplemental Report is hereby abridged and

validated such that this Motion is properly returnable today and hereby dispenses with further service thereof.

DEFINITIONS AND INTERPRETATION

2. The following terms shall have the following meanings ascribed thereto:

- (a) "2013 and 2016 Trustee" means The Bank of New York Mellon, in its capacity as trustee for the 2013 Notes and the 2016 Notes;
- (b) "2014 and 2017 Trustee" means Law Debenture Trust Company of New York, in its capacity as trustee for the 2014 Notes and the 2017 Notes;
- (c) "2013 Note Indenture" means the indenture dated as of July 23, 2008, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented;
- (d) "2014 Note Indenture" means the indenture dated as of July 27, 2009 entered into by and between the Applicant, the entities listed as subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented;
- (e) "2016 Note Indenture" means the indenture dated as of December 17, 2009, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and The Bank of New York Mellon, as trustee, as amended, modified or supplemented;
- (f) "2017 Note Indenture" means the indenture dated as of October 21, 2010, by and between the Applicant, the entities listed as subsidiary guarantors thereto, and Law Debenture Trust Company of New York, as trustee, as amended, modified or supplemented;
- (g) "2013 Notes" means the US\$345,000,000 of 5.00% Convertible Senior Notes Due 2013 issued pursuant to the 2013 Note Indenture;

- (h) "2014 Notes" means the US\$399,517,000 of 10.25% Guaranteed Senior Notes Due 2014 issued pursuant to the 2014 Note Indenture;
- (i) "2016 Notes" means the US\$460,000,000 of 4.25% Convertible Senior Notes Due 2016 issued pursuant to the 2016 Note Indenture;
- (j) "2017 Notes" means the US\$600,000,000 of 6.25% Guaranteed Senior Notes Due 2017 issued pursuant to the 2017 Note Indenture;
- (k) "Administration Charge" has the meaning given to that term in paragraph 37 of the Initial Order;
- (l) "BIA" means the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended;
- (m) "Business Day" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
- (n) "CCAA" means the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended;
- (o) "CCAA Proceedings" means the proceedings commenced by the Applicant in the Court under Court File No. CV-12-9667-00CL;
- (p) "CCAA Service List" means the service list in the CCAA Proceedings posted on the Monitor's Website, as amended from time to time;
- (q) "Claim" means:
 - (i) any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement

(oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person (including Directors and Officers) to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the BIA had the Applicant become bankrupt on the Filing Date, or an Equity Claim (each a "Prefiling Claim", and collectively, the "Prefiling Claims");

(ii) a Restructuring Claim; and

(iii) a Secured Claim;

provided, however, that "Claim" shall not include an Excluded Claim, a D&O Claim or a D&O Indemnity Claim;

(r) "Claimant" means any Person having a Claim, a D&O Claim or a D&O Indemnity Claim and includes the transferee or assignee of a Claim, a D&O Claim or a D&O Indemnity Claim transferred and recognized as a Claimant in accordance with paragraphs 46 and 47 hereof or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person;

- (s) "Claimants' Guide to Completing the D&O Proof of Claim" means the guide to completing the D&O Proof of Claim form, in substantially the form attached as Schedule "E-2" hereto;
- (t) "Claimants' Guide to Completing the Proof of Claim" means the guide to completing the Proof of Claim form, in substantially the form attached as Schedule "E" hereto;
- (u) "Claims Bar Date" means June 20, 2012;
- (v) "Class" means the National Class and the Quebec Class;
- (w) "Court" means the Ontario Superior Court of Justice (Commercial List);
- (x) "Creditors' Meeting" means any meeting of creditors called for the purpose of considering and voting in respect of the Plan, if one is filed, to be scheduled pursuant to further order of the Court;
- (y) "D&O Claim" means, other than an Excluded Claim, (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers that relates to a Claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers, or (ii) any right or claim of any Person that may be asserted or made in whole or in part against one or more Directors or Officers, in that capacity, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof, is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,

disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity from any such Directors or Officers or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation, and any interest accrued thereon or costs payable in respect thereof (A) is based in whole or in part on facts prior to the Filing Date, or (B) relates to a time period prior to the Filing Date;

- (z) "D&O Indemnity Claim" means any existing or future right of any Director or Officer against the Applicant which arose or arises as a result of any Person filing a D&O Proof of Claim in respect of such Director or Officer for which such Director or Officer is entitled to be indemnified by the Applicant;
- (aa) "D&O Indemnity Claims Bar Date" has the meaning set forth in paragraph 19 of this Order;
- (bb) "D&O Indemnity Proof of Claim" means the indemnity proof of claim in substantially the form attached as Schedule "F" hereto to be completed and filed by a Director or Officer setting forth its purported D&O Indemnity Claim;
- (cc) "D&O Proof of Claim" means the proof of claim in substantially the form attached as Schedule "D-2" hereto to be completed and filed by a Person setting forth its purported D&O Claim and which shall include all supporting documentation in respect of such purported D&O Claim;
- (dd) "Directors" means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of the Applicant;
- (ee) "Directors' Charge" has the meaning given to that term in paragraph 26 of the Initial Order;

- (ff) "Dispute Notice" means a written notice to the Monitor, in substantially the form attached as Schedule "B" hereto, delivered to the Monitor by a Person who has received a Notice of Revision or Disallowance, of its intention to dispute such Notice of Revision or Disallowance;
- (gg) "Employee Amounts" means all outstanding wages, salaries and employee benefits (including, employee medical, dental, disability, life insurance and similar benefit plans or arrangements, incentive plans, share compensation plans and employee assistance programs and employee or employer contributions in respect of pension and other benefits), vacation pay, commissions, bonuses and other incentive payments, termination and severance payments, and employee expenses and reimbursements, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (hh) "Equity Claim" has the meaning set forth in Section 2(1) of the CCAA;
- (ii) "Excluded Claim" means:
 - (i) any Claims entitled to the benefit of the Administration Charge or the Directors' Charge, or any further charge as may be ordered by the Court;
 - (ii) any Claims of the Subsidiaries against the Applicant;
 - (iii) any Claims of employees of the Applicant as at the Filing Date in respect of Employee Amounts;
 - (iv) any Post-Filing Claims;
 - (v) any Claims of the Ontario Securities Commission; and
 - (vi) any D&O Claims in respect of (i) through (v) above;
- (jj) "Filing Date" means March 30, 2012;

- (kk) "Government Authority" means a federal, provincial, territorial, municipal or other government or government department, agency or authority (including a court of law) having jurisdiction over the Applicant;
- (ll) "Initial Order" means the Initial order of the Honourable Mr. Justice Morawetz made March 30, 2012 in the CCAA Proceedings, as amended, restated or varied from time to time;
- (mm) "Known Claimants" means:
- (i) any Persons which, based upon the books and records of the Applicant, was owed monies by the Applicant as of the Filing Date and which monies remain unpaid in whole or in part;
 - (ii) any Person who has commenced a legal proceeding in respect of a Claim or D&O Claim or given the Applicant written notice of an intention to commence a legal proceeding or a demand for payment in respect of a Claim or D&O Claim, provided that where a lawyer of record has been listed in connection with any such proceedings, the "Known Claimant" for the purposes of any notice required herein or to be given hereunder shall be, in addition to that Person, its lawyer of record; and
 - (iii) any Person who is a party to a lease, contract, or other agreement or obligation of the Applicant which was restructured, terminated, repudiated or disclaimed by the Applicant between the Filing Date and the date of this Order;
- (nn) "Monitor's Website" has the meaning set forth in paragraph 12(a) of this Order;
- (oo) "National Class" has the meaning given to it in the Fresh As Amended Statement of Claim in the Ontario Class Action;
- (pp) "Note Indenture Trustees" means, collectively, the 2013 and 2016 Trustee and the 2014 and 2017 Trustee;

- (qq) "Notes" means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes, and the 2017 Notes;
- (rr) "Noteholder" means a registered or beneficial holder on or after the Filing Date of a Note in that capacity, and, for greater certainty, does not include former registered or beneficial holders of Notes;
- (ss) "Notice of Revision or Disallowance" means a notice, in substantially the form attached as Schedule "A" hereto, advising a Person that the Monitor has revised or disallowed all or part of such Person's purported Claim, D&O Claim or D&O Indemnity Claim set out in such Person's Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim;
- (tt) "Notice to Claimants" means the notice to Claimants for publication in substantially the form attached as Schedule "C" hereto;
- (uu) "Officers" means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of the Applicant;
- (vv) "Ontario Class Action" means the action commenced against the Applicant and others in the Ontario Superior Court of Justice, bearing (Toronto) Court File No. CV-11-431153-00CP;
- (ww) "Ontario Plaintiffs" means the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other named Plaintiffs in the Ontario Class Action;
- (xx) "Person" is to be broadly interpreted and includes any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, Government Authority or any agency, regulatory body, officer or instrumentality thereof or any other entity, wherever situate or domiciled, and whether or not having legal status, and whether acting on their own or in a representative capacity;

- (yy) "Plan" means any proposed plan of compromise or arrangement filed in respect of the Applicant pursuant to the CCAA as the same may be amended, supplemented or restated from time to time in accordance with its terms;
- (zz) "Post-Filing Claims" means any claims against the Applicant that arose from the provision of authorized goods and services provided or otherwise incurred on or after the Filing Date in the ordinary course of business, but specifically excluding any Restructuring Claim;
- (aaa) "Proof of Claim" means the proof of claim in substantially the form attached as Schedule "D" hereto to be completed and filed by a Person setting forth its purported Claim and which shall include all supporting documentation in respect of such purported Claim;
- (bbb) "Proof of Claim Document Package" means a document package that includes a copy of the Notice to Claimants, the Proof of Claim form, the D&O Proof of Claim form, the Claimants' Guide to Completing the Proof of Claim form, the Claimants' Guide to Completing the D&O Proof of Claim form, and such other materials as the Monitor, in consultation with the Applicant, may consider appropriate or desirable;
- (ccc) "Proven Claim" means the amount and Status of a Claim, D&O Claim or D&O Indemnity Claim of a Claimant as determined in accordance with this Order;
- (ddd) "Quebec Class" has the meaning given to it in the statement of claim in the Quebec Class Action;
- (eee) "Quebec Class Action" means the action commenced against the Applicant and others in the Quebec Superior Court, bearing Court File No. 200-06-000132-111 ;
- (fff) "Quebec Plaintiffs" means Guining Liu and the other named plaintiffs in the Quebec Class Action;
- (ggg) "Restructuring Claim" means any right or claim of any Person that may be asserted or made in whole or in part against the Applicant, whether or not asserted

or made, in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of this Order;

- (hhh) "Restructuring Claims Bar Date" means, in respect of a Restructuring Claim, the later of (i) the Claims Bar Date, and (ii) 30 days after a Person is deemed to receive a Proof of Claim Document Package pursuant to paragraph 12(e) hereof.
- (iii) "Secured Claim" means that portion of a Claim that is (i) secured by security validly charging or encumbering property or assets of the Applicant (including statutory and possessor liens that create security interests) up to the value of such collateral, and (ii) duly and properly perfected in accordance with the relevant legislation in the appropriate jurisdiction as of the Filing Date;
- (jjj) "Status" means, with respect to a Claim, D&O Claim or D&O Indemnity Claim, or a purported Claim, D&O Claim or D&O Indemnity Claim, whether such claim is secured or unsecured; and
- (kkk) "Subsidiaries" means all direct and indirect subsidiaries of the Applicant other than Greenheart Group Limited (Bermuda) and its direct and indirect subsidiaries, and "Subsidiary" means any one of the Subsidiaries.
3. THIS COURT ORDERS that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein.
4. THIS COURT ORDERS that all references to the word "including" shall mean "including without limitation".
5. THIS COURT ORDERS that all references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.

GENERAL PROVISIONS

6. THIS COURT ORDERS that the Monitor, in consultation with the Applicant, is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed, and may, where it is satisfied that a Claim, a D&O Claim or a D&O Indemnity Claim has been adequately proven, waive strict compliance with the requirements of this Order as to completion and execution of such forms and to request any further documentation from a Person that the Monitor, in consultation with the Applicant, may require in order to enable it to determine the validity of a Claim, a D&O Claim or a D&O Indemnity Claim.

7. THIS COURT ORDERS that if any purported Claim, D&O Claim or D&O Indemnity Claim arose in a currency other than Canadian dollars, then the Person making the purported Claim, D&O Claim or D&O Indemnity Claim shall complete its Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim, as applicable, indicating the amount of the purported Claim, D&O Claim or D&O Indemnity Claim in such currency, rather than in Canadian dollars or any other currency. The Monitor shall subsequently calculate the amount of such purported Claim, D&O Claim or D&O Indemnity Claim in Canadian Dollars, using the Reuters closing rate on the Filing Date (as found at <http://www.reuters.com/finance/currencies>), without prejudice to a different exchange rate being proposed in any Plan.

8. THIS COURT ORDERS that a Person making a purported Claim, D&O Claim or D&O Indemnity Claim shall complete its Proof of Claim, D&O Proof of Claim or Indemnity Proof of Claim, as applicable, indicating the amount of the purported Claim, D&O Claim or D&O Indemnity Claim without including any interest and penalties that would otherwise accrue after the Filing Date.

9. THIS COURT ORDERS that the form and substance of each of the Notice of Revision or Disallowance, Dispute Notice, Notice to Claimants, the Proof of Claim, the D&O Proof of Claim, the Claimants' Guide to Completing the Proof of Claim, the Claimants' Guide to Completing the D&O Proof of Claim, and D&O Indemnity Proof of Claim substantially in the forms attached as Schedules "A", "B", "C", "D", "D-2", "E", "E-2" and "F" respectively to this Order are hereby approved. Notwithstanding the foregoing, the Monitor, in consultation with the

Applicant, may from time to time make minor non-substantive changes to such forms as the Monitor, in consultation with the Applicant, considers necessary or advisable.

MONITOR'S ROLE

10. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Order or incidental thereto.

11. THIS COURT ORDERS that (i) in carrying out the terms of this Order, the Monitor shall have all of the protections given to it by the CCAA, the Initial Order, and this Order, or as an officer of the Court, including the stay of proceedings in its favour, (ii) the Monitor shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, (iii) the Monitor shall be entitled to rely on the books and records of the Applicant and any information provided by the Applicant, all without independent investigation, and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

NOTICE TO CLAIMANTS, DIRECTORS AND OFFICERS

12. THIS COURT ORDERS that:

- (a) the Monitor shall no later than five (5) Business Days following the making of this Order, post a copy of the Proof of Claim Document Package on its website at <http://cfcanada.fticonsulting.com/sfc> ("Monitor's Website");
- (b) the Monitor shall no later than five (5) Business Days following the making of this Order, send on behalf of the Applicant to the Note Indenture Trustees (or to counsel for the Note Indenture Trustees as appears on the CCAA Service List if applicable) a copy of the Proof of Claim Document Package;
- (c) the Monitor shall no later than five (5) Business Days following the making of this Order, send on behalf of the Applicant to each of the Known Claimants a copy of the Proof of Claim Document Package, provided however that the

Monitor is not required to send Proof of Claim Document Packages to Noteholders;

- (d) the Monitor shall no later than five (5) Business Days following the making of this Order, cause the Notice to Claimants to be published in (i) The Globe and Mail newspaper (National Edition) on one such day, and (ii) the Wall Street Journal (Global Edition) on one such day;
- (e) with respect to Restructuring Claims arising from the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation, the Monitor shall send to the counterparty(ies) to such lease, contract, or other agreement or obligation a Proof of Claim Document Package no later than five (5) Business Days following the time the Monitor becomes aware of the restructuring, termination, repudiation or disclaimer of any such lease, contract, or other agreement or obligation;
- (f) the Monitor shall, provided such request is received by the Monitor prior to the Claims Bar Date, deliver as soon as reasonably possible following receipt of a request therefor a copy of the Proof of Claim Document Package to any Person requesting such material; and
- (g) the Monitor shall send to any Director of Officer named in a D&O Proof of Claim received by the Claims Bar Date a copy of such D&O Proof of Claim as soon as practicable along with an D&O Indemnity Proof of Claim form, with a copy to counsel for such Directors or Officers.

13. THIS COURT ORDERS that the Applicant shall (i) inform the Monitor of all Known Claimants by providing the Monitor with a list of all Known Claimants and their last known addresses according to the books and records of the Applicant and (ii) provide the Monitor with a list of all Directors and Officers and their last known addresses according to the books and records of the Applicant.

14. THIS COURT ORDERS that, except as otherwise set out in this Order or other orders of the Court, neither the Monitor nor the Applicant is under any obligation to send notice to any

Person holding a Claim, a D&O Claim or a D&O Indemnity Claim, and without limitation, neither the Monitor nor the Applicant shall have any obligation to send notice to any Person having a security interest in a Claim, D&O Claim or D&O Indemnity Claim (including the holder of a security interest created by way of a pledge or a security interest created by way of an assignment of a Claim, D&O Claim or D&O Indemnity Claim), and all Persons (including Known Claimants) shall be bound by any notices published pursuant to paragraphs 12(a) and 12(d) of this Order regardless of whether or not they received actual notice, and any steps taken in respect of any Claim, D&O Claim or D&O Indemnity Claim in accordance with this Order.

15. THIS COURT ORDERS that the delivery of a Proof of Claim, D&O Proof of Claim, or D&O Indemnity Proof of Claim by the Monitor to a Person shall not constitute an admission by the Applicant or the Monitor of any liability of the Applicant or any Director or Officer to any Person.

CLAIMS BAR DATES

Claims and D&O Claims

16. THIS COURT ORDERS that (i) Proofs of Claim (but not in respect of any Restructuring Claims) and D&O Proofs of Claim shall be filed with the Monitor on or before the Claims Bar Date, and (ii) Proofs of Claim in respect of Restructuring Claims shall be filed with the Monitor on or before the Restructuring Claims Bar Date. For the avoidance of doubt, a Proof of Claim or D&O Proof of Claim, as applicable, must be filed in respect of every Claim or D&O Claim, regardless of whether or not a legal proceeding in respect of a Claim or D&O Claim was commenced prior to the Filing Date.

17. THIS COURT ORDERS that any Person that does not file a Proof of Claim as provided for herein such that the Proof of Claim is received by the Monitor on or before the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, (a) shall be and is hereby forever barred from making or enforcing such Claim against the Applicant and all such Claims shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such Claim as against any other Person who could claim contribution or indemnity from the Applicant; (c) shall not be entitled to vote such Claim at the Creditors' Meeting in respect of the

Plan or to receive any distribution thereunder in respect of such Claim; and (d) shall not be entitled to any further notice in, and shall not be entitled to participate as a Claimant or creditor in, the CCAA Proceedings in respect of such Claim.

18. THIS COURT ORDERS that any Person that does not file a D&O Proof of Claim as provided for herein such that the D&O Proof of Claim is received by the Monitor on or before the Claims Bar Date (a) shall be and is hereby forever barred from making or enforcing such D&O Claim against any Directors or Officers, and all such D&O Claims shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such D&O Claim as against any other Person who could claim contribution or indemnity from any Directors or Officers; (c) shall not be entitled to vote such D&O Claim at the Creditors' Meeting or to receive any distribution in respect of such D&O Claim; and (d) shall not be entitled to any further notice in, and shall not be entitled to participate as a Claimant or creditor in, the CCAA Proceedings in respect of such D&O Claim.

D&O Indemnity Claims

19. THIS COURT ORDERS that any Director or Officer wishing to assert a D&O Indemnity Claim shall deliver a D&O Indemnity Proof of Claim to the Monitor so that it is received by no later than fifteen (15) Business Days after the date of receipt of the D&O Proof of Claim by such Director or Officer pursuant to paragraph 12(g) hereof (with respect to each D&O Indemnity Claim, the "D&O Indemnity Claims Bar Date").

20. THIS COURT ORDERS that any Director or Officer that does not file a D&O Indemnity Proof of Claim as provided for herein such that the D&O Indemnity Proof of Claim is received by the Monitor on or before the D&O Indemnity Claims Bar Date (a) shall be and is hereby forever barred from making or enforcing such D&O Indemnity Claim against the Applicant, and such D&O Indemnity Claim shall be forever extinguished; (b) shall be and is hereby forever barred from making or enforcing such D&O Indemnity Claim as against any other Person who could claim contribution or indemnity from the Applicant; and (c) shall not be entitled to vote such D&O Indemnity Claim at the Creditors' Meeting or to receive any distribution in respect of such D&O Indemnity Claim.

Excluded Claims

21. THIS COURT ORDERS that Persons with Excluded Claims shall not be required to file a Proof of Claim in this process in respect of such Excluded Claims, unless required to do so by further order of the Court.

PROOFS OF CLAIM

22. THIS COURT ORDERS that (i) each Person shall include any and all Claims it asserts against the Applicant in a single Proof of Claim, provided however that where a Person has taken assignment or transfer of a purported Claim after the Filing Date, that Person shall file a separate Proof of Claim for each such assigned or transferred purported Claim, and (ii) each Person that has or intends to assert a right or claim against one or more Subsidiaries which is based in whole or in part on facts, underlying transactions, causes of action or events relating to a purported Claim made against the Applicant shall so indicate on such Claimant's Proof of Claim.

23. THIS COURT ORDERS that each Person shall include any and all D&O Claims it asserts against one or more Directors or Officers in a single D&O Proof of Claim, provided however that where a Person has taken assignment or transfer of a purported D&O Claim after the Filing Date, that Person shall file a separate D&O Proof of Claim for each such assigned or transferred purported D&O Claim.

24. THIS COURT ORDERS that the 2013 and 2016 Trustee is authorized and directed to file one Proof of Claim on or before the Claims Bar Date in respect of each of the 2013 Notes and the 2016 Notes, indicating the amount owing on an aggregate basis as at the Filing Date under each of the 2013 Note Indenture and the 2016 Note Indenture.

25. THIS COURT ORDERS that the 2014 and 2017 Trustee is authorized and directed to file one Proof of Claim on or before the Claims Bar Date in respect of each of the 2014 Notes and the 2017 Notes, indicating the amount owing on an aggregate basis as at the Filing Date under each of the 2014 Note Indenture and the 2017 Note Indenture.

26. Notwithstanding any other provisions of this Order, Noteholders are not required to file individual Proofs of Claim in respect of Claims relating solely to the debt evidenced by their

Notes. The Monitor may disregard any Proofs of Claim filed by any individual Noteholder claiming the debt evidenced by the Notes, and such Proofs of Claim shall be ineffective for all purposes. The process for determining each individual Noteholder's Claim for voting and distribution purposes with respect to the Plan and the process for voting on the Plan by Noteholders will be established by further order of the Court.

27. THIS COURT ORDERS that the Ontario Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Ontario Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the National Class has not yet been certified, and that members of the National Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Ontario Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Ontario Class Action.

28. THIS COURT ORDERS that the Quebec Plaintiffs are, collectively, authorized to file, on or before the Claims Bar Date, one Proof of Claim and, if applicable, one D&O Proof of Claim, in respect of the substance of the matters set out in the Quebec Class Action, notwithstanding that leave to make a secondary market liability claim has not be granted and that the Quebec Class has not yet been certified, and that members of the Quebec Class may rely on the one Proof of Claim and/or one D&O Proof of Claim filed by the counsel for the Quebec Plaintiffs and are not required to file individual Proofs of Claim or D&O Proofs of Claim in respect of the Claims forming the subject matter of the Quebec Class Action.

REVIEW OF PROOFS OF CLAIM

29. THIS COURT ORDERS that any Claimant filing a Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim shall clearly mark as "Confidential" any documents or portions thereof that that Person believes should be treated as confidential.

30. THIS COURT ORDERS that with respect to documents or portions thereof that are marked "Confidential", the following shall apply:

- (a) any information that is otherwise publicly available shall not be treated as “Confidential” regardless of whether it is marked as such;
- (b) subject to the following, such information will be accessible to and may be reviewed only by the Monitor, the Applicant, any Director or Officer named in the applicable D&O Proof of Claim or D&O Indemnity Proof of Claim and each of their respective counsel, or as otherwise ordered by the Court (“**Designated Persons**”) or consented to by the Claimant, acting reasonably; and
- (c) any Designated Person may provide Confidential Information to other interested stakeholders (who shall have provided non-disclosure undertakings or agreements) on not less than 3 Business Days’ notice to the Claimant. If such Claimant objects to such disclosure, the Claimant and the relevant Designated Person shall attempt to settle any objection, failing which, either party may seek direction from the Court.

31. THIS COURT ORDERS that the Monitor (in consultation with the Applicant and the Directors and Officers named in the D&O Proof of Claim, as applicable), subject to the terms of this Order, shall review all Proofs of Claim and D&O Proofs of Claim filed, and at any time:

- (a) may request additional information from a purported Claimant;
- (b) may request that a purported Claimant file a revised Proof of Claim or D&O Proof of Claim, as applicable;
- (c) may, with the consent of the Applicant and any Person whose liability may be affected or further order of the Court, attempt to resolve and settle any issue arising in a Proof of Claim or D&O Proof of Claim or in respect of a purported Claim or D&O Claim, provided that if a Director or Officer disputes all or any portion of a purported D&O Claim, then the disputed portion of such purported D&O Claim may not be resolved or settled without such Director or Officer's consent or further order of the Court;

- (d) may, with the consent of the Applicant and any Person whose liability may be affected or further order of the Court, accept (in whole or in part) the amount and/or Status of any Claim or D&O Claim, provided that if a Director or Officer disputes all or any portion of a purported D&O Claim against such Director or Officer, then the disputed portion of such purported D&O Claim may not be accepted without such Director or Officer's consent or further order of the Court; and
- (e) may by notice in writing revise or disallow (in whole or in part) the amount and/or Status of any purported Claim or D&O Claim.

32. THIS COURT ORDERS that where a Claim or D&O Claim has been accepted by the Monitor in accordance with this Order, such Claim or D&O Claim shall constitute such Claimant's Proven Claim. The acceptance of any Claim or D&O Claim or other determination of same in accordance with this Order, in full or in part, shall not constitute an admission of any fact, thing, liability, or quantum or status of any claim by any Person, save and except in the context of the CCAA Proceedings, and, for greater certainty, shall not constitute an admission of any fact, thing, liability, or quantum or status of any claim by any Person as against any Subsidiary.

33. THIS COURT ORDERS that where a purported Claim or D&O Claim is revised or disallowed (in whole or in part, and whether as to amount and/or Status), the Monitor shall deliver to the purported Claimant a Notice of Revision or Disallowance, attaching the form of Dispute Notice.

34. THIS COURT ORDERS that where a purported Claim or D&O Claim has been revised or disallowed (in whole or in part, and whether as to amount and/or as to Status), the revised or disallowed purported Claim or D&O Claim (or revised or disallowed portion thereof) shall not be a Proven Claim until determined otherwise in accordance with the procedures set out in paragraphs 42 to 45 hereof or as otherwise ordered by the Court.

REVIEW OF D&O INDEMNITY PROOFS OF CLAIM

35. THIS COURT ORDERS that the Monitor, subject to the terms of this Order, shall review all D&O Indemnity Proofs of Claim filed, and at any time:

- (a) may request additional information from a Director or Officer;
- (b) may request that a Director or Officer file a revised D&O Indemnity Proof of Claim;
- (c) may attempt to resolve and settle any issue arising in a D&O Indemnity Proof of Claim or in respect of a purported D&O Indemnity Claim;
- (d) may accept (in whole or in part) the amount and/or Status of any D&O Indemnity Claim; and
- (e) may by notice in writing revise or disallow (in whole or in part) the amount and/or Status of any purported D&O Indemnity Claim.

36. THIS COURT ORDERS that where a D&O Indemnity Claim has been accepted by the Monitor in accordance with this Order, such D&O Indemnity Claim shall constitute such Director or Officer's Proven Claim. The acceptance of any D&O Indemnity Claim or other determination of same in accordance with this Order, in full or in part, shall not constitute an admission of any fact, thing, liability, or quantum or Status of any claim by any Person, save and except in the context of the CCAA Proceedings, and, for greater certainty, shall not constitute an admission of any fact, thing, liability, or quantum or Status of any claim by any Person as against any Subsidiary.

37. THIS COURT ORDERS that where a purported D&O Indemnity Claim is revised or disallowed (in whole or in part, and whether as to amount and/or Status), the Monitor shall deliver to the Director or Officer a Notice of Revision or Disallowance, attaching the form of Dispute Notice.

38. THIS COURT ORDERS that where a purported D&O Indemnity Claim has been revised or disallowed (in whole or in part, and whether as to amount and/or as to Status), the revised or

disallowed purported D&O Indemnity Claim (or revised or disallowed portion thereof) shall not be a Proven Claim until determined otherwise in accordance with the procedures set out in paragraphs 42 to 45 hereof or as otherwise ordered by the Court.

39. THIS COURT ORDERS that, notwithstanding anything to the contrary in this Order, in respect of any Claim, D&O Claim or D&O Indemnity Claim that exceeds \$1 million, the Monitor and the Applicant shall not accept, admit, settle, resolve, value (for any purpose), revise or reject such Claim, D&O Claim or D&O Indemnity Claim ~~without the consent of the Ad Hoc Noteholders or~~ ^{without} Order of the Court.

DISPUTE NOTICE

40. THIS COURT ORDERS that a purported Claimant who intends to dispute a Notice of Revision or Disallowance shall file a Dispute Notice with the Monitor as soon as reasonably possible but in any event such that such Dispute Notice shall be received by the Monitor on the day that is fourteen (14) days after such purported Claimant is deemed to have received the Notice of Revision or Disallowance in accordance with paragraph 50 of this Order. The filing of a Dispute Notice with the Monitor within the fourteen (14) day period specified in this paragraph shall constitute an application to have the amount or Status of such claim determined as set out in paragraphs 42 to 45 of this Order.

41. THIS COURT ORDERS that where a purported Claimant that receives a Notice of Revision or Disallowance fails to file a Dispute Notice with the Monitor within the time period provided therefor in this Order, the amount and Status of such purported Claimant's purported Claim, D&O Claim or D&O Indemnity Claim, as applicable, shall be deemed to be as set out in the Notice of Revision or Disallowance and such amount and Status, if any, shall constitute such purported Claimant's Proven Claim, and the balance of such purported Claimant's purported Claim, D&O Claim, or D&O Indemnity Claim, if any, shall be forever barred and extinguished.

RESOLUTION OF CLAIMS, D&O CLAIMS AND D&O INDEMNITY CLAIMS

42. THIS COURT ORDERS that as soon as practicable after the delivery of the Dispute Notice to the Monitor, the Monitor, in accordance with paragraph 31(c), shall attempt to resolve and settle the purported Claim or D&O Claim with the purported Claimant.

43. THIS COURT ORDERS that as soon as practicable after the delivery of the Dispute Notice in respect of a D&O Indemnity Claim to the Monitor, the Monitor, in accordance with paragraph 35(c), shall attempt to resolve and settle the purported D&O Indemnity Claim with the Director or Officer.

44. THIS COURT ORDERS that in the event that a dispute raised in a Dispute Notice is not settled within a time period or in a manner satisfactory to the Monitor, the Applicant and the applicable Claimant, the Monitor shall seek direction from the Court, on the correct process for resolution of the dispute. Without limitation, the foregoing includes any dispute arising as to whether a Claim is or is not an "equity claim" as defined in the CCAA.

45. THIS COURT ORDERS that any Claims and related D&O Claims and/or D&O Indemnity Claims shall be determined at the same time and in the same proceeding.

NOTICE OF TRANSFEREES

46. THIS COURT ORDERS that neither the Monitor nor the Applicant shall be obligated to send notice to or otherwise deal with a transferee or assignee of a Claim, D&O Claim or D&O Indemnity Claim as the Claimant in respect thereof unless and until (i) actual written notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received by the Monitor and the Applicant, and (ii) the Monitor shall have acknowledged in writing such transfer or assignment, and thereafter such transferee or assignee shall for all purposes hereof constitute the "Claimant" in respect of such Claim, D&O Claim or D&O Indemnity Claim. Any such transferee or assignee of a Claim, D&O Claim or D&O Indemnity Claim, and such Claim, D&O Claim or D&O Indemnity Claim shall be bound by all notices given or steps taken in respect of such Claim, D&O Claim or D&O Indemnity Claim in accordance with this Order prior to the written acknowledgement by the Monitor of such transfer or assignment.

47. THIS COURT ORDERS that if the holder of a Claim, D&O Claim or D&O Indemnity Claim has transferred or assigned the whole of such Claim, D&O Claim or D&O Indemnity Claim to more than one Person or part of such Claim, D&O Claim or D&O Indemnity Claim to another Person or Persons, such transfer or assignment shall not create a separate Claim, D&O

Claim or D&O Indemnity Claim and such Claim, D&O Claim or D&O Indemnity Claim shall continue to constitute and be dealt with as a single Claim, D&O Claim or D&O Indemnity Claim notwithstanding such transfer or assignment, and the Monitor and the Applicant shall in each such case not be bound to acknowledge or recognize any such transfer or assignment and shall be entitled to send notice to and to otherwise deal with such Claim, D&O Claim or D&O Indemnity Claim only as a whole and then only to and with the Person last holding such Claim, D&O Claim or D&O Indemnity Claim in whole as the Claimant in respect of such Claim, D&O Claim or D&O Indemnity Claim. Provided that a transfer or assignment of the Claim, D&O Claim or D&O Indemnity Claim has taken place in accordance with paragraph 46 of this Order and the Monitor has acknowledged in writing such transfer or assignment, the Person last holding such Claim, D&O Claim or D&O Indemnity Claim in whole as the Claimant in respect of such Claim, D&O Claim or D&O Indemnity Claim may by notice in writing to the Monitor direct that subsequent dealings in respect of such Claim, D&O Claim or D&O Indemnity Claim, but only as a whole, shall be with a specified Person and, in such event, such Claimant, transferee or assignee of the Claim, D&O Claim or D&O Indemnity Claim shall be bound by any notices given or steps taken in respect of such Claim, D&O Claim or D&O Indemnity Claim by or with respect to such Person in accordance with this Order.

48. THIS COURT ORDERS that the transferee or assignee of any Claim, D&O Claim or D&O Indemnity Claim (i) shall take the Claim, D&O Claim or D&O Indemnity Claim subject to the rights and obligations of the transferor/assignor of the Claim, D&O Claim or D&O Indemnity Claim, and subject to the rights of the Applicant or Director or Officer against any such transferor or assignor, including any rights of set-off which the Applicant, Director or Officers had against such transferor or assignor, and (ii) cannot use any transferred or assigned Claim, D&O Claim or D&O Indemnity Claim to reduce any amount owing by the transferee or assignee to the Applicant, Director or Officer, whether by way of set off, application, merger, consolidation or otherwise.

DIRECTIONS

49. THIS COURT ORDERS that the Monitor, the Applicant and any Person (but only to the extent such Person may be affected with respect to the issue on which directions are sought) may, at any time, and with such notice as the Court may require, seek directions from the Court with respect to this Order and the claims process set out herein, including the forms attached as Schedules hereto.

SERVICE AND NOTICE

50. THIS COURT ORDERS that the Monitor and the Applicant may, unless otherwise specified by this Order, serve and deliver the Proof of Claim Document Package, and any letters, notices or other documents to Claimants, purported Claimants, Directors or Officers, or other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons (with copies to their counsel as appears on the CCAA Service List if applicable) at the address as last shown on the records of the Applicant or set out in such Person's Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim. Any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within Ontario, the fifth Business Day after mailing within Canada (other than within Ontario), and the tenth Business Day after mailing internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by electronic or digital transmission by 6:00 p.m. on a Business Day, on such Business Day, and if delivered after 6:00 p.m. or other than on a Business Day, on the following Business Day. Notwithstanding anything to the contrary in this paragraph 50, Notices of Revision or Disallowance shall be sent only by (i) facsimile to a number that has been provided in writing by the purported Claimant, Director or Officer, or (ii) courier.

51. THIS COURT ORDERS that any notice or other communication (including Proofs of Claim, D&O Proofs of Claims, D&O Indemnity Proofs of Claim and Notices of Dispute) to be given under this Order by any Person to the Monitor shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery or electronic or digital transmission addressed to:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

Any such notice or other communication by a Person shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day, or if delivered outside of a normal business hours, the next Business Day.

52. THIS COURT ORDERS that if during any period during which notices or other communications are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary mail and then not received shall not, absent further Order of the Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery or electronic or digital transmission in accordance with this Order.

53. THIS COURT ORDERS that in the event that this Order is later amended by further order of the Court, the Monitor shall post such further order on the Monitor's Website and such posting shall constitute adequate notice of such amended claims procedure.

MISCELLANEOUS

54. THIS COURT ORDERS that notwithstanding any other provision of this Order, the solicitation of Proofs of Claim, D&O Proofs of Claim and D&O Indemnity Proofs of Claim and the filing by a Person of any Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim shall not, for that reason only, grant any Person any standing in the CCAA Proceedings or rights under the Plan.

55. THIS COURT ORDERS that the rights of the Ontario Plaintiffs and the Quebec Plaintiffs granted pursuant to paragraphs 27 and 28 of this Order are limited to filing a single Proof of

quantification, (7) 733

Claim and, if applicable, a single D&O Proof in respect of each of the National Class and the Quebec Class in these proceedings, and not for any other purpose. Without limiting the generality of the foregoing, the filing of any Proof of Claim or D&O Proof of Claim by the Ontario Plaintiffs or the Quebec Plaintiffs pursuant to this Order:

- (a) is not an admission or recognition of their right to represent the Class for any other purpose, including with respect to settlement or voting in these proceedings, the Ontario Class Action or the Quebec Class Action; and
- (b) is without prejudice to the right of the Ontario Plaintiffs and the Quebec Plaintiffs or their counsel to seek an order granting them rights of representation in these proceedings, the Ontario Class Action or the Quebec Class Action.

56. THIS COURT ORDERS that nothing in this Order shall constitute or be deemed to constitute an allocation or assignment of Claims, D&O Claims, D&O Indemnity Claims, or Excluded Claims into particular affected or unaffected classes for the purpose of a Plan and, for greater certainty, the treatment of Claims, D&O Claims, D&O Indemnity Claims, Excluded Claims or any other claims are to be subject to a Plan and the class or classes of creditors for voting and distribution purposes shall be subject to the terms of any proposed Plan or further Order of the Court.

57. THIS COURT ORDERS that nothing in this Order shall prejudice the rights and remedies of any Directors or Officers or other persons under any existing Director and Officers or other insurance policy or prevent or bar any Person from seeking recourse against or payment from the Applicant's insurance and any Director's and/or Officer's liability insurance policy or policies that exist to protect or indemnify the Directors and/or Officers or other persons, whether such recourse or payment is sought directly by the Person asserting a Claim or a D&O Claim from the insurer or derivatively through the Director or Officer or Applicant; provided, however, that nothing in this Order shall create any rights in favour of such Person under any policies of insurance nor shall anything in this Order limit, remove, modify or alter any defence to such claim available to the insurer pursuant to the provisions of any insurance policy or at law.

58. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Barbados, the British Virgin Islands, Cayman Islands, Hong Kong, the People's Republic of China or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.



MAY 14 2012
 LE / DANS LE REGISTRE NO.:
 ON / BOOK NO.:
 ENTERED AT INSCRIT A TORONTO
 NS

SCHEDULE "A"

NOTICE OF REVISION OR DISALLOWANCE

**For Persons that have asserted Claims against Sino-Forest Corporation,
D&O Claims against the Directors or Officers of Sino-Forest Corporation or D&O
Indemnity Claims against Sino-Forest Corporation**

Claim Reference Number: _____

TO: _____
(Name of purported claimant)

Defined terms not defined in this Notice of Revision or Disallowance have the meaning ascribed in the Order of the Ontario Superior Court of Justice dated May 8, 2012 (the "Claims Procedure Order"). **All dollar values contained herein are in Canadian dollars unless otherwise noted.**

Pursuant to 31 of the Claims Procedure Order, the Monitor hereby gives you notice that it has reviewed your Proof of Claim, D&O Proof of Claim or D&O Indemnity Proof of Claim and has revised or disallowed all or part of your purported Claim, D&O Claim or D&O Indemnity Claim, as the case may be. Subject to further dispute by you in accordance with the Claims Procedure Order, your Proven Claim will be as follows:

	Amount as submitted		Amount allowed by Monitor
	(original currency amount)	(in Canadian dollars)	(in Canadian dollars)
A. Prefiling Claim	\$	\$	\$
B. Restructuring Claim	\$	\$	\$
C. Secured Claim	\$	\$	\$
D. D&O Claim	\$	\$	\$
E. D&O Indemnity Claim	\$	\$	\$
F. Total Claim	\$	\$	\$

Reasons for Revision or Disallowance:**SERVICE OF DISPUTE NOTICES**

If you intend to dispute this Notice of Revision or Disallowance, you must, no later than 5:00 p.m. (prevailing time in Toronto) on the day that is fourteen (14) days after this Notice of Revision or Disallowance is deemed to have been received by you (in accordance with paragraph 50 of the Claims Procedure Order), deliver a Dispute Notice to the Monitor by registered mail, courier, personal delivery or electronic or digital transmission to the address below. In accordance with the Claims Procedure Order, notices shall be deemed to be received upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day. The form of Dispute Notice is enclosed and can also be accessed on the Monitor's website at <http://cfcanada.fticonsulting.com/sfc>.

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

SCHEDULE "B"

DISPUTE NOTICE

With respect to Sino-Forest Corporation

Claim Reference Number: _____

1. **Particulars of Claimant:**

Full Legal Name of claimant (include trade name, if different):

(the "Claimant")

Full Mailing Address of the Claimant:

Other Contract Information of the Claimant:

Telephone Number: _____

Email Address: _____

Facsimile Number: _____

Attention (Contact Person): _____

2.

Particulars of original Claimant from whom you acquired the Claim, D&O Claim or D&O Indemnity Claim:

Have you acquired this purported Claim, D&O Claim or D&O Indemnity Claim by assignment?

Yes: No:

If yes and if not already provided, attach documents evidencing assignment.

Full Legal Name of original Claimant(s): _____

3.

Dispute of Revision or Disallowance of Claim, D&O Claim or D&O Indemnity Claim, as the case may be:

For the purposes of the Claims Procedure Order only (and without prejudice to the terms of any plan of arrangement or compromise), claims in a foreign currency will be converted to Canadian dollars at the exchange rates set out in the Claims Procedure Order.

The Claimant hereby disagrees with the value of its Claim, D&O Claim or D&O Indemnity Claim, as the case may be, as set out in the Notice of Revision or Disallowance and asserts a Claim, D&O Claim or D&O Indemnity Claim, as the case may be, as follows:

	Amount allowed by Monitor: (Notice of Revision or Disallowance) (in Canadian dollars)	Amount claimed by Claimant: (in Canadian Dollars)
A. Prefiling Claim	\$	\$
B. Restructuring Claim	\$	\$
C. Secured Claim	\$	\$
D. D&O Claim	\$	\$
E. D&O Indemnity Claim	\$	\$
F. Total Claim	\$	\$

REASON(S) FOR THE DISPUTE:

SERVICE OF DISPUTE NOTICES

If you intend to dispute a Notice of Revision or Disallowance, you must, by no later than the date that is fourteen (14) days after the Notice of Revision or Disallowance is deemed to have been received by you (in accordance with paragraph 50 of the Claims Procedure Order), deliver to the Monitor this Dispute Notice by registered mail, courier, personal delivery or electronic or digital transmission to the address below. In accordance with the Claims Procedure Order, notices shall be deemed to be received upon actual receipt thereof by the Monitor during normal business hours on a Business Day, or if delivered outside of normal business hours, on the next Business Day.

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

DATED this _____ day of _____, 2012.

Name of Claimant: _____

Witness

Per: _____
Name: _____
Title: _____
(please print)

SCHEDULE "C"

**NOTICE TO CLAIMANTS
AGAINST SINO-FOREST CORPORATION**
(hereinafter referred to as the "Applicant")

**RE: NOTICE OF CLAIMS PROCEDURE FOR THE APPLICANT PURSUANT TO
THE *COMPANIES' CREDITORS ARRANGEMENT ACT* (the "CCAA")**

PLEASE TAKE NOTICE that this notice is being published pursuant to an Order of the Superior Court of Justice of Ontario made on May 8, 2012 (the "Claims Procedure Order"). Pursuant to the Claims Procedure Order, Proof of Claim Document Packages will be sent to claimants by mail, on or before May 15, 2012, if those claimants are known to the Applicant. Claimants may also obtain the Claims Procedure Order and a Proof of Claim Document Package from the website of the Monitor at <http://cfcanada.fticonsulting.com/sfc>, or by contacting the Monitor by telephone (416-649-8094).

Proofs of Claim (including D&O Proofs of Claim) must be submitted to the Monitor for any claim against the Applicant, whether unliquidated, contingent or otherwise, or a claim against any current or former officer or director of the Applicant, in each case where the claim (i) arose prior to March 30, 2012, or (ii) arose on or after March 30, 2012 as a result of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation. Please consult the Proof of Claim Document Package for more details.

Completed Proofs of Claim must be received by the Monitor by 5:00 p.m. (prevailing Eastern Time) on the applicable claims bar date, as set out in the Claims Procedure Order. It is your responsibility to ensure that the Monitor receives your Proof of Claim or D&O Proof of Claim by the applicable claims bar date.

Certain Claimants are exempted from the requirement to file a Proof of Claim. Among those claimants who do not need to file a Proof of Claim are individual noteholders in respect of Claims relating solely to the debt evidenced by their notes and persons whose Claims form the subject matter of the Ontario Class Action or the Quebec Class Action. Please consult the Claims Procedure Order for additional details.

CLAIMS AND D&O CLAIMS WHICH ARE NOT RECEIVED BY THE APPLICABLE CLAIMS BAR DATE WILL BE BARRED AND EXTINGUISHED FOREVER.

DATED at Toronto this • day of •, 2012.

SCHEDULE "D"
PROOF OF CLAIM AGAINST
SINO-FOREST CORPORATION

1. Original Claimant Identification (the "Claimant")

Legal Name of Claimant _____	Name of Contact _____
Address _____	Title _____
_____	Phone # _____
_____	Fax # _____
City _____ Prov / State _____	e-mail _____
Postal/Zip code _____	

2. Assignee, if claim has been assigned

Full Legal Name of Assignee _____	Name of Contact _____
Address _____	Phone # _____
_____	Fax # _____
City _____ Prov / State _____	e-mail _____
Postal/Zip code _____	

3a. Amount of Claim

The Applicant or Director or Officer was and still is indebted to the Claimant as follows:

Currency	Original Currency Amount	Unsecured Prefiling Claim	Restructuring Claim	Secured Claim
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3b. Claim against Subsidiaries

If you have or intend to make a claim against one or more Subsidiaries which is based in whole or in part on facts, underlying transactions, causes of action or events relating to a claim made against the Applicant above, check the box below, list the Subsidiaries against whom you assert your claim, and provide particulars of your claim against such Subsidiaries.

I/we have a claim against one or more Subsidiary

Name(s) of Subsidiaries	Currency	Original Currency Amount	Amount of Claim
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. Documentation

Provide all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim.

5. Certification

I hereby certify that:

- 1. I am the Claimant, or authorized representative of the Claimant.
- 2. I have knowledge of all the circumstances connected with this Claim.
- 3. Complete documentation in support of this claim is attached.

Name _____

Title _____

Dated at _____

this ____ day of _____ 2012

Signature _____

Witness _____

6. Filing of Claim

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012**, by registered mail, courier, personal delivery or electronic or digital transmission at the following address:

FTI Consulting Canada Inc.
 Court-appointed Monitor of Sino-Forest Corporation
 TD Waterhouse Tower
 79 Wellington Street West
 Suite 2010, P.O. Box 104
 Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
 Telephone: (416) 649-8094
 E-mail: sfc@fticonsulting.com

SCHEDULE "D-2"

**PROOF OF CLAIM AGAINST
DIRECTORS OR OFFICERS OF SINO-FOREST CORPORATION**

This form is to be used only by Claimants asserting a claim against any director and/or officers of Sino-Forest Corporation, and NOT for claims against Sino-Forest Corporation itself. For claims against Sino-Forest Corporation, please use the form titled "Proof of Claim Against Sino-Forest Corporation", which is available on the Monitor's website at <http://cfcanada.fticonsulting.com/sfc>.

1. Original Claimant Identification (the "Claimant")

Legal Name of Claimant _____	Name of Contact _____
Address _____	Title _____
_____	Phone # _____
_____	Fax # _____
City _____ Prov / State _____	e-mail _____
Postal/Zip code _____	

2. Assignee, if D&O Claim has been assigned

Full Legal Name of Assignee _____	Name of Contact _____
Address _____	Phone # _____
_____	Fax # _____
City _____ Prov / State _____	e-mail _____
Postal/Zip code _____	

3. Amount of D&O Claim

The Director or Officer was and still is indebted to the Claimant as follows:

I/we have a claim against a Director(s) and/or Officer(s)

Name(s) of Director(s) and/or Officer(s)	Currency	Original Currency Amount	Amount of Claim
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

4. Documentation

Provide all particulars of the D&O Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the D&O Claim.

5. Certification

I hereby certify that:

1. I am the Claimant, or authorized representative of the Claimant.

-3-

2. I have knowledge of all the circumstances connected with this D&O Claim.
3. Complete documentation in support of this D&O Claim is attached.

Name _____

Title _____

Dated at _____

this ____ day of _____ 2012

Signature _____

Witness _____

6. Filing of D&O Claim

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012**, by registered mail, courier, personal delivery or electronic or digital transmission at the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

An electronic version of this form is available at <http://cfcanda.fticonsulting.com/sfc>

SCHEDULE "E"

GUIDE TO COMPLETING THE PROOF OF CLAIM FOR CLAIMS AGAINST SINO-FOREST-CORPORATION

This Guide has been prepared to assist Claimants in filling out the Proof of Claim with respect to Sino-Forest Corporation (the "Applicant"). If you have any additional questions regarding completion of the Proof of Claim, please consult the Monitor's website at <http://cfcanada.fticonsulting.com/sfc> or contact the Monitor, whose contact information is shown below.

Additional copies of the Proof of Claim may be found at the Monitor's website address noted above.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on May 8, 2012 (the "Claims Procedure Order"), the terms of the Claims Procedure Order will govern.

SECTION 1 - ORIGINAL CLAIMANT

4. A separate Proof of Claim must be filed by each legal entity or person asserting a claim against the Applicant.
5. The Claimant shall include any and all Claims it asserts against the Applicant in a single Proof of Claim.
6. The full legal name of the Claimant must be provided.
7. If the Claimant operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
8. If the Claim has been assigned or transferred to another party, Section 2 must also be completed.
9. Unless the Claim is assigned or transferred, all future correspondence, notices, etc. regarding the Claim will be directed to the address and contact indicated in this section.
10. Certain Claimants are exempted from the requirement to file a Proof of Claim. Among those claimants who do not need to file a Proof of Claim are individual noteholders in respect of Claims relating solely to the debt evidenced by their notes. Please consult the Claims Procedure Order for details with respect to these and other exemptions.

SECTION 2 - ASSIGNEE

11. If the Claimant has assigned or otherwise transferred its Claim, then Section 2 must be completed.
12. The full legal name of the Assignee must be provided.

13. If the Assignee operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.

14. If the Monitor in consultation with the Applicant is satisfied that an assignment or transfer has occurred, all future correspondence, notices, etc. regarding the Claim will be directed to the Assignee at the address and contact indicated in this section.

SECTION 3A - AMOUNT OF CLAIM OF CLAIMANT AGAINST DEBTOR

15. Indicate the amount the Applicant was and still is indebted to the Claimant.

Currency, Original Currency Amount

16. The amount of the Claim must be provided in the currency in which it arose.

17. Indicate the appropriate currency in the Currency column.

18. If the Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.

19. Claims denominated in a currency other than Canadian dollars will be converted into Canadian dollars in accordance with the Claims Procedure Order.

Unsecured Prefiling Claim

20. Check this box ONLY if the Claim recorded on that line is an unsecured prefiling claim.

Restructuring Claim

21. Check this box ONLY if the amount of the Claim against the Applicant arose out of the restructuring, termination, repudiation or disclaimer of a lease, contract, or other agreement or obligation on or after March 30, 2012.

Secured Claim

Check this box ONLY if the Claim recorded on that line is a secured claim.

SECTION 3B - CLAIM AGAINST SUBSIDIARIES

22. Check this box ONLY if you have or intend to make a claim against one or more Subsidiaries which is based in whole or in part on facts, underlying transactions, causes of action or events relating to a claim made against the Applicant above, and list the Subsidiaries against whom you assert your claim.

SECTION 4 - DOCUMENTATION

23. Attach to the claim form all particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) or breach(es) giving rise to the Claim.

SECTION 5 - CERTIFICATION

24. The person signing the Proof of Claim should:

- (a) be the Claimant, or authorized representative of the Claimant.
- (b) have knowledge of all the circumstances connected with this Claim.
- (c) have a witness to its certification.

25. By signing and submitting the Proof of Claim, the Claimant is asserting the claim against the Applicant.

SECTION 6 - FILING OF CLAIM

26. This Proof of Claim must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012. Proofs of Claim should be sent by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

Failure to file your Proof of Claim so that it is received by the Monitor by 5:00 p.m., on the applicable claims bar date will result in your claim being barred and you will be prevented from making or enforcing a Claim against the Applicant. In addition, you shall not be entitled to further notice in and shall not be entitled to participate as a creditor in these proceedings.

SCHEDULE "E-2"

GUIDE TO COMPLETING THE PROOF OF CLAIM FOR CLAIMS AGAINST DIRECTORS OR OFFICERS OF SINO-FOREST-CORPORATION

This Guide has been prepared to assist Claimants in filling out the D&O Proof of Claim against any Directors or Officers of Sino-Forest Corporation (the "Applicant"). If you have any additional questions regarding completion of the Proof of Claim, please consult the Monitor's website at <http://cfcanada.fticonsulting.com/sfc> or contact the Monitor, whose contact information is shown below.

The D&O Proof of Claim is to be used only by Claimants asserting a claim against a director and/or officer of Sino-Forest Corporation, and NOT for claims against Sino-Forest Corporation itself. For claims against Sino-Forest Corporation, please use the form titled "Proof of Claim Against Sino-Forest Corporation", which is available on the Monitor's website at <http://cfcanada.fticonsulting.com/sfc>.

Additional copies of the D&O Proof of Claim may be found at the Monitor's website address noted above.

Please note that this is a guide only, and that in the event of any inconsistency between the terms of this guide and the terms of the Claims Procedure Order made on May 8, 2012 (the "Claims Procedure Order"), the terms of the Claims Procedure Order will govern.

SECTION 1 - ORIGINAL CLAIMANT

27. A separate D&O Proof of Claim must be filed by each legal entity or person asserting a claim against any Directors or Officers of the Applicant.
28. The Claimant shall include any and all D&O Claims it asserts in a single D&O Proof of Claim.
29. The full legal name of the Claimant must be provided.
30. If the Claimant operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
31. If the D&O Claim has been assigned or transferred to another party, Section 2 must also be completed.
32. Unless the D&O Claim is assigned or transferred, all future correspondence, notices, etc. regarding the D&O Claim will be directed to the address and contact indicated in this section.

SECTION 2 - ASSIGNEE

33. If the Claimant has assigned or otherwise transferred its D&O Claim, then Section 2 must be completed.

34. The full legal name of the Assignee must be provided.
35. If the Assignee operates under a different name, or names, please indicate this in a separate schedule in the supporting documentation.
36. If the Monitor in consultation with the Applicant is satisfied that an assignment or transfer has occurred, all future correspondence, notices, etc. regarding the D&O Claim will be directed to the Assignee at the address and contact indicated in this section.

SECTION 3 - AMOUNT OF CLAIM OF CLAIMANT AGAINST DIRECTOR OR OFFICER

37. Indicate the amount the Director or Officer is claimed to be indebted to the Claimant and provide all other request details.

Currency, Original Currency Amount

38. The amount of the D&O Claim must be provided in the currency in which it arose.
39. Indicate the appropriate currency in the Currency column.
40. If the D&O Claim is denominated in multiple currencies, use a separate line to indicate the Claim amount in each such currency. If there are insufficient lines to record these amounts, attach a separate schedule indicating the required information.
41. D&O Claims denominated in a currency other than Canadian dollars will be converted into Canadian dollars in accordance with the Claims Procedure Order.

SECTION 4 - DOCUMENTATION

42. Attach to the claim form all particulars of the D&O Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) or breach(es) giving rise to the D&O Claim.

SECTION 5 - CERTIFICATION

43. The person signing the D&O Proof of Claim should:
- (a) be the Claimant, or authorized representative of the Claimant.
 - (b) have knowledge of all the circumstances connected with this D&O Claim.
 - (c) have a witness to its certification.
44. By signing and submitting the D&O Proof of Claim, the Claimant is asserting the claim against the Directors and Officers identified therein.

SECTION 6 - FILING OF CLAIM

45. The D&O Proof of Claim must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012. D&O Proofs of Claim should be sent by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8
Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

Failure to file your D&O Proof of Claim so that it is received by the Monitor by 5:00 p.m., on the applicable claims bar date will result in your claim being barred and you will be prevented from making or enforcing a D&O Claim against the any directors or officers of the Applicant. In addition, you shall not be entitled to further notice in and shall not be entitled to participate as a D&O claimant in these proceedings.

SCHEDULE "F"
D&O INDEMNITY PROOF OF CLAIM
SINO-FOREST CORPORATION

1. Director and /or Officer Particulars (the "Indemnitee")

Legal Name of Indemnitee _____
Address _____ Phone # _____
_____ Fax # _____
_____ City _____ Prov / State _____ e-mail _____
Postal/Zip code _____

2. Indemnification Claim

Position(s) Held _____
Dates Position(s) Held: From _____ to _____
Reference Number of Proof of Claim with respect to which this D&O Indemnity Claim is made _____
Particulars of and basis for D&O Indemnity Claim _____

(Provide all particulars of the D&O Indemnity Claim, including all supporting documentation)

3 Filing of Claim

This D&O Indemnity Proof of Claim and supporting documentation are to be returned to the Monitor within ten Business Days of the date of deemed receipt by the Director or Officer of the Proof of Claim by registered mail, courier, personal delivery or electronic or digital transmission at the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

Failure to file your D&O Indemnity Proof of Claim in accordance with the Claims Procedure Order will result in your D&O Indemnity Claim being barred and forever extinguished and you will be prohibited from making or enforcing such D&O Indemnity Claim against the Applicant.

Dated at _____, this _____ day of _____, 2012.

Per: _____
Name

Signature: _____ (Former Director and/or Officer)

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

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

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

Proceedings commenced in Toronto

ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Robert W. Staley (LSUC #27115J)

Kevin Zych (LSUC #33129T)

Derek J. Bell (LSUC #43420J)

Jonathan Bell (LSUC #55457P)

Tel: 416-863-1200

Fax: 416-863-1716

Lawyers for the Applicant

APPENDIX K – THE EQUITY CLAIMS DECISION

(See Attached)

CITATION: Sino-Forest Corporation (Re), 2012 ONSC 4377
COURT FILE NO.: CV-12-9667-00CL
DATE: 20120727

SUPERIOR COURT OF JUSTICE – ONTARIO

(COMMERCIAL LIST)

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

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

BEFORE: MORAWETZ J.

COUNSEL: Robert W. Staley and Jonathan Bell, for the Applicant

Jennifer Stam, for the Monitor

Kenneth Dekker, for BDO Limited

Peter Griffin and Peter Osborne, for Ernst & Young LLP

Benjamin Zarnett, Robert Chadwick and Brendan O'Neill, for the Ad Hoc Committee of Noteholders

James Grout, for the Ontario Securities Commission

Emily Cole and Joseph Marin, for Allen Chan

Simon Bieber, for David Horsley

David Bish, John Fabello and Adam Slavens, for the Underwriters Named in the Class Action

Max Starnino and Kirk Baert, for the Ontario Plaintiffs

Larry Lowenstein, for the Board of Directors

HEARD: June 26, 2012

ENDORSEMENT

Overview

[1] Sino-Forest Corporation (“SFC” or the “Applicant”) seeks an order directing that claims against SFC, which result from the ownership, purchase or sale of an equity interest in SFC, are “equity claims” as defined in section 2 of the *Companies’ Creditors Arrangement Act* (“CCAA”) including, without limitation: (i) the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule “A” (collectively, the “Shareholder Claims”); and (ii) any indemnification claims against SFC related to or arising from the Shareholder Claims, including, without limitation, those by or on behalf of any of the other defendants to the proceedings listed in Schedule “A” (the “Related Indemnity Claims”).

[2] SFC takes the position that the Shareholder Claims are “equity claims” as defined in the CCAA as they are claims in respect of a monetary loss resulting from the ownership, purchase or sale of an equity interest in SFC and, therefore, come within the definition. SFC also takes the position that the Related Indemnity Claims are “equity claims” as defined in the CCAA as they are claims for contribution or indemnity in respect of a claim that is an equity claim and, therefore, also come within the definition.

[3] On March 30, 2012, the court granted the Initial Order providing for the CCAA stay against SFC and certain of its subsidiaries. FTI Consulting Canada Inc. was appointed as Monitor.

[4] On the same day, the Sales Process Order was granted, approving Sales Process procedures and authorizing and directing SFC, the Monitor and Houlihan Lokey to carry out the Sales Process.

[5] On May 14, 2012, the court issued a Claims Procedure Order, which established June 20, 2012 as the Claims Bar Date.

[6] The stay of proceedings has since been extended to September 28, 2012.

[7] Since the outset of the proceedings, SFC has taken the position that it is important for these proceedings to be completed as soon as possible in order to, among other things, (i) enable the business operated in the Peoples Republic of China (“PRC”) to be separated from SFC and put under new ownership; (ii) enable the restructured business to participate in the Q4 sales season in the PRC market; and (iii) maintain the confidence of stakeholders in the PRC (including local and national governmental bodies, PRC lenders and other stakeholders) that the business in the PRC can be successfully separated from SFC and operate in the ordinary course in the near future.

[8] SFC has negotiated a Support Agreement with the Ad Hoc Committee of Noteholders and intends to file a plan of compromise or arrangement (the “Plan”) under the CCAA by no later than August 27, 2012, based on the deadline set out in the Support Agreement and what they submit is the commercial reality that SFC must complete its restructuring as soon as possible.

[9] Noteholders holding in excess of \$1.296 billion, or approximately 72% of the approximately \$1.8 billion of SFC's noteholders' debt, have executed written support agreements to support the SFC CCAA Plan as of March 30, 2012.

Shareholder Claims Asserted Against SFC

(i) Ontario

[10] By Fresh as Amended Statement of Claim dated April 26, 2012 (the "Ontario Statement of Claim"), the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and other plaintiffs asserted various claims in a class proceeding (the "Ontario Class Proceedings") against SFC, certain of its current and former officers and directors, Ernst & Young LLP ("E&Y"), BDO Limited ("BDO"), Poyry (Beijing) Consulting Company Limited ("Poyry") and SFC's underwriters (collectively, the "Underwriters").

[11] Section 1(m) of the Ontario Statement of Claim defines "class" and "class members" as:

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 securities include those 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.

[12] The term "Securities" is defined as "Sino's common shares, notes and other securities, as defined in the OSA". The term "Class Period" is defined as the period from and including March 19, 2007 up to and including June 2, 2011.

[13] The Ontario Class Proceedings seek damages in the amount of approximately \$9.2 billion against SFC and the other defendants.

[14] The thrust of the complaint in the Ontario Class Proceedings is that the class members are alleged to have purchased securities at "inflated prices during the Class Period" and that absent the alleged misconduct, sales of such securities "would have occurred at prices that reflected the true value" of the securities. It is further alleged that "the price of Sino's Securities was directly affected during the Class Period by the issuance of the Impugned Documents".

(ii) Quebec

[15] By action filed in Quebec on June 9, 2011, Guining Liu commenced an action (the "Quebec Class Proceedings") against SFC, certain of its current and former officers and directors, E&Y and Poyry. The Quebec Class Proceedings do not name BDO or the Underwriters as defendants. The Quebec Class Proceedings also do not specify the quantum of damages sought, but rather reference "damages in an amount equal to the losses that it and the other members of the group suffered as a result of purchasing or acquiring securities of Sino at inflated prices during the Class Period".

[16] The complaints in the Quebec Class Proceedings centre on the effect of alleged misrepresentations on the share price. The duty allegedly owed to the class members is said to be based in “law and other provisions of the *Securities Act*”, to ensure the prompt dissemination of truthful, complete and accurate statements regarding SFC’s business and affairs and to correct any previously-issued materially inaccurate statements.

(iii) Saskatchewan

[17] By Statement of Claim dated December 1, 2011 (the “Saskatchewan Statement of Claim”), Mr. Allan Haigh commenced an action (the “Saskatchewan Class Proceedings”) against SFC, Allen Chan and David Horsley.

[18] The Saskatchewan Statement of Claim does not specify the quantum of damages sought, but instead states in more general terms that the plaintiff seeks “aggravated and compensatory damages against the defendants in an amount to be determined at trial”.

[19] The Saskatchewan Class Proceedings focus on the effect of the alleged wrongful acts upon the trading price of SFC’s securities:

The price of Sino’s securities was directly affected during the Class Period by the issuance of the Impugned Documents. The defendants were aware at all material times that the effect of Sino’s disclosure documents upon the price of its Sino’s [sic] securities.

(iv) New York

[20] By Verified Class Action Complaint dated January 27, 2012, (the “New York Complaint”), Mr. David Leopard and IMF Finance SA commenced a class proceeding against SFC, Mr. Allen Chan, Mr. David Horsley, Mr. Kai Kit Poon, a subset of the Underwriters, E&Y, and Ernst & Young Global Limited (the “New York Class Proceedings”).

[21] SFC contends that the New York Class Proceedings focus on the effect of the alleged wrongful acts upon the trading price of SFC’s securities.

[22] The plaintiffs in the various class actions have named parties other than SFC as defendants, notably, the Underwriters and the auditors, E&Y, and BDO, as summarized in the table below. The positions of those parties are detailed later in these reasons.

	Ontario	Quebec	Saskatchewan	New York
E&Y LLP	X	X	-	X
E&Y Global	-	-	-	X
BDO	X	-	-	-

Poyry	X	X	-	-
Underwriters	11	-	-	2

Legal Framework

[23] Even before the 2009 amendments to the CCAA dealing with equity claims, courts recognized that there is a fundamental difference between shareholder equity claims as they relate to an insolvent entity versus creditor claims. Essentially, shareholders cannot reasonably expect to maintain a financial interest in an insolvent company where creditor claims are not being paid in full. Simply put, shareholders have no economic interest in an insolvent enterprise: *Blue Range Resource Corp. (Re)*, (2004) 4 W.W.R. 738 (Alta. Q.B.) [*Blue Range Resources*]; *Stelco Inc. (Re)*, (2006) CanLII 1773 (Ont. S.C.J.) [*Stelco*]; *Royal Bank of Canada v. Central Capital Corp.* (1996), 27 O.R. (3d) 494 (C.A.).

[24] The basis for the differentiation flows from the fundamentally different nature of debt and equity investments. Shareholders have unlimited upside potential when purchasing shares. Creditors have no corresponding upside potential: *Nelson Financial Group Limited (Re)*, 2010 ONSC 6229 [*Nelson Financial*].

[25] As a result, courts subordinated equity claims and denied such claims a vote in plans of arrangement: *Blue Range Resource*, *supra*; *Stelco*, *supra*; *EarthFirst Canada Inc. (Re)* (2009), 56 C.B.R. (5th) 102 (Alta. Q.B.) [*EarthFirst Canada*]; and *Nelson Financial*, *supra*.

[26] In 2009, significant amendments were made to the CCAA. Specific amendments were made with the intention of clarifying that equity claims are subordinated to other claims.

[27] The 2009 amendments define an “equity claim” and an “equity interest”. Section 2 of the CCAA includes the following definitions:

“Equity Claim” means a claim that is in respect of an equity interest, including a claim for, among others, (...)

(d) a monetary loss resulting from the ownership, purchase or sale of an equity interest or from the rescission, or, in Quebec, the annulment, of a purchase or sale of an equity interest, or

(e) contribution or indemnity in respect of a claim referred to in any of paragraphs (a) to (d);

“Equity Interest” means

(a) in the case of a company other than an income trust, a share in the company – or a warrant or option or another right to acquire a share in the company – other than one that is derived from a convertible debt,

[28] Section 6(8) of the CCAA prohibits a distribution to equity claimants prior to payment in full of all non-equity claims.

[29] Section 22(1) of the CCAA provides that equity claimants are prohibited from voting on a plan unless the court orders otherwise.

Position of Ernst & Young

[30] E&Y opposes the relief sought, at least as against E&Y, since the E&Y proof of claim evidence demonstrates in its view that E&Y's claim:

- (a) is not an equity claim;
- (b) does not derive from or depend upon an equity claim (in whole or in part);
- (c) represents discreet and independent causes of action as against SFC and its directors and officers arising from E&Y's direct contractual relationship with such parties (or certain of such parties) and/or the tortious conduct of SFC and/or its directors and officers for which they are in law responsible to E&Y; and
- (d) can succeed independently of whether or not the claims of the plaintiffs in the class actions succeed.

[31] In its factum, counsel to E&Y acknowledges that during the periods relevant to the Class Action Proceedings, E&Y was retained as SFC's auditor and acted as such from 2007 until it resigned on April 5, 2012.

[32] On June 2, 2011, Muddy Waters LLC ("Muddy Waters") issued a report which purported to reveal fraud at SFC. In the wake of that report, SFC's share price plummeted and Muddy Waters profited from its short position.

[33] E&Y was served with a multitude of class action claims in numerous jurisdictions.

[34] The plaintiffs in the Ontario Class Proceedings claim damages in the aggregate, as against all defendants, of \$9.2 billion on behalf of resident and non-resident shareholders and noteholders. The causes of action alleged are both statutory, under the *Securities Act (Ontario)* and at common law, in negligence and negligent misrepresentation.

[35] In its factum, counsel to E&Y acknowledges that the central claim in the class actions is that SFC made a series of misrepresentations in respect of its timber assets. The claims against E&Y and the other third party defendants are that they failed to detect these misrepresentations and note in particular that E&Y's audit did not comply with Canadian generally accepted accounting standards. Similar claims are advanced in Quebec and the U.S.

[36] Counsel to E&Y notes that on May 14, 2012 the court granted a Claims Procedure Order which, among other things, requires proofs of claim to be filed no later than June 20, 2012. E&Y takes issue with the fact that this motion was then brought notwithstanding that proofs of claim and D&O proofs of claim had not yet been filed.

[37] E&Y has filed with the Monitor, in accordance with the Claims Procedure Order, a proof of claim against SFC and a proof of claim against the directors and officers of SFC.

[38] E&Y takes the position that it has contractual claims of indemnification against SFC and its subsidiaries and has statutory and common law claims of contribution and/or indemnity against SFC and its subsidiaries for all relevant years. E&Y contends that it has stand-alone claims for breach of contract and negligent and/or fraudulent misrepresentation against the company and its directors and officers.

[39] Counsel submits that E&Y's claims against Sino-Forest and the SFC subsidiaries are:

- (a) creditor claims;
- (b) derived from E&Y retainers by and/or on behalf of Sino-Forest and the SFC subsidiaries and E&Y's relationship with such parties, all of which are wholly independent and conceptually different from the claims advanced by the class action plaintiffs;
- (c) claims that include the cost of defending and responding to various proceedings, both pre- and post-filing; and
- (d) not equity claims in the sense contemplated by the CCAA. E&Y's submission is that equity holders of Sino-Forest have not advanced, and could not advance, any claims against SFC's subsidiaries.

[40] Counsel further contends that E&Y's claim is distinct from any and all potential and actual claims by the plaintiffs in the class actions against Sino-Forest and that E&Y's claim for contribution and/or indemnity is not based on the claims against Sino-Forest advanced in the class actions but rather only in part on those claims, as any success of the plaintiffs in the class actions against E&Y would not necessarily lead to success against Sino-Forest, and vice versa. Counsel contends that E&Y has a distinct claim against Sino-Forest independent of that of the plaintiffs in the class actions. The success of E&Y's claims against Sino-Forest and the SFC subsidiaries, and the success of the claims advanced by the class action plaintiffs, are not co-dependent. Consequently, counsel contends that E&Y's claim is that of an unsecured creditor.

[41] From a policy standpoint, counsel to E&Y contends that the nature of the relationship between a shareholder, who may be in a position to assert an equity claim (in addition to other claims) is fundamentally different from the relationship existing between a corporation and its auditors.

Position of BDO Limited

[42] BDO was auditor of Sino-Forest Corporation between 2005 and 2007, when it was replaced by E&Y.

[43] BDO has a filed a proof of claim against Sino-Forest pursuant to the Claims Procedure Order.

[44] BDO's claim against Sino-Forest is primarily for breach of contract.

[45] BDO takes the position that its indemnity claims, similar to those advanced by E&Y and the Underwriters, are not equity claims within the meaning of s. 2 of the CCAA.

[46] BDO adopts the submissions of E&Y which, for the purposes of this endorsement, are not repeated.

Position of the Underwriters

[47] The Underwriters take the position that the court should not decide the equity claims motion at this time because it is premature or, alternatively, if the court decides the equity claims motion, the equity claims order should not be granted because the Related Indemnity Claims are not "equity claims" as defined in s. 2 of the CCAA.

[48] The Underwriters are among the defendants named in some of the class actions. In connection with the offerings, certain Underwriters entered into agreements with Sino-Forest and certain of its subsidiaries providing that Sino-Forest and, with respect to certain offerings, the Sino-Forest subsidiary companies, agree to indemnify and hold harmless the Underwriters in connection with an array of matters that could arise from the offerings.

[49] The Underwriters raise the following issues:

- (i) Should this court decide the equity claims motion at this time?
- (ii) If this court decides the equity claims motion at this time, should the equity claims order be granted?

[50] On the first issue, counsel to the Underwriters takes the position that the issue is not yet ripe for determination.

[51] Counsel submits that, by seeking the equity claims order at this time, Sino-Forest is attempting to pre-empt the Claims Procedure Order, which already provides a process for the determination of claims. Until such time as the claims procedure in respect of the Related Indemnity Claims is completed, and those claims are determined pursuant to that process, counsel contends the subject of the equity claims motion raises a merely hypothetical question as the court is being asked to determine the proper interpretation of s. 2 of the CCAA before it has the benefit of an actual claim in dispute before it.

[52] Counsel further contends that by asking the court to render judgment on the proper interpretation of s. 2 of the CCAA in the hypothetical, Sino-Forest has put the court in a position where its judgment will not be made in the context of particular facts or with a full and complete evidentiary record.

[53] Even if the court determines that it can decide this motion at this time, the Underwriters submit that the relief requested should not be granted.

Position of the Applicant

[54] The Applicant submits that the amendments to the CCAA relating to equity claims closely parallel existing U.S. law on the subject and that Canadian courts have looked to U.S. courts for guidance on the issue of equity claims as the subordination of equity claims has long been codified there: see e.g. *Blue Range Resources, supra*, and *Nelson Financial, supra*.

[55] The Applicant takes the position that based on the plain language of the CCAA, the Shareholder Claims are “equity claims” as defined in s. 2 as they are claims in respect of a “monetary loss resulting from the ownership, purchase or sale of an equity interest”.

[56] The Applicant also submits the following:

- (a) the Ontario, Quebec, Saskatchewan and New York Class Actions (collectively, the “Class Actions”) all advance claims on behalf of shareholders.
- (b) the Class Actions also allege wrongful conduct that affected the trading price of the shares, in that the alleged misrepresentation “artificially inflated” the share price; and
- (c) the Class Actions seek damages relating to the trading price of SFC shares and, as such, allege a “monetary loss” that resulted from the ownership, purchase or sale of shares, as defined in s. 2 of the CCAA.

[57] Counsel further submits that, as the Shareholder Claims are “equity claims”, they are expressly subordinated to creditor claims and are prohibited from voting on the plan of arrangement.

[58] Counsel to the Applicant also submits that the definition of “equity claims” in s. 2 of the CCAA expressly includes indemnity claims that relate to other equity claims. As such, the Related Indemnity Claims are equity claims within the meaning of s. 2.

[59] Counsel further submits that there is no distinction in the CCAA between the source of any claim for contribution or indemnity; whether by statute, common law, contractual or otherwise. Further, and to the contrary, counsel submits that the legal characterization of a contribution or indemnity claim depends solely on the characterization of the primary claim upon which contribution or indemnity is sought.

[60] Counsel points out that in *Return on Innovation Capital v. Gandi Innovations Limited*, 2011 ONSC 5018, leave to appeal denied, 2012 ONCA 10 [*Return on Innovation*] this court characterized the contractual indemnification claims of directors and officers in respect of an equity claim as “equity claims”.

[61] Counsel also submits that guidance on the treatment of underwriter and auditor indemnification claims can be obtained from the U.S. experience. In the U.S., courts have held that the indemnification claims of underwriters for liability or defence costs constitute equity claims that are subordinated to the claims of general creditors. Counsel submits that insofar as

the primary source of liability is characterized as an equity claim, so too is any claim for contribution and indemnity based on that equity claim.

[62] In this case, counsel contends, the Related Indemnity Claims are clearly claims for “contribution and indemnity” based on the Shareholder Claims.

Position of the Ad Hoc Noteholders

[63] Counsel to the Ad Hoc Noteholders submits that the Shareholder Claims are “equity claims” as they are claims in respect of an equity interest and are claims for “a monetary loss resulting from the ownership, purchase or sale of an equity interest” per subsection (d) of the definition of “equity claims” in the CCAA.

[64] Counsel further submits that the Related Indemnity Claims are also “equity claims” as they fall within the “clear and unambiguous” language used in the definition of “equity claim” in the CCAA. Subsection (e) of the definition refers expressly and without qualification to claims for “contribution or indemnity” in respect of claims such as the Shareholder Claims.

[65] Counsel further submits that had the legislature intended to qualify the reference to “contribution or indemnity” in order to exempt the claims of certain parties, it could have done so, but it did not.

[66] Counsel also submits that, if the plain language of subsection (e) is not upheld, shareholders of SFC could potentially create claims to receive indirectly what they could not receive directly (*i.e.*, payment in respect of equity claims through the Related Indemnity Claims) – a result that could not have been intended by the legislature as it would be inconsistent with the purposes of the CCAA.

[67] Counsel to the Ad Hoc Noteholders also submits that, before the CCAA amendments in 2009 (the “CCAA Amendments”), courts subordinated claims on the basis of:

- (a) the general expectations of creditors and shareholders with respect to priority and assumption of risks; and
- (b) the equitable principles and considerations set out in certain U.S. cases: see e.g. *Blue Range Resources, supra*.

[68] Counsel further submits that, before the CCAA Amendments took effect, courts had expanded the types of claims characterized as equity claims; first to claims for damages of defrauded shareholders and then to contractual indemnity claims of shareholders: see *Blue Range Resources, supra* and *EarthFirst Canada, supra*.

[69] Counsel for the Ad Hoc Noteholders also submits that indemnity claims of underwriters have been treated as equity claims in the United States, pursuant to section 510(b) of the U.S. Bankruptcy Code. This submission is detailed at paragraphs 20-25 of their factum which reads as follows:

20. The desire to more closely align the Canadian approach to equity claims with the U.S. approach was among the considerations that gave rise to the codification of the treatment of equity claims. Canadian courts have also looked to the U.S. law for guidance on the issue of equity claims where codification of the subordination of equity claims has been long-standing.

Janis Sarra at p. 209, Ad Hoc Committee's Book of Authorities, Tab 10.

Report of the Standing Senate Committee on Banking, Trade and Commerce, "Debtors and Creditors Sharing the Burden: A Review of the *Bankruptcy and Insolvency Act* and the *Companies' Creditors Arrangement Act*" (2003) at 158, [...]

Blue Range [Resources] at paras. 41-57 [...]

21. Pursuant to § 510(b) of the *U.S. Bankruptcy Code*, all creditors must be paid in full before shareholders are entitled to receive any distribution. § 510(b) of the *U.S. Bankruptcy Code* and the relevant portion of § 502, which is referenced in § 510(b), provide as follows:

§ 510. Subordination

(b) For the purpose of distribution under this title, a claim arising from rescission of a purchase or sale of a security of the debtor or of an affiliate of the debtor, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under 502 on account of such a claim, shall be subordinated to all claims or interests that are senior to or equal the claim or interest represented by such security, except that if such security is common stock, such claim has the same priority as common stock.

§ 502. Allowance of claims or interests

(e) (1) Notwithstanding subsections (a), (b) and (c) of this section and paragraph (2) of this subsection, the court shall disallow any claim for reimbursement or contribution of an entity that is liable with the debtor on or has secured the claim of a creditor, to the extent that

...

(B) such claim for reimbursement or contribution is contingent as of the time of allowance or disallowance of such claim for reimbursement or contribution; or

...

(2) A claim for reimbursement or contribution of such an entity that becomes fixed after the commencement of the case shall be determined,

and shall be allowed under subsection (a), (b), or (c) of this section, or disallowed under subsection (d) of this section, the same as if such claim had become fixed before the date of the filing of the petition.

22. U.S. appellate courts have interpreted the statutory language in § 510(b) broadly to subordinate the claims of shareholders that have a nexus or causal relationship to the purchase or sale of securities, including damages arising from alleged illegality in the sale or purchase of securities or from corporate misconduct whether predicated on pre or post-issuance conduct.

Re Telegroup Inc. (2002), 281 F. 3d 133 (3rd Cir. U.S. Court of Appeals) [...]

American Broadcasting Systems Inc. v. Nugent, U.S. Court of Appeals for the Ninth Circuit, Case Number 98-17133 (24 January 2001) [...]

23. Further, U.S. courts have held that indemnification claims of underwriters against the corporation for liability or defence costs when shareholders or former shareholders have sued underwriters constitute equity claims in the insolvency of the corporation that are subordinated to the claims of general creditors based on: (a) the plain language of § 510(b), which references claims for "reimbursement or contribution" and (b) risk allocation as between general creditors and those parties that play a role in the purchase and sale of securities that give rise to the shareholder claims (i.e., directors, officers and underwriters).

In re Mid-American Waste Sys., 228 B.R. 816, 1999 Bankr. LEXIS 27 (Bankr. D. Del. 1999) [*Mid-American*] [...]

In re Jacom Computer Servs., 280 B.R. 570, 2002 Bankr. LEXIS 758 (Bankr. S.D.N.Y. 2002) [...]

24. In *Mid-American*, the Court stated the following with respect to the "plain language" of § 510(b), its origins and the inclusion of "reimbursement or contribution" claims in that section:

... I find that the plain language of § 510(b), its legislative history, and applicable case law clearly show that § 510(b) intends to subordinate the indemnification claims of officers, directors, and underwriters for both liability and expenses incurred in connection with the pursuit of claims for rescission or damages by purchasers or sellers of the debtor's securities. The meaning of amended § 510(b), specifically the language "for reimbursement or contribution . . . on account of [a claim arising from rescission or damages arising from the purchase or sale of a security]," can be discerned by a plain reading of its language.

... it is readily apparent that the rationale for section 510(b) is not limited to preventing shareholder claimants from improving their position vis-a-

vis general creditors; *Congress also made the decision to subordinate based on risk allocation. Consequently, when Congress amended § 510(b) to add reimbursement and contribution claims, it was not radically departing from an equityholder claimant treatment provision, as NatWest suggests; it simply added to the subordination treatment new classes of persons and entities involved with the securities transactions giving rise to the rescission and damage claims.* The 1984 amendment to § 510(b) is a logical extension of one of the rationales for the original section — *because Congress intended the holders of securities law claims to be subordinated, why not also subordinate claims of other parties (e.g., officers and directors and underwriters) who play a role in the purchase and sale transactions which give rise to the securities law claims?* As I view it, in 1984 Congress made a legislative judgment that claims emanating from tainted securities law transactions should not have the same priority as the claims of general creditors of the estate. [emphasis added]

[...]

25. Further, the U.S. courts have held that the degree of culpability of the respective parties is a non-issue in the disallowance of claims for indemnification of underwriters; the equities are meant to benefit the debtor's direct creditors, not secondarily liable creditors with contingent claims.

In re Drexel Burnham Lambert Group, 148 B.R. 982, 1992 Bankr. LEXIS 2023 (Bankr. S.D.N.Y. 1992) [...]

[70] Counsel submits that there is no principled basis for treating indemnification claims of auditors differently than those of underwriters.

Analysis

Is it Premature to Determine the Issue?

[71] The class action litigation was commenced prior to the CCAA Proceedings. It is clear that the claims of shareholders as set out in the class action claims against SFC are “equity claims” within the meaning of the CCAA.

[72] In my view, this issue is not premature for determination, as is submitted by the Underwriters.

[73] The Class Action Proceedings preceded the CCAA Proceedings. It has been clear since the outset of the CCAA Proceedings that this issue – namely, whether the claims of E&Y, BDO and the Underwriters as against SFC, would be considered “equity claims” – would have to be determined.

[74] It has also been clear from the outset of the CCAA Proceedings, that a Sales Process would be undertaken and the expected proceeds arising from the Sales Process would generate proceeds insufficient to satisfy the claims of creditors.

[75] The Claims Procedure is in place but, it seems to me that the issue that has been placed before the court on this motion can be determined independently of the Claims Procedure. I do not accept that any party can be said to be prejudiced if this threshold issue is determined at this time. The threshold issue does not depend upon a determination of quantification of any claim. Rather, its effect will be to establish whether the claims of E&Y, BDO and the Underwriters will be subordinated pursuant to the provisions of the CCAA. This is independent from a determination as to the validity of any claim and the quantification thereof.

Should the Equity Claims Order be Granted?

[76] I am in agreement with the submission of counsel for the Ad Hoc Noteholders to the effect that the characterization of claims for indemnity turns on the characterization of the underlying primary claims.

[77] In my view, the claims advanced in the Shareholder Claims are clearly equity claims. The Shareholder Claims underlie the Related Indemnity Claims.

[78] In my view, the CCAA Amendments have codified the treatment of claims addressed in pre-amendment cases and have further broadened the scope of equity claims.

[79] The plain language in the definition of "equity claim" does not focus on the identity of the claimant. Rather, it focuses on the nature of the claim. In this case, it seems clear that the Shareholder Claims led to the Related Indemnity Claims. Put another way, the inescapable conclusion is that the Related Indemnity Claims are being used to recover an equity investment.

[80] The plain language of the CCAA dictates the outcome, namely, that the Shareholder Claims and the Related Indemnity Claims constitute "equity claims" within the meaning of the CCAA. This conclusion is consistent with the trend towards an expansive interpretation of the definition of "equity claims" to achieve the purpose of the CCAA.

[81] In *Return on Innovation*, Newbould J. characterized the contractual indemnification claims of directors and officers as "equity claims". The Court of Appeal denied leave to appeal. The analysis in *Return on Innovation* leads to the conclusion that the Related Indemnity Claims are also equity claims under the CCAA.

[82] It would be totally inconsistent to arrive at a conclusion that would enable either the auditors or the Underwriters, through a claim for indemnification, to be treated as creditors when the underlying actions of the shareholders cannot achieve the same status. To hold otherwise would indeed provide an indirect remedy where a direct remedy is not available.

[83] Further, on the issue of whether the claims of E&Y, BDO and the Underwriters fall within the definition of equity claims, there are, in my view, two aspects of these claims and it is necessary to keep them conceptually separate.

[84] The first and most significant aspect of the claims of E&Y, BDO and the Underwriters constitutes an “equity claim” within the meaning of the CCAA. Simply put, but for the Class Action Proceedings, it is inconceivable that claims of this magnitude would have been launched by E&Y, BDO and the Underwriters as against SFC. The class action plaintiffs have launched their actions against SFC, the auditors and the Underwriters. In turn, E&Y, BDO and the Underwriters have launched actions against SFC and its subsidiaries. The claims of the shareholders are clearly “equity claims” and a plain reading of s. 2(1)(e) of the CCAA leads to the same conclusion with respect to the claims of E&Y, BDO and the Underwriters. To hold otherwise, would, as stated above, lead to a result that is inconsistent with the principles of the CCAA. It would potentially put the shareholders in a position to achieve creditor status through their claim against E&Y, BDO and the Underwriters even though a direct claim against SFC would rank as an “equity claim”.

[85] I also recognize that the legal construction of the claims of the auditors and the Underwriters as against SFC is different than the claims of the shareholders against SFC. However, that distinction is not, in my view, reflected in the language of the CCAA which makes no distinction based on the status of the party but rather focuses on the substance of the claim.

[86] Critical to my analysis of this issue is the statutory language and the fact that the CCAA Amendments came into force after the cases relied upon by the Underwriters and the auditors.

[87] It has been argued that the amendments did nothing more than codify pre-existing common law. In many respects, I accept this submission. However, I am unable to accept this submission when considering s. 2(1) of the CCAA, which provides clear and specific language directing that “equity claim” means a claim that is in respect of an equity interest, including a claim for, among other things, “(e) contribution or indemnity in respect of a claim referred to in any of paragraphs (a) to (d)”.

[88] Given that a shareholder claim falls within s. 2(1)(d), the plain words of subsections (d) and (e) lead to the conclusions that I have set out above.

[89] I fail to see how the very clear words of subsection (e) can be seen to be a codification of existing law. To arrive at the conclusion put forth by E&Y, BDO and the Underwriters would require me to ignore the specific words that Parliament has recently enacted.

[90] I cannot agree with the position put forth by the Underwriters or by the auditors on this point. The plain wording of the statute has persuaded me that it does not matter whether an indemnity claim is seeking no more than allocation of fault and contribution at common law, or whether there is a free-standing contribution and indemnity claim based on contracts.

[91] However, that is not to say that the full amount of the claim by the auditors and Underwriters can be characterized, at this time, as an “equity claim”.

[92] The second aspect to the claims of the auditors and underwriters can be illustrated by the following hypothetical: if the claim of the shareholders does not succeed against the class action defendants, E&Y, BDO and the Underwriters will not be liable to the class action plaintiffs. However, these parties may be in a position to demonstrate that they do have a claim against

SFC for the costs of defending those actions, which claim does not arise as a result of "contribution or indemnity in respect of an equity claim".

[93] It could very well be that each of E&Y, BDO and the Underwriters have expended significant amounts in defending the claims brought by the class action plaintiffs which, in turn, could give rise to contractual claims as against SFC. If there is no successful equity claim brought by the class action plaintiffs, it is arguable that any claim of E&Y, BDO and the Underwriters may legitimately be characterized as a claim for contribution or indemnity but not necessarily in respect of an equity claim. If so, there is no principled basis for subordinating this portion of the claim. At this point in time, the quantification of such a claim cannot be determined. This must be determined in accordance with the Claims Procedure.

[94] However, it must be recognized that, by far the most significant part of the claim, is an "equity claim".

[95] In arriving at this determination, I have taken into account the arguments set forth by E&Y, BDO and the Underwriters. My conclusions recognize the separate aspects of the Related Indemnity Claims as submitted by counsel to the Underwriters at paragraph 40 of their factum which reads:

...it must be recognized that there are, in fact, at least two different kinds of Related Indemnity Claims:

- (a) indemnity claims against SFC in respect of Shareholder Claims against the auditors and the Underwriters; and
- (b) indemnity claims against SFC in respect of the defence costs of the auditors and the Underwriters in connection with defending themselves against Shareholder Claims.


Disposition

[96] In the result, an order shall issue that the claims against SFC resulting from the ownership, purchase or sale of equity interests in SFC, including, without limitation, the claims by or on behalf of current or former shareholders asserted in the proceedings listed in Schedule "A" are "equity claims" as defined in s. 2 of the CCAA, being claims in respect of monetary losses resulting from the ownership, purchase or sale of an equity interest. It is noted that counsel for the class action plaintiffs did not contest this issue.

[97] In addition, an order shall also issue that any indemnification claim against SFC related to or arising from the Shareholders Claims, including, without limitation, by or on behalf of any of the other defendants to the proceedings listed in Schedule "A" are "equity claims" under the CCAA, being claims for contribution or indemnity in respect of a claim that is an equity claim. However, I feel it is premature to determine whether this order extends to the aspect of the Related Indemnity Claims that corresponds to the defence costs of the Underwriters and the auditors in connection with defending themselves against the Shareholder Claims.

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[98] A direction shall also issue that these orders are made without prejudice to SFC's rights to apply for a similar order with respect to (i) any claims in the statement of claim that are in respect of securities other than shares and (ii) any indemnification claims against SFC related thereto.



MORAWETZ J.

Date: July 27, 2012

SCHEDULE "A" – SHAREHOLDER CLAIMS

1. *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v. Sino-Forest Corporation et al.* (Ontario Superior Court of Justice, Court File No. CV-11-431153-00CP)
2. *Guining Liu v. Sino-Forest Corporation et al.* (Quebec Superior Court, Court File No.: 200-06-000132-111)
3. *Allan Haigh v. Sino-Forest Corporation et al.* (Saskatchewan Court of Queen's Bench, Court File No. 2288 of 2011)
4. *David Leopard et al. v. Allen T.Y. Chan et al.* (District court of the Southern District of New York, Court File No. 650258/2012)

APPENDIX L – THE MEETING ORDER

(See Attached)

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



ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)

JUSTICE MORAWETZ)

)

)

)

FRIDAY 31ST
 TUESDAY, THE 1ST DAY
 AUGUST
 OF SEPTEMBER, 2012

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

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

PLAN FILING AND MEETING ORDER

THIS MOTION, made by Sino-Forest Corporation (the "**Applicant**" or "**SFC**") for an order, *inter alia*, (a) accepting the filing of the Plan, (b) authorizing the classification of creditors for purposes of voting on the Plan, (c) authorizing and directing the Applicant to call, hold and conduct a meeting of Affected Creditors to consider and vote on a resolution to approve the Plan, (d) authorizing and directing the mailing and distribution of the Meeting Materials, (e) approving the procedures to be followed with respect to the meeting of Affected Creditors, (f) setting a date for the hearing of the Applicant's motion for Court approval of the Plan and (g) amending the Claims Procedure Order to call for monetary Claims of the Ontario Securities Commission, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Applicant's Notice of Motion, the affidavit of W. Judson Martin sworn on August 14, 2012, the affidavit of Audra Hawkins sworn on August 15, 2012, the affidavit of Elizabeth Fimio sworn on August 27, 2012 and the Seventh Report of FTI Consulting Canada Inc. (the "**Monitor**") dated August 17, 2012 (the "**Monitor's Seventh Report**"), and on hearing the submissions of counsel for the Monitor, no one appearing for the other parties served with the Applicant's Motion Record, although duly served as appears from the affidavit of service, filed;

AND FURTHER TO the endorsement of this Honourable Court made August 31, 2012 (the “**Endorsement**”):

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion, the Applicant’s Motion Record and the Monitor’s Seventh Report is hereby abridged and validated such that this Motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

MONITOR’S ROLE

2. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under (i) the CCAA, (ii) the Initial Order, (iii) the Order of this Court dated April 20, 2012 expanding the powers of the Monitor and (iv) the Claims Procedure Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorized by this Meeting Order.

3. THIS COURT ORDERS that: (i) in carrying out the terms of this Meeting Order, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Order of this Court dated April 20, 2012 expanding the powers of the Monitor, or as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Meeting Order, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of the Applicant and any information provided by the Applicant without independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

4. THIS COURT ORDERS that the Monitor and the Applicant, with the consent of the Monitor, are hereby authorized to retain such agents as they deem to be advisable to assist them in connection with calling and conducting the Meeting, including with respect to the distribution of Meeting Materials, the identification of the applicable Ordinary Affected Creditors and Noteholders, and the solicitation of proxies from Persons entitled to vote at the Meeting.

DEFINITIONS

5. THIS COURT ORDERS that any capitalized terms used herein but not otherwise defined herein have the meanings ascribed thereto in the Plan.

6. THIS COURT ORDERS that for the purposes of this Meeting Order, in addition to the terms defined elsewhere in this Meeting Order or in the Plan, the following terms shall have the following meanings:

- (a) “**Affected Creditor**” means a Person with an Affected Creditor Claim, but only with respect to and to the extent of such Affected Creditor Claim;
- (b) “**Affected Creditor Claim**” means any Ordinary Affected Creditor Claim or Noteholder Claim;
- (c) “**Beneficial Noteholder**” means a beneficial owner of any Notes as at the Voting Record Date (or, if applicable, an investment advisor, manager or representative with voting discretion over the Notes owned by such beneficial owners), regardless of whether such beneficial owner is a Registered Noteholder or an Unregistered Noteholder;
- (d) “**DTC**” means The Depository Trust Company, or any successor thereof;
- (e) “**Equity Claim**” means a Claim that meets the definition of “equity claim” in section 2(1) of the CCAA and, for greater certainty, includes any claim that has been determined to be an Equity Claim by the Court in these proceedings;
- (f) “**Equity Claimant**” means any Person having an Equity Claim, but only with respect to and to the extent of such Equity Claim;
- (g) “**Equity Claims Order**” means the Order of this Court dated July 27, 2012, in respect of Shareholder Claims and Related Indemnity Claims against SFC, as such terms are defined therein;

- (h) “**Information Circular**” means the information circular in respect of the Plan and the Meeting substantially in the form filed by the Applicant prior to the date hereof, as the same may be amended, supplemented or restated from time to time;
- (i) “**Instructions to Ordinary Affected Creditors**” means the instructions substantially in the form attached as Schedule “C” hereto;
- (j) “**Instructions to Participant Holders**” means the instructions substantially in the form attached as Schedule “B” hereto;
- (k) “**Instructions to Registered Noteholders**” means the instructions substantially in the form attached as Schedule “D” hereto;
- (l) “**Instructions to Unregistered Noteholders**” means the instructions substantially in the form attached as Schedule “E” hereto;
- (m) “**Mailing Date**” means the date to be selected by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders) on which the Monitor shall make the mailings contemplated by paragraphs 18 and 20 of this Meeting Order, which date shall be within twenty (20) days of the date of this Meeting Order (unless extended with the consent of the Applicant and counsel to the Initial Consenting Noteholders);
- (n) “**Meeting**” means the meeting of Affected Creditors, and any extension or adjournment thereof, that is called and conducted in accordance with this Meeting Order for the purpose of considering and voting on the Plan;
- (o) “**Meeting Date**” means the date and time for the Meeting to be selected by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), which date shall be within thirty (30) days of the Mailing Date (unless extended with the consent of the Applicant and counsel to the Initial Consenting Noteholders);
- (p) “**Meeting Materials**” means the Noteholder Meeting Materials and the Ordinary Affected Creditor Meeting Materials;

- (q) “**Meeting Order**” means this Order, as it may be amended by any further Order of the Court;
- (r) “**Noteholder Claim**” means any Claim by a Beneficial Noteholder (or a Trustee or other representative on such Beneficial Noteholder’s behalf) in respect of or in relation to Notes, including all principal, Accrued Interest and any amounts payable pursuant to the Notes or the Note Indentures;
- (s) “**Noteholder**” means, as at the Voting Record Date, any Registered Noteholder, Unregistered Noteholder, Participant Holder or Beneficial Noteholder, as the context requires, in such capacity;
- (t) “**Noteholder Meeting Materials**” means copies of:
 - (i) the Notice to Affected Creditors;
 - (ii) the Plan;
 - (iii) the Information Circular;
 - (iv) the Meeting Order and Endorsement;
 - (v) a blank form of the Noteholders’ Proxy;
 - (vi) the Instructions to Registered Noteholders; and
 - (vii) the Instructions to Unregistered Noteholders;
- (u) “**Noteholders’ Proxy**” means a proxy substantially in the form of Schedule “F”, to be submitted to the Monitor by any Beneficial Noteholder that wishes to vote by proxy at the Meeting;
- (v) “**Notes**” means, collectively, the 2013 Notes, the 2014 Notes, the 2016 Notes and the 2017 Notes;
- (w) “**Notice to Affected Creditors**” means the notice to Affected Creditors substantially in the form attached as Schedule “A” hereto;

- (x) “**Ordinary Affected Creditor**” means a Person with an Ordinary Affected Creditor Claim;
- (y) “**Ordinary Affected Creditor Claim**” means a Claim that is not: an Unaffected Claim; a Noteholder Claim; an Equity Claim; a Subsidiary Intercompany Claim; a Noteholder Class Action Claim; or a Class Action Indemnity Claim (other than a Class Action Indemnity Claim by any of the Third Party Defendants in respect of the Indemnified Noteholder Class Action Claims);
- (z) “**Ordinary Affected Creditor Meeting Materials**” means copies of:
 - (i) the Notice to Affected Creditors;
 - (ii) the Plan;
 - (iii) the Information Circular;
 - (iv) the Meeting Order and Endorsement;
 - (v) a blank form of the Ordinary Affected Creditors’ Proxy; and
 - (vi) the Instructions to Ordinary Affected Creditors;
- (aa) “**Ordinary Affected Creditors’ Proxy**” means a proxy substantially in the form attached as Schedule “G” hereto, to be submitted to the Monitor by any Ordinary Affected Creditor who wishes to vote by proxy at the Meeting;
- (bb) “**Participant Holder**” means a Person whose name appears on any of the Participant Holders Lists as at the Voting Record Date but who is not a Beneficial Noteholder;
- (cc) “**Participant Holders Lists**” means the lists of DTC participant holders of Notes as at the Voting Record Date to be provided to the Monitor by DTC or any similar depository or trust company with respect to each series of Notes in accordance with paragraph 23 of this Meeting Order;
- (dd) “**Plan**” means the plan of compromise and reorganization proposed by the Applicant as described in the Martin Affidavit and attached as Exhibit “B” to the

affidavit of Elizabeth Fimio, as such plan of compromise and reorganization may be amended from time to time in accordance with its terms;

- (ee) “**Plan Supplement**” means the supplement(s) to the Plan, which shall contain draft copies of the Litigation Trust Agreement, relevant documents concerning Newco (including the terms of the Newco Shares and the Newco Notes) and such other documents as the Applicant and the Monitor may consider appropriate or necessary for purposes of the Meeting and voting on the Plan;
- (ff) “**Proof of Claim**” means the “Proof of Claim” referred to in the Claims Procedure Order, substantially in the form attached to the Claims Procedure Order;
- (gg) “**Registered Noteholder**” means a Noteholder who is the legal owner or holder of one or more Notes and whose name appears on any Registered Noteholder List;
- (hh) “**Registered Noteholder List**” means each list of Registered Noteholders as at the Voting Record Date provided by the Trustees to the Monitor in accordance with paragraph 21 of this Meeting Order;
- (ii) “**Required Majority**” means a majority in number of Affected Creditors with Voting Claims, and two-thirds in value of the Voting Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting;
- (jj) “**Sanction Hearing Date**” means the date to be selected by the Monitor for the Sanction Hearing (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), which date shall be within seven (7) days of the Meeting Date (or such other date on or after the Meeting Date as may be set by the Monitor or the Court);
- (kk) “**Shareholder Claims**” has the meaning ascribed thereto in the endorsement of this Court dated July 27, 2012 in these proceedings;

- (ll) “**Unregistered Noteholder**” means a Noteholder whose name does not appear on any Registered Noteholder List;
- (mm) “**Unresolved Claim**” means an Affected Creditor Claim in respect of which a Proof of Claim has been filed in a proper and timely manner in accordance with the Claims Procedure Order but that, as at any applicable time, has not been (i) determined to be a Voting Claim or (ii) finally disallowed;
- (nn) “**Voting Claim**” means an Affected Creditor Claim to the extent that such Affected Creditor Claim has been accepted by the Monitor solely for purpose of voting on the Plan (which acceptance for the purpose of voting shall have no effect on whether such Claim is a Proven Claim for purposes of the Plan), in each case in accordance with the provisions of the Claims Procedure Order or any other Order, as applicable;
- (oo) “**Voting Record Date**” means the date of this Meeting Order; and
- (pp) “**Website**” means the website maintained by the Monitor in respect of the CCAA proceedings pursuant to the Initial Order at the following web address:
<http://cfcanada.fticonsulting.com/sfc/>.

7. THIS COURT ORDERS that all references to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 P.M. on such Business Day unless otherwise indicated herein.

8. THIS COURT ORDERS that all references to the word “including” shall mean “including without limitation”.

9. THIS COURT ORDERS that, unless the context otherwise requires, words importing the singular shall include the plural and *vice versa*, and words importing any gender shall include all genders.

THE PLAN

10. THIS COURT ORDERS that the Plan is hereby accepted for filing, and the Applicant is hereby authorized and directed to call and hold a meeting of Affected Creditors to vote on the Plan in the manner set forth herein.

11. THIS COURT ORDERS that the Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

12. THIS COURT ORDERS that the Applicant shall serve and file the Plan Supplement, and the Monitor shall post the Plan Supplement on the Website, no later than seven (7) days prior to the Meeting. Thereafter, the Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan Supplement, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

FORMS OF DOCUMENTS

13. THIS COURT ORDERS that the forms of Information Circular, Notice to Affected Creditors, Ordinary Affected Creditors' Proxy, Noteholders' Proxy, Instructions to Ordinary Affected Creditors, Instructions to Registered Noteholders, Instructions to Unregistered Noteholders and Instructions to Participant Holders are hereby approved. The Applicant, with the consent of the Monitor, may (x) make any changes to such materials as are necessary or desirable to conform the content thereof to the terms of the Plan or this Meeting Order, and (y) at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement any of such materials, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendments, restatements, modifications and/or supplements to Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall forthwith provide notice to the service list of any such amendments, restatements, modifications and/or supplements and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendments, restatements, modifications and/or supplements on the Website forthwith and in any event prior to the Sanction Hearing.

VOTING BY CREDITORS

14. THIS COURT ORDERS that, the Affected Creditors shall constitute a single class, the "**Affected Creditors Class**", for the purposes of considering and voting on the Plan.

15. [Intentionally deleted]

16. [Intentionally deleted]

NOTICE TO ORDINARY AFFECTED CREDITORS

17. THIS COURT ORDERS that the Monitor shall, no later than three (3) Business Days following the date of this Meeting Order, post an electronic copy of the Notice to Affected Creditors, the Plan and the Information Circular (in the form provided by the Applicant as at the date of this Meeting Order) on the Website.

18. THIS COURT ORDERS that the Monitor shall, on the Mailing Date, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to each Ordinary Affected Creditor with a Voting Claim and/or an Unresolved Claim at the address set out in such Ordinary Affected Creditor's Proof of Claim (or in any other written notice that has been received by the Monitor in advance of such date regarding a change of address for an Ordinary Affected Creditor).

NOTICE TO NOTEHOLDERS

19. THIS COURT ORDERS that, no later than three (3) Business Days following the date of this Meeting Order, the Monitor shall post an electronic copy of the Notice to Affected Creditors, the Plan and the Information Circular (in the form provided by the Applicant as at the date of this Meeting Order) on the Website.

20. THIS COURT ORDERS that the Monitor shall, on the Mailing Date, deliver the Noteholder Meeting Materials by courier, personal delivery or email to the Trustees and DTC.

21. THIS COURT ORDERS that, no later than four (4) Business Days following the date of this Meeting Order, each of the Trustees shall provide to the Applicant and the Monitor a Registered Noteholder List for each series of Notes in respect of which such Trustee acts as trustee, each of which Registered Noteholder Lists shall list the Registered Noteholders of the applicable series of Notes as at the Voting Record Date and their respective addresses, telephone numbers, fax numbers and email addresses, to the extent available.

22. THIS COURT ORDERS that, on the later of (i) the Mailing Date and (ii) the date upon which the Monitor receives a Registered Noteholder List from any Trustee as provided for in paragraph 21, the Monitor shall send the Noteholder Meeting Materials to each Person listed on the Registered Noteholder List.

23. THIS COURT ORDERS that: (i) no later than four (4) Business Days following the date of this Meeting Order, DTC shall provide to the Applicant and the Monitor a Participant Holders List in respect of the Notes; and (ii) as soon as practicable following the date of this Meeting Order and in any event within four (4) Business Days of receiving notice from the Monitor of this Meeting Order, any other Registered Noteholder (if any) who holds Notes on behalf of one

or more Participant Holders shall provide to the Applicant and the Monitor a Participant Holders List in respect of the Notes. In each case the Participant Holder List so provided shall list the Participant Holders as at the Voting Record Date and their respective addresses and telephone numbers, fax numbers and email addresses, to the extent available.

24. THIS COURT ORDERS that, upon receipt by the Monitor of the Participant Holders Lists, the Monitor shall contact each Participant Holder listed thereon to determine the number of copies of the Noteholder Meeting Materials such Participant Holder requires in order to provide one copy of the Noteholder Meeting Materials to each of its customers or principals who are Unregistered Noteholders as at the Voting Record Date, and each Participant Holder shall provide the Monitor with a response as to the number of copies of the Noteholder Meeting Materials required within two (2) Business Days of being so contacted by the Monitor.

25. THIS COURT ORDERS that on the later of (i) the Mailing Date, and (ii) the date upon which the Monitor receives the information referred to in paragraph 24, the Monitor shall deliver by courier, personal delivery or email to such Participant Holder a copy of the Instructions to Participant Holders together with that number of copies of the Noteholder Meeting Materials required by such Participant Holder for distribution to the Unregistered Noteholders that are its customers or principals.

26. THIS COURT ORDERS that, within five (5) Business Days of any Participant Holder's receipt of the Noteholder Meeting Materials from the Monitor pursuant to paragraph 25, such Participant Holder shall: (i) complete and sign the applicable section of the Noteholders' Proxy relating to Participant Holders for each Unregistered Noteholder that has an account (directly or through an agent or custodian) with such Participant Holder; and (ii) deliver by courier or personal delivery to each such Unregistered Noteholder the Noteholders' Proxy as so completed and signed together with one copy of the Noteholder Meeting Materials. Each Participant Holder shall take any other action reasonably required to enable any Unregistered Noteholder that has an account (directly or through an agent or custodian) with such Participant Holder to provide a Noteholders' Proxy to the Monitor with respect to the Notes owned by or held for the benefit of such Unregistered Noteholder.

27. THIS COURT ORDERS that where: (i) a Participant Holder or its agent has a standard practice for distribution of meeting materials to Unregistered Noteholders and for the gathering of information and proxies or voting instructions from Unregistered Noteholders; (ii) the Participant Holder has discussed such standard practice in advance with the Applicant, the Monitor and counsel to the Initial Consenting Noteholders; and (iii) such standard practice is acceptable to the Applicant, the Monitor and counsel to the Initial Consenting Noteholders, such Participant Holder or its agent may, in lieu of following the procedure set out in paragraph 26 above, follow such standard practice provided that all applicable proxies or voting instructions are received by the Monitor no later than 5:00 P.M. on the third Business Day before the Meeting.

NOTICE, SERVICE AND DELIVERY

28. THIS COURT ORDERS that the Monitor's fulfillment of the notice, delivery and Website posting requirements set out in this Meeting Order shall constitute good and sufficient notice, service and delivery thereof on all Persons who may be entitled to receive notice, service or delivery thereof or who may wish to be present or vote (in person or by proxy) at the Meeting, and that no other form of notice, service or delivery need be given or made on such Persons and no other document or material need be served on such Persons.

CONDUCT OF MEETING AND DELIVERY OF PROXIES

29. THIS COURT ORDERS that the Applicant is hereby authorized and directed to call the Meeting and to hold and conduct the Meeting on the Meeting Date at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, for the purpose of seeking approval of the Plan by the Affected Creditors with Voting Claims at the Meeting in the manner set forth herein. In the event that the Meeting Date is extended after the Mailing Date, the Monitor shall post notice of the extension of the Meeting Date on the Website and provide notice of the extension of the Meeting Date to the service list.

30. THIS COURT ORDERS that Greg Watson or another representative of the Monitor, designated by the Monitor, shall preside as the chair of the Meeting (the "**Chair**") and, subject to

this Meeting Order or any further Order of the Court, shall decide all matters relating to the conduct of the Meeting.

31. THIS COURT ORDERS that the Monitor may appoint scrutineers for the supervision and tabulation of the attendance at, quorum at and votes cast at the Meeting (the “**Scrutineers**”). A person designated by the Monitor shall act as secretary of the Meeting (the “**Secretary**”).

32. THIS COURT ORDERS that the quorum required at the Meeting shall be one Affected Creditor with a Voting Claim present at the Meeting (in person or by proxy).

33. THIS COURT ORDERS that if the requisite quorum is not present at the Meeting, or if the Meeting is postponed by the vote of a majority in value of Voting Claims of the Affected Creditors present at the Meeting (in person or by proxy), then the Meeting shall be adjourned by the Chair to a later date, time and place as designated by the Chair. The Chair shall be entitled to adjourn and further adjourn the Meeting at the Meeting or at any adjourned Meeting. Any adjournment or adjournments described in this paragraph 33 shall be for a period of not more than thirty (30) days in total unless otherwise agreed to by the Applicant, the Monitor and counsel to the Initial Consenting Noteholders. In the event of any adjournment described in this paragraph 33, no Person shall be required to deliver any notice of the adjournment of the Meeting or adjourned Meeting, provided that the Monitor shall: (i) announce the adjournment at the Meeting or adjourned Meeting, as applicable; (ii) post notice of the adjournment at the originally designated time and location of the Meeting or adjourned Meeting, as applicable; (iii) forthwith post notice of the adjournment on the Website; and (iv) provide notice of the adjournment to the service list forthwith. Any Ordinary Affected Creditor Proxies and Noteholder Proxies validly delivered in connection with the Meeting shall be accepted as proxies in respect of any adjourned Meeting.

34. THIS COURT ORDERS that the only Persons entitled to attend and speak at the Meeting are: (i) the Affected Creditors entitled to vote at the Meeting (or, if applicable, any Person holding a valid Ordinary Creditors’ Proxy or Noteholders’ Proxy on behalf of one or more such Affected Creditors) and any such Affected Creditor’s or valid proxyholder’s legal counsel and financial advisors; (ii) the Chair, the Scrutineers and the Secretary; (iii) one or more representatives of the Monitor and the Monitor’s legal counsel; (iv) one or more representatives

of the current board of directors and/or senior management of Applicant, as selected by the Applicant, and the Applicant's legal counsel and financial advisors; (v) counsel to the Directors and Officers; (vi) one or more representatives of the Initial Consenting Noteholders and the Initial Consenting Noteholders' legal counsel and financial advisors; and (vii) the Trustees and their respective legal counsel. Any other person may be admitted to the Meeting on invitation of the Chair.

35. THIS COURT ORDERS that the Monitor may, with the consent of the Applicant, waive in writing the time limits imposed on Affected Creditors as set out in this Meeting Order (including the schedules hereto), generally or in individual circumstances, if the Monitor deems it advisable to do so.

ASSIGNMENT OF AFFECTED CLAIMS PRIOR TO THE MEETING

36. THIS COURT ORDERS that, subject to any restrictions contained in Applicable Laws, an Ordinary Affected Creditor may transfer or assign the whole of its Ordinary Affected Creditor Claim prior to the Meeting (or any adjournment thereof), provided that neither the Applicant nor the Monitor shall be obliged to deal with any transferee or assignee thereof as an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim, including allowing such transferee or assignee to attend or vote at the Meeting, unless and until actual notice of the transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Applicant and the Monitor, which receipt and acknowledgment must have occurred on or before 5 p.m. (Toronto time) on the date that is seven (7) days prior to the date of the Meeting (or any adjournment thereof), failing which the original transferor shall have all applicable rights as the "Ordinary Affected Creditor" with respect to such Ordinary Affected Creditor Claim as if no transfer of the Ordinary Affected Creditor Claim had occurred. If such receipt and acknowledgment by the Applicant and the Monitor have occurred on or before 5 p.m. (Toronto time) on the date that is seven (7) days prior to the date of the Meeting (or any adjournment thereof): (i) the transferor of the applicable Ordinary Affected Creditor Claim shall no longer constitute an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim; and (ii) the transferee or assignee of the applicable Ordinary Affected Creditor Claim shall, for all purposes in accordance with this Meeting Order, constitute

an Ordinary Affected Creditor in respect of such Ordinary Affected Creditor Claim and shall be bound by any and all notices previously given to the transferor or assignor in respect thereof and shall be bound by any Ordinary Creditors' Proxy duly submitted to the Monitor in accordance with this Meeting Order. For greater certainty, the Applicant and the Monitor shall not recognize partial transfers or assignments of Ordinary Affected Creditor Claims.

37. THIS COURT ORDERS that only those Beneficial Noteholders that have beneficial ownership of one or more Notes as at the Voting Record Date shall be entitled to vote at the Meeting (whether in person or by proxy). Nothing in this Meeting Order restricts the Beneficial Noteholders from transferring or assigning such Notes prior to or after the Voting Record Date, provided that if such transfer or assignment occurs after the Voting Record Date, only the original Beneficial Noteholder of such Notes as at the Voting Record Date (and not any transferee) shall be treated as a Beneficial Noteholder for purposes of this Meeting Order and the Meeting.

VOTING PROCEDURE

38. THIS COURT ORDERS that at the Meeting, the Chair shall direct a vote, by written ballot, on a resolution to approve the Plan and any amendments thereto.

39. THIS COURT ORDERS that, subject to paragraph 49, the only Persons entitled to vote at the Meeting (whether in person or by proxy) are: (i) Beneficial Noteholders with Voting Claims that have beneficial ownership of one or more Notes as at the Voting Record Date (or any such Beneficial Noteholder's validly appointed holder of its Noteholders' Proxy); and (ii) Ordinary Affected Creditors with Voting Claims as at the Voting Record Date (which, for greater certainty, includes any transferee of an Ordinary Affected Creditor Claim that is a Voting Claim, provided that such transferee has been recognized as an Ordinary Affected Creditor in respect of such transferred Ordinary Affected Creditor Claim in accordance with paragraph 36) (or any such Ordinary Affected Creditor's validly appointed holder of its Ordinary Affected Creditors' Proxy).

40. THIS COURT ORDERS that each Ordinary Affected Creditor with a Voting Claim shall be entitled to one vote as a member of the Affected Creditors Class, which vote shall have a value equal to the dollar value of such Ordinary Affected Creditor's Voting Claim.

41. THIS COURT ORDERS that each Beneficial Noteholder with a Voting Claim shall be entitled to one vote as a member of the Affected Creditors' Class, which vote shall have a value equal to the principal and Accrued Interest owing under the Notes owned by such Beneficial Noteholder as at the Voting Record Date. For greater certainty, with respect to voting by Beneficial Noteholders, only the Beneficial Noteholders, and not Registered Noteholders or Participant Holders (unless any such Registered Noteholder or Participant Noteholder is itself a Beneficial Noteholder), shall be entitled to vote on the Plan as provided for in this Meeting Order.

42. THIS COURT ORDERS that for the purpose of calculating the two-thirds majority in value of Voting Claims, the aggregate amount of Voting Claims held by all Affected Creditors that vote in favour of the Plan (in person or by proxy) shall be divided by the aggregate amount of all Voting Claims held by all Affected Creditors that vote on the Plan (in person or by proxy). For the purpose of calculating a majority in number of Affected Creditors voting on the Plan, (i) each Ordinary Affected Creditor that votes on the Plan (in person or by proxy) shall only be counted once, without duplication; and (ii) each individual Beneficial Noteholder that votes on the Plan (in person or by proxy) shall only be counted once, without duplication, even if that Beneficial Noteholder holds Notes through more than one Registered Noteholder or Participant Holder.

43. THIS COURT ORDERS that, for purposes of tabulating the votes cast on any matter that may come before the Meeting, the Chair shall be entitled to rely on any vote cast by a holder of an Ordinary Affected Creditors' Proxy and/or a Noteholders' Proxy that has been duly submitted to the Monitor in the manner set forth in this Meeting Order.

44. THIS COURT ORDERS that any Ordinary Affected Creditor or Beneficial Noteholder that is entitled to vote at the Meeting and that wishes to vote at the Meeting in person must: (i) duly complete and sign an Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable; (ii) identify itself in the Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable, as the

Person with the power to attend and vote at the Meeting on behalf of such Ordinary Affected Creditor or Beneficial Noteholder, as the case may be; and (iii) deliver such Ordinary Affected Creditors' Proxy or Noteholders' Proxy, as the case may be, to the Monitor so that it is received on or before 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof), and such delivery must be made in accordance with the instructions accompanying such Ordinary Affected Creditors' Proxy or Noteholders' Proxy.

45. THIS COURT ORDERS that any Ordinary Affected Creditor or Beneficial Noteholder that is entitled to vote at the Meeting and that wishes to appoint a nominee to vote on its behalf at the Meeting must: (i) duly complete and sign an Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable; (ii) identify its desired nominee in the Ordinary Creditors' Proxy or a Noteholders' Proxy, as applicable, as the Person with the power to attend and vote at the Meeting on behalf of such Ordinary Affected Creditor or Beneficial Noteholder, as the case may be; and (iii) deliver such Ordinary Affected Creditors' Proxy or Noteholders' Proxy, as the case may be, to the Monitor so that it is received on or before 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof), and such delivery must be made in accordance with the instructions accompanying such Ordinary Affected Creditors' Proxy or Noteholders' Proxy.

46. THIS COURT ORDERS that, in order to be effective, any Noteholders' Proxy must clearly state the name and contain the signature of the applicable Participant Holder, the applicable account number or numbers of the account or accounts maintained by the applicable Beneficial Noteholder with such Participant Holder, and the principal amount of Notes (excluding any pre-or post-filing interest) that such Beneficial Noteholder holds in each such account or accounts. Where a Beneficial Noteholder holds Notes through more than one Participant Holder, its Noteholders' Proxy is required to be executed by only one of those Participant Holders, provided that the Beneficial Noteholder shall provide the information required in its Noteholders' Proxy with respect to its Notes held with all Participant Holders to allow the Monitor to verify the aggregate amount of Notes held by such Beneficial Noteholder for the purposes of voting on the Plan.

47. THIS COURT ORDERS that notwithstanding anything in paragraphs 44, 45 or 46 or any minor error or omission in any Ordinary Affected Creditors' Proxy or Noteholders' Proxy

that is submitted to the Monitor, the Chair shall have the discretion to accept for voting purposes any Ordinary Affected Creditors' Proxy or Noteholders' Proxy submitted to the Monitor in accordance with the Meeting Order.

48. THIS COURT ORDERS that if there is any dispute as to the principal amount or number of Notes held by any Beneficial Noteholder, the Monitor will request the Participant Holder, if any, who maintains book entry records or other records evidencing such Beneficial Noteholder's ownership of Notes, to confirm with the Monitor the information provided by such Beneficial Noteholder. If any such dispute is not resolved by such Beneficial Noteholder and the Monitor by the date of the Meeting (or any adjournment thereof), the Monitor shall tabulate the vote for or against the Plan in respect of the disputed principal amount of such Beneficial Noteholder's Notes separately. If: (i) any such dispute remains unresolved as of the date of the Sanction Hearing; and (ii) the approval or non-approval of the Plan would be affected by the votes cast in respect of such disputed principal amount of Notes, then such result shall be reported to the Court at the Sanction Hearing and, if necessary, the Monitor may make a request to the Court for directions.

VOTING OF UNRESOLVED CLAIMS

49. THIS COURT ORDERS that notwithstanding anything to the contrary herein or in the Plan, each Affected Creditor with an Unresolved Claim as at the Voting Record Date shall be entitled to attend the Meeting and shall be entitled to one vote at the Meeting in respect of such Unresolved Claim. Any vote cast in respect of an Unresolved Claim shall be dealt with in accordance with paragraph 50, unless and until (and then only to the extent that) such Unresolved Claim is ultimately determined to be: (i) a Voting Claim, in which case such vote shall have the dollar value attributable to such Voting Claim; or (ii) disallowed, in which case such vote shall not be counted for any purpose.

50. THIS COURT ORDERS that the Monitor shall keep a separate record of votes cast by Affected Creditors with Unresolved Claims and shall report to the Court with respect thereto at the Sanction Hearing. If approval or non-approval of the Plan by Affected Creditors would be altered by the votes cast in respect of Unresolved Claims: (i) such result shall be reported to the Court as soon as reasonably practicable after the Meeting; (ii) if a deferral of the Sanction

Hearing is deemed to be necessary or advisable by the Monitor (in consultation with the Applicant and counsel to the Initial Consenting Noteholders), the Monitor shall request an appropriate deferral of the Sanction Hearing; and (iii) the Monitor may make a request to the Court for directions.

51. THIS COURT ORDERS that each of the Third Party Defendants shall be entitled to one vote as a member of the Affected Creditors Class in respect of any Class Action Indemnity Claim that it has properly filed in respect of the Indemnified Noteholder Class Action Claims, provided that the aggregate value of all such Class Action Indemnity Claims shall, for voting purposes, be deemed to be limited to the amount of the Indemnified Noteholder Class Action Limit in the event that such Indemnified Noteholder Class Action Limit is in place at the time of voting. The Monitor shall keep a separate record of votes cast by the Third Party Defendants in respect of such Class Action Indemnity Claims, and the Monitor shall report to the Court with respect thereto at the Sanction Hearing, including as to whether or not a vote in favour of the Plan or against the Plan by the Third Party Defendants would have had any effect on the approval of the Plan by the Required Majority.

52. THIS COURT ORDERS that the Applicant and the Monitor shall have the right to seek the assistance of the Court at any time in valuing any Unresolved Claim if required to ascertain the result of any vote on the Plan.

53. THIS COURT ORDERS that, pursuant to the Order of this Court dated July 27, 2012 in these proceedings, any Claims that have been properly filed by any of the Third Party Defendants against the Applicant in respect of defence costs incurred or to be incurred by the Third Party Defendants in connection with defending themselves against the Shareholder Claims (“**Defence Costs Claims**”) shall be treated as Unresolved Claims for purposes of this Meeting Order and voting at the Meeting.

PERSONS NOT ENTITLED TO VOTE

54. THIS COURT ORDERS that, for greater certainty, the following Persons, in such capacity, shall have no right to, and shall not, vote at the Meeting: Unaffected Creditors; Noteholder Class Action Claimants; Equity Claimants; any Person with a D&O Claim; any

Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of the Indemnified Noteholder Class Action Claims); any Person with a Subsidiary Intercompany Claim; and any other Person asserting Claims against the Applicant whose Claims do not constitute Affected Creditor Claims on the Voting Record Date.

CLAIMS OF THE ONTARIO SECURITIES COMMISSION

55. THIS COURT ORDERS that the Ontario Securities Commission (the “OSC”) shall (i) advise the Applicant and the Monitor as to whether it will pursue any rights or claims against the Applicant or the Directors or Officers that have or could give rise to a monetary administrative or other monetary penalty or claim (“OSC Monetary Claims”) on or prior to September 13, 2012, which date shall serve in effect as a claims bar date for purposes of any OSC Monetary Claims that may be asserted by the OSC as against the Applicant or any Director or Officer, and (ii) with respect to any OSC Monetary Claims that the OSC may so assert, shall in each case specify the quantum of each such OSC Monetary Claim.

56. THIS COURT ORDERS that, in the event that the Applicant and the Monitor are advised of any OSC Monetary Claims pursuant to and in accordance with paragraph 55, the Monitor shall within three (3) Business Days of being so advised, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to the OSC (or to counsel for the OSC as appears on the service list).

RESTRUCTURING CLAIMS

57. THIS COURT ORDERS that the Monitor shall, no later than three (3) Business Days following the receipt of a Proof of Claim from any Person asserting a Restructuring Claim, deliver the Ordinary Affected Creditor Meeting Materials by courier, personal delivery or email to such Person at the address set out in any such Proof of Claim.

APPROVAL OF THE PLAN

58. THIS COURT ORDERS that the Plan must receive an affirmative vote of the Required Majority in order to be approved by the Affected Creditors.

59. THIS COURT ORDERS that the result of any vote at the Meeting shall be binding on all Affected Creditors, regardless of whether such Affected Creditor was present at or voted at the Meeting.

PLAN SANCTION

60. THIS COURT ORDERS that the Monitor shall report to the Court the results of any votes taken at the Meeting as soon as reasonably practicable after the Meeting (or any adjournment thereof). If the Plan is approved by the Required Majority, the Applicant may apply to the Court at 10:00 A.M. on the Sanction Hearing Date for the Sanction Order (the “**Sanction Hearing**”).

61. THIS COURT ORDERS that service of this Meeting Order by the Monitor or the Applicant to the parties on the service list shall constitute good and sufficient service of notice of the Sanction Hearing on all Persons entitled to receive such service and no other form of notice or service need be made and no other materials need be served in respect of the Sanction Hearing, except that any party shall also serve the service list with any additional materials that it intends to use in support of the Sanction Hearing.

62. THIS COURT ORDERS that any Person who wishes to oppose the Sanction Hearing shall serve on the Applicant, the Monitor and the service list a notice setting out the basis for such opposition and a copy of the materials to be used to oppose the Sanction Hearing at least four (4) days before the date set for the Sanction Hearing.

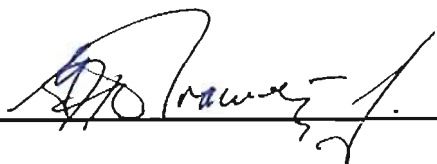
MISCELLANEOUS

63. THIS COURT ORDERS that nothing in this Meeting Order (including the acceptance or determination of any Claim, or any part thereof, as a Voting Claim in accordance with this Meeting Order) has the effect of determining Proven Claims for purposes of the Plan.

64. THIS COURT ORDERS that, for the purposes of this Meeting Order (including the calculation of the Required Majority), all Affected Creditor Claims shall be deemed to be denominated in Canadian dollars and any Affected Creditor Claims denominated in a foreign currency shall be deemed to be converted to Canadian dollars using the Reuters closing rate on

the Filing Date (as found at <http://www.reuters.com/finance/currencies>), without prejudice to a different exchange rate being proposed in the Plan.

65. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.



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SEP 4 - 2012

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SCHEDULE "A"

NOTICE TO AFFECTED CREDITORS OF SINO-FOREST CORPORATION

NOTICE IS HEREBY GIVEN that a plan of compromise and reorganization (as amended from time to time, the "**Plan**") has been filed with the Ontario Superior Court of Justice (Commercial List) (the "**Court**") in respect of Sino-Forest Corporation (the "**Applicant**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**").

A copy of the Plan is set out as a schedule to the information circular dated ● (the "**Circular**") for the Meeting (as defined below).

NOTICE IS ALSO HEREBY GIVEN that a meeting of Affected Creditors (the "**Meeting**") will be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, for the purpose of considering and, if thought advisable, passing, with or without variation, a resolution to approve the Plan (the full text of which resolution is set out as a schedule to the Circular) and to transact such other business as may properly come before the Meeting (or any adjournment thereof). The Meeting is being held pursuant to the Order of the Court made on ● (the "**Meeting Order**") and the endorsement of the Court made on August 31, 2012 (the "**Endorsement**"). Copies of the Meeting Order and the Endorsement are set out as schedules to the Circular. Capitalized terms used but not otherwise defined in this notice have the meaning ascribed to them in the Meeting Order.

The Plan must receive an affirmative vote of the Required Majority in order to be approved by the Affected Creditors. The Required Majority is a majority in number of Affected Creditors with Voting Claims, and two-thirds in value of the Voting Claims held by such Affected Creditors, in each case who vote (in person or by proxy) on the Plan at the Meeting. The Plan must also be sanctioned by a final order of the Court (the "**Sanction Order**") pursuant to the CCAA. Notice is also hereby given that, if the Plan is approved by the Required Majority at the Meeting, the Sanction Order will be sought in an application before the Court at 10:00 a.m. on ●, 2012 (or such other date after the Meeting as may be set by the Court), to seek approval of the Plan. If the Plan is approved by the Requisite Majority and sanctioned by the Court, then,

subject to the satisfaction or waiver of the conditions to implementation of the Plan, all Persons referred to in the Plan (including the Affected Creditors) will receive the treatment set out in the Plan.

AMENDMENTS TO THE PLAN

The Applicant may, at any time and from time to time prior to or at the Meeting, amend, restate, modify and/or supplement the Plan, subject to the terms of the Plan, provided that: (i) the Monitor, the Applicant or the Chair shall communicate the details of any such amendment, restatement and/or supplement to all Affected Creditors present at the Meeting prior to any vote being taken at the Meeting; (ii) the Applicant shall provide notice to the service list of any such amendment, restatement and/or supplement and shall file a copy thereof with this Court forthwith and in any event prior to the Sanction Hearing; and (iii) the Monitor shall post an electronic copy of any such amendment, restatement and/or supplement on the Website forthwith and in any event prior to the Sanction Hearing.

COMPLETION OF PROXIES

Any Affected Creditor who is entitled to vote at the Meeting and that wishes to vote at the Meeting must complete, sign and return the applicable form of proxy enclosed in the Circular in the return envelope provided or by fax at the fax number below or by email in PDF format at the email address below. In order to be effective, a proxy must be deposited with the Monitor, at the address, fax or email below, at any time prior to 5:00 p.m. on the third Business Day before the Meeting (or any adjournment thereof).

The Monitor's contact information for the purpose of filing forms of proxy and for obtaining any additional information or materials related to the Meeting is:

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

Attention: Jodi Porepa
Email: sfc@fticonsulting.com

Fax: (416) 649-8101

This notice is given by the Monitor pursuant to the Meeting Order.

You can also view copies of documents relating to this process on the following website
<http://cfcanada.ficonsulting.com/sfc/>.

Dated at Toronto, Ontario this ● day of ●, 2012.

SCHEDULE "B"

INSTRUCTIONS TO PARTICIPANT HOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: PARTICIPANT HOLDERS OF SINO-FOREST CORPORATION'S:

- (i) US\$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);
- (ii) US\$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);
- (iii) US\$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4); and
- (iv) US\$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),

(collectively, the "Notes")

Re: **Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")**

According to the records of The Depository Trust Company ("DTC") or the applicable note indenture trustee, you are the holder or custodian (the "**Participant Holder**") on behalf of an unregistered holder of one or more of the Notes (an "**Unregistered Notcholder**"). You (or your agent) are required by paragraph 26 of the enclosed Court Order (the "**Meeting Order**") to complete and sign the applicable part of an enclosed Noteholders' Proxy (the box on page 2) for each Unregistered Notcholder for whom you act as Participant Holder and to mail it directly to each such applicable Unregistered Notcholder **within five (5) Business Days**.

We enclose Noteholder Meeting Materials to be forwarded by you or your agent (together with an appropriately completed and signed Noteholders' Proxy) to each of the Unregistered Noteholders recorded in your account records or book entry records. We enclose one additional copy of these materials for your use. **THE MATERIALS ARE TIME SENSITIVE AND MUST BE FORWARDED TO EACH OF THE UNREGISTERED NOTEHOLDERS TOGETHER WITH THE NOTEHOLDERS' PROXY COMPLETED BY YOU FOR THAT UNREGISTERED NOTEHOLDER WITHOUT DELAY.**

THE TOTAL AMOUNT OF ALL NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM.

The Noteholders' Proxy is to be completed and signed by you or your agent and by the Unregistered Noteholder and is to be provided by the Unregistered Noteholder directly to Sino-Forest's Monitor, FTI Consulting Canada Inc., in the enclosed envelope or by facsimile transmission or email.

PLEASE INSTRUCT UNREGISTERED NOTEHOLDERS TO DELIVER THEIR PROXIES DIRECTLY TO FTI CONSULTING CANADA INC. IN ACCORDANCE WITH THE INSTRUCTIONS TO UNREGISTERED NOTEHOLDERS. PROXIES MUST BE RECEIVED BY FTI CONSULTING CANADA INC. PRIOR TO THE DEADLINE OF 5:00 P.M. ON THE THIRD BUSINESS DAY BEFORE THE MEETING (OR ANY ADJOURNMENT THEREOF).

Before sending the Noteholders' Proxy and the other materials to an Unregistered Noteholder, please:

1. insert in the Noteholders' Proxy in the appropriate spaces (in the box on page 2) the name of the applicable Unregistered Noteholder, your organization's name as Participant Holder, the applicable account number and the principal amount of the Notes held in such account; and
2. sign the Noteholders' Proxy as Participant Holder where indicated.

We request that you provide any assistance that an Unregistered Noteholder may require in completing its Noteholders' Proxy. You are required by the Meeting Order to complete and forward such Noteholders' Proxies and the other materials to the applicable Unregistered Noteholders as specified in these instructions.

If you have a standard practice for distribution of meeting materials to Unregistered Noteholders and for the gathering of information and proxies or voting instructions from Unregistered Noteholders that differs from the process described above, **please contact the Monitor immediately** to determine whether you are able to use such standard practice as an alternative to the process described above.

If you have any questions regarding your obligations or the process, or require additional copies of any materials, please contact the Monitor at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website
<http://cfcanda.fticonsulting.com/sfc/>.

SCHEDULE "C"

INSTRUCTIONS TO ORDINARY AFFECTED CREDITORS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: ORDINARY AFFECTED CREDITORS OF SINO-FOREST CORPORATION

Re: **Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")**

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;
2. the Plan proposed in respect of Sino-Forest Corporation;
3. an Information Circular in respect of Sino-Forest Corporation and the Plan;
4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the "**Meeting Order**");
5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the "**Endorsement**"); and
6. blank form of Ordinary Affected Creditors' Proxy, completion instructions and a return envelope.

The purpose of these materials is to enable you to consider the Plan and vote to accept or reject the resolution to approve the Plan at the Meeting of Affected Creditors of Sino-Forest Corporation to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the "**Meeting**").

PROXIES

Ordinary Affected Creditors who wish to vote at the Meeting must complete the enclosed Ordinary Affected Creditors' Proxy and provide it to the Monitor, using the enclosed envelope, or by sending it to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting (or any adjournment thereof). Any Ordinary Affected Creditor must provide the Ordinary Affected Creditors' Proxy to the Monitor by this deadline to vote at the Meeting of Affected Creditors.

FURTHER INFORMATION

If you have any questions regarding the process or any of the enclosed forms, please contact FTI Consulting Canada Inc. at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website
<http://cfcanda.fticonsulting.com/sfc/>.

SCHEDULE "D"

INSTRUCTIONS TO REGISTERED NOTEHOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: REGISTERED HOLDERS OF SINO-FOREST CORPORATION'S:

- (i) US\$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);
- (ii) US\$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);
- (iii) US\$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4); and
- (iv) US\$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),

(collectively, the "Notes")

Re: Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies' Creditors Arrangement Act* (the "Plan")

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;
2. the Plan proposed in respect of Sino-Forest Corporation;
3. an Information Circular with respect to Sino-Forest Corporation and the Plan;

4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the “**Meeting Order**”);
5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the “**Endorsement**”); and
6. blank form of Noteholders’ Proxy, completion instructions and return envelope.

The purpose of these materials is to provide you with the documents required for dissemination to Beneficial Noteholders to enable Beneficial Noteholders to consider the Plan and to cast their vote to accept or reject the resolution to approve the Plan at the meeting of the Affected Creditors to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the “**Meeting**”).

IF YOU HOLD NOTES FOR ANOTHER PERSON PROXIES ARE TO BE FILED ONLY BY BENEFICIAL NOTEHOLDERS. IF YOU ARE A TRUST COMPANY, DEPOSITORY, A BROKER, A BOOK ENTRY SYSTEM, AN AGENT, A CUSTODIAN OR ANY OTHER ENTITY WHICH HOLDS NOTES FOR ANOTHER PERSON, PLEASE IMMEDIATELY CONTACT FTI CONSULTING CANADA INC. (THE “MONITOR”) AT THE ADDRESS BELOW TO SO ADVISE IT. THE MONITOR WILL THEN SEND YOU THE MATERIALS SET OUT IN SCHEDULE “B” OF THE MEETING ORDER WHICH HAVE BEEN PREPARED TO ADDRESS YOUR SITUATION.

CLAIM

THE TOTAL AMOUNT OF ALL NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM.

IF YOU ARE A BENEFICIAL NOTEHOLDER

If you are a Beneficial Noteholder (*i.e.*, you own Notes beneficially yourself and do not hold such Notes for the benefit of another person) and you wish to vote at the Meeting, you must

complete the enclosed Noteholders' Proxy and provide it to the Monitor using the enclosed envelope, or by sending it to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof. Beneficial Noteholder must provide the Noteholders' Proxy to the Monitor by this deadline in order to vote at the Meeting of Affected Creditors.

FURTHER INFORMATION

If you have any questions regarding the process or any of the enclosed forms, please contact FTI Consulting Canada Inc. at the following address:

FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website
<http://cfcanda.fticonsulting.com/sfc/>.

SCHEDULE “E”

INSTRUCTIONS TO UNREGISTERED NOTEHOLDERS

URGENT – IMMEDIATE ACTION REQUIRED

●, 2012

TO: UNREGISTERED HOLDERS OF SINO-FOREST CORPORATION’S:

- (i) US\$345,000,000 5.00% CONVERTIBLE SENIOR NOTES DUE 2013 (Rule 144A CUSIP No. 82934HAB7/Regulation S CUSIP No. C83912AB8);
- (ii) US\$399,517,000 10.25% GUARANTEED SENIOR NOTES DUE 2014 (Rule 144A CUSIP No. 82934HAC5/Regulation S CUSIP No. C83912AC6);
- (iii) US\$460,000,000 4.25% CONVERTIBLE SENIOR NOTES DUE 2016 (Rule 144A CUSIP No. 82934HAD3/Regulation S CUSIP No. C83912AD4); and
- (iv) US\$600,000,000 6.25% GUARANTEED SENIOR NOTES DUE 2017 Rule 144A CUSIP No. 82934HAF8/Regulation S CUSIP No. C83912AF9),

(collectively, the “Notes”)

Re: Meeting of Affected Creditors of Sino-Forest Corporation to vote on the Plan of Compromise and Reorganization pursuant to the *Companies’ Creditors Arrangement Act* (the “Plan”)

You are considered an Unregistered Noteholder if your Notes are shown by the books and records of the applicable indenture trustee to be held by your broker, DTC or another similar holder (a “**Participant Holder**”) on your behalf. If your Notes are held by a Participant Holder, these instructions apply to you.

We enclose in this package the following documents for your review and consideration:

1. Notice to Affected Creditors;

2. the Plan proposed in respect of Sino-Forest Corporation;
3. an Information Circular with respect to Sino-Forest and the Plan;
4. copy of the Meeting Order of the Ontario Superior Court of Justice dated ● (the “**Meeting Order**”), 2012;
5. copy of the endorsement of the Ontario Superior Court of Justice made on August 31, 2012 (the “**Endorsement**”); and
6. blank form of Noteholders’ Proxy, completion instructions and return envelope.

The purpose of these materials is to provide you with the documents required to enable you to consider the Plan and to cast your vote to accept or reject the resolution to approve the Plan at the meeting of the Affected Creditors to be held at 10:00 a.m. on ●, 2012 (or such other date as may be set and announced in accordance with the Meeting Order) at the offices of Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario (the “**Meeting**”).

CLAIM

THE TOTAL AMOUNT OF ALL THE NOTEHOLDER CLAIMS HAS BEEN FILED BY THE NOTE INDENTURE TRUSTEES. THEREFORE, YOU DO NOT HAVE TO PROVIDE A PROOF OF CLAIM. **HOWEVER IF YOU WISH TO VOTE ON THE PLAN, YOU MUST COMPLETE THE ENCLOSED NOTEHOLDERS’ PROXY IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN AND RETURN IT TO THE MONITOR PRIOR TO 5:00 P.M. (TORONTO TIME) ON THE THIRD BUSINESS DAY BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

PROXY

The box on page 2 of your proxy should have been completed and signed by your Participant Holder to indicate the principal amount of Notes held by the Participant Holder on your behalf as at the Voting Record Date of ●. If it has not been completed and signed, please contact your Participant Holder immediately to arrange for it to be completed and signed. You must complete your portion of the enclosed Noteholders’ Proxy (including paragraph 1 of the proxy) and

provide it to FTI Consulting Canada Inc. (the “**Monitor**”), using the enclosed envelope, or by sending to the Monitor by facsimile transmission at the fax number noted below or by email (in PDF format) at the email address below, so that it is received by the Monitor no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof. You must provide the completed proxy to the Monitor by this deadline if you wish to cast your vote at the Meeting of Affected Creditors.

YOU SHOULD NOT SEND THE PROXY TO YOUR PARTICIPANT HOLDER. YOUR PROXY SHOULD BE SENT DIRECTLY TO FTI CONSULTING CANADA INC. IN THE ENVELOPE PROVIDED OR BY FACSIMILE OR EMAIL.

If you have any questions regarding your obligations or the process, or require additional copies of any materials please contact the Monitor at the following address:

The Monitor
FTI Consulting Canada Inc., the Court-appointed
Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West, Suite 2010
P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

You can also view copies of documents relating to this process on the following website
<http://cfcanda.fticonsulting.com/sfc/>.

SCHEDULE "F"

NOTEHOLDERS' PROXY

For Use by Beneficial Owners of Sino-Forest Corporation's Notes

MEETING OF AFFECTED CREDITORS OF SINO-FOREST CORPORATION

to be held pursuant to an Order of the Ontario Superior Court of Justice (the "Meeting Order")
in connection with the Plan of Compromise and Reorganization (the "Plan")
under the *Companies' Creditors Arrangement Act* (Canada) in respect of
Sino-Forest Corporation ("Sino-Forest")
on ● , 2012 at 10:00 a.m.

(or such other date as may be set and announced in accordance with the Meeting Order)

at:

Bennett Jones LLP, 3400 One First Canadian Place
Toronto, Ontario

and at any adjournment thereof.

Before completing this Proxy, please read carefully the instructions accompanying this Proxy for information respecting the proper completion and return of this Proxy.

THIS PROXY MUST BE COMPLETED AND SIGNED BY THE PARTICIPANT HOLDER AND THE UNREGISTERED NOTEHOLDER AND MUST BE PROVIDED TO THE MONITOR, FTI CONSULTING CANADA INC., PRIOR TO 5:00 P.M. TORONTO TIME ON THE THIRD BUSINESS DAY BEFORE THE MEETING (OR ANY ADJOURNMENT THEREOF).

TO BE COMPLETED AND SIGNED BY THE PARTICIPANT HOLDER PRIOR TO SENDING THIS PROXY TO THE BENEFICIAL OWNER OF NOTES

Name of Unregistered Noteholder

(Client or Principal for whom Notes are held):

Name of Participant Holder for this Unregistered

Noteholder's Notes:

Account Number:

Principal Amount of Notes

Held for this Unregistered Noteholder by series: _____

Participant Holder Signature:

(Print Name of Contact at Participant Holder)

Phone Number of Participant Holder:

By:

(Signature of authorized signing officer of
Participant Holder)

Email Address of Participant Holder:

REMAINDER OF PROXY TO BE COMPLETED BY BENEFICIAL OWNER

THE UNDERSIGNED UNREGISTERED NOTEHOLDER hereby revokes all proxies previously given and nominates, constitutes and appoints _____ or, if no person is named, Robert J. Chadwick of Goodmans LLP (or his designee), as nominee of the Unregistered Noteholder, with power of substitution, to attend on behalf of and act for the Unregistered Noteholder at the Meeting of Affected Creditors of Sino-Forest Corporation to be held in connection with the Plan and at any and all adjournments thereof, and to vote the Unregistered Noteholder's claims in respect of the Notes beneficially owned by it as follows:

A. (mark one only)

VOTE FOR approval of the Plan; or

VOTE AGAINST approval of the Plan;

- and -

B. vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Unregistered Noteholder with respect to any amendments or variations to the Plan and to any other matters that may come before the Meeting of the Affected Creditors of Sino-Forest Corporation or any adjournment thereof.

If you do not indicate your vote in part "A" above and Robert J. Chadwick of Goodmans LLP (or his designee) is your nominee, he will vote this proxy FOR approval of the Plan.

Please provide below: (i) the Name of each Participant Holder through which the Unregistered Noteholder holds Notes; (ii) the Unregistered Noteholder's account number with each such Participant Noteholder; and (iii) the principal amount of all Notes held on behalf of the Unregistered Noteholder by each Participant Holder.

The Unregistered Noteholder hereby authorizes FTI Consulting Canada Inc. to contact any Participant Holder named above to confirm that the information set out above conforms to the information contained in the records of the Participant Holder.

DATED this _____ day of _____, 2012.

	(Print Name of Unregistered Noteholder)
	(Signature of Unregistered Noteholder or, if the Unregistered Noteholder is a corporation, signature of an authorized signing officer of the corporation and such officer's title)
	Phone Number of Unregistered Noteholder

INSTRUCTIONS FOR COMPLETION OF PROXY

1. Each Unregistered Noteholder has the right to appoint a person (who need not be a Noteholder) to attend, act and vote for and on the Unregistered Noteholder's behalf and such right may be exercised by inserting in the space in paragraph 1 the name of the person to be appointed. An individual Unregistered Noteholder wishing to attend and vote in person at the Meeting of Affected Creditors of Sino-Forest Corporation should insert the Unregistered Noteholder's own name in the space provided. **If no name has been inserted in the space provided, the Unregistered Noteholder will be deemed to have appointed Robert J. Chadwick of Goodmans LLP (or his designee) as the Unregistered Noteholder's proxyholder.**
2. **If Robert J. Chadwick of Goodmans LLP (or his designee) is appointed or deemed to be appointed as proxyholder and the Unregistered Noteholder fails to indicate on this Proxy a vote for or against the approval of the Plan, this Proxy will be voted FOR approval of the Plan.**
3. The Unregistered Noteholder should insert the principal amount of each series of Notes owned by the Unregistered Noteholder, specifying in each case the applicable Participant Holder and the series of Notes, in the space provided on page 4.
4. If this Proxy is not dated in the space provided, it will be deemed to bear the date on which it is received by the Monitor.
5. This Proxy must be signed by the Beneficial Owner of the applicable Notes or by his or her attorney duly authorized in writing or, if the Unregistered Noteholder is a corporation, by a duly authorized officer or attorney of the corporation specifying the title of such officer or attorney.
6. The Participant Holder must complete and sign the applicable portion of the Proxy (in the box on page 2) PRIOR to sending the Proxy to the Beneficial Owner.

7. Valid proxies bearing or deemed to bear a later date will revoke this Proxy. If more than one valid proxy for the same Unregistered Noteholder and bearing or deemed to bear the same date are received with conflicting instructions, such proxies will be treated as disputed proxies and will not be counted.

8. This Proxy must be received by the Monitor by no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof, at the address set out below:

FTI Consulting Canada Inc., the Court-appointed Monitor of Sino-Forest Corporation

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

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

SCHEDULE "G"

ORDINARY AFFECTED CREDITORS' PROXY

For Use by Ordinary Affected Creditors of Sino-Forest Corporation

MEETING OF AFFECTED CREDITORS OF SINO-FOREST CORPORATION

to be held pursuant to an Order of the Ontario Superior Court of Justice (the "Meeting Order")
in connection with the Plan of Compromise and Reorganization (the "Plan")
under the *Companies' Creditors Arrangement Act* (Canada) in respect of
Sino-Forest Corporation ("Sino-Forest")

on ●, 2012 at 10:00 a.m.

(or such other date as may be set and announced in accordance with the Meeting Order)

at:

Bennett Jones LLP, 3400 One First Canadian Place
Toronto, Ontario

and at any adjournment thereof.

Before completing this Proxy, please read carefully the instructions accompanying this Proxy for information respecting the proper completion and return of this Proxy.

IN ORDER TO VOTE ON THE PLAN, THIS PROXY MUST BE COMPLETED AND SIGNED BY THE ORDINARY AFFECTED CREDITOR AND PROVIDED TO THE MONITOR, FTI CONSULTING CANADA INC., PRIOR TO 5:00 P.M. TORONTO TIME ON THE THIRD BUSINESS DAY BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

THE UNDERSIGNED ORDINARY AFFECTED CREDITOR hereby revokes all proxies previously given and nominates, constitutes and appoints _____ or, if no person is named, **[insert representative of the Monitor]** (or his/her designee), as nominee of the Ordinary Affected Creditor, with power of substitution, to attend on behalf of and act for the Ordinary Affected Creditor at the Meeting of Affected Creditors of Sino-Forest Corporation to be held in connection with the Plan and at any and all adjournments thereof, and to vote the Ordinary Affected Creditor's Claim as follows:

A. (mark one only)

VOTE FOR approval of the Plan; or

VOTE AGAINST approval of the Plan;

- and -

B. vote at the nominee's discretion and otherwise act for and on behalf of the undersigned Ordinary Affected Creditor with respect to any amendments or variations to the Plan and to any other matters that may come before the Meeting of the Affected Creditors of Sino-Forest Corporation or any adjournment thereof.

If you do not indicate your vote in part "A" above and **[insert representative of the Monitor]** or his/her designee is your nominee, and he/she will vote this proxy FOR approval of the Plan.

Dated this _____ day of _____, 2012.

	(Print Name of Ordinary Affected Creditor)
	(Signature of Ordinary Affected Creditor or, if the Voting Affected Creditor is a corporation, signature of an authorized signing officer of the corporation and such officer's name and title)
	Phone Number of Ordinary Affected Creditor

INSTRUCTIONS FOR COMPLETION OF PROXY

1. Each Ordinary Affected Creditor has the right to appoint a person (who need not be a Ordinary Affected Creditor) to attend, act and vote for and on the Ordinary Affected Creditor's behalf and such right may be exercised by inserting in the space provided the name of the person to be appointed. An individual Ordinary Affected Creditor wishing to attend and vote in person at the Meeting of Affected Creditors of Sino-Forest Corporation should insert the Ordinary Affected Creditor's own name in the space provided. **If no name has been inserted in the space provided, the Ordinary Affected Creditor will be deemed to have appointed [insert representative of Monitor] (or his/her designee) as the Ordinary Affected Creditor's proxyholder.**
2. **If [insert representative of Monitor] (or his/her designee) is appointed or deemed to be appointed as proxyholder and the Ordinary Affected Creditor fails to indicate on this Proxy a vote for or against the approval of the Plan, this Proxy will be voted FOR approval of the Plan.**
3. If this Proxy is not dated in the space provided, it will be deemed to bear the date on which it is received by the Monitor.
4. This Proxy must be signed by the Ordinary Affected Creditor or by the Ordinary Affected Creditor's attorney duly authorized in writing or, if the Ordinary Affected Creditor is a corporation, by a duly authorized officer or attorney of the corporation specifying the title of such officer or attorney.
5. Valid proxies bearing or deemed to bear a later date will revoke this Proxy. If more than one valid proxy for the same Ordinary Affected Creditor and bearing or deemed to bear the same date are received with conflicting instructions, such proxies will be treated as disputed proxies and will not be counted.
6. This Proxy must be received by the Monitor by no later than 5:00 p.m. (Toronto time) on the third Business Day before the Meeting or any adjournment thereof, at the address set out below:

FTI Consulting Canada Inc., the Court-appointed Monitor of Sino-Forest Corporation

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

Attention: Jodi Porepa
Email: sfc@fticonsulting.com
Fax: (416) 649-8101

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TOR_LAW\7988452\3

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

(PROCEEDING COMMENCED IN TORONTO)

PLAN FILING AND MEETING ORDER

BENNETT JONES LLP

Barristers and Solicitors
One First Canadian Place
Suite 3400, P.O. Box 150
Toronto ON
M5X 1A4

Robert W. Staley (LSUC #27115J)

Kevin Zych (LSUC #33129T)

Derek J. Bell (LSUC #43420J)

Raj Sahni (LSUC#42942U)

Jonathan Bell (LSUC #55457P)

Tel: 416-863-1200

Fax: 416-863-1716

Lawyers for the Applicant

**APPENDIX M – THE SEVENTH REPORT
(WITHOUT APPENDICES)**

(See Attached)

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

Sino-Forest Corporation

SEVENTH REPORT OF THE MONITOR

August 17, 2012

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

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

INTRODUCTION

1. On March 30, 2012 (the “**Filing Date**”), Sino-Forest Corporation (the “**Company**”) filed for and obtained protection under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated March 30, 2012 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of the Company (the “**Monitor**”) in the CCAA proceedings. By Order of this Court dated April 20, 2012, the powers of the Monitor were expanded in order to, among other things, provide the Monitor with access to information concerning the Company’s subsidiaries. Pursuant to an Order of this Court made on May 31, 2012, this Court granted an Order extending the Stay Period (as defined in the Initial Order) to September 28, 2012. The proceedings commenced by the Company under the CCAA will be referred to herein as the “**CCAA Proceedings**”.
2. On the Filing Date, the Court also issued an Order authorizing the Company to conduct a Sale Process (the “**Sale Process Order**”).
3. The purpose of this Seventh Report is to support the Company’s request for approval of the Meeting Order (defined below).

4. In preparing this Seventh Report, the Monitor has relied upon unaudited financial information of Sino-Forest, Sino-Forest's books and records, certain financial information prepared by Sino-Forest, the Reports of the Independent Committee of the Company's Board of Directors dated August 10, 2011 (the "**First IC Report**"), November 13, 2011 (the "**Second IC Report**"), and January 31, 2012 (the "**Final IC Report**" and together, the "**IC Reports**"), and discussions with Sino-Forest's management. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. In addition, the Monitor notes that on January 10, 2012, the Company issued a press release cautioning that the Company's historic financial statements and related audit reports should not be relied upon. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this Seventh Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this Seventh Report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in US Dollars.
6. The term "**Sino-Forest**" refers to the global enterprise as a whole but does not include references to the Greenheart Group. "**Sino-Forest Subsidiaries**" refers to all of the direct and indirect subsidiaries of the Company, but does not include references to the Greenheart Group.
7. Capitalized terms not defined in this Seventh Report are as defined in the affidavit of Judson Martin sworn August 14, 2012 (the "**Martin Affidavit**"), the Plan and/or the Meeting Order.

GENERAL BACKGROUND

Sino-Forest Business

8. Sino-Forest conducts business as a forest plantation operator in the People's Republic of China ("**PRC**"). Its principal businesses include ownership and management of forest

plantation trees, the sale of standing timber and wood logs, and complementary manufacturing of downstream engineered-wood products.

9. The Company is a public holding company whose common shares were listed on the Toronto Stock Exchange (“**TSX**”). Prior to August 26, 2011 (the date of the Cease Trade Order, defined below), the Company had 246,095,926 common shares issued and outstanding and trading under the trading symbol “**TRE**” on the TSX. Effective May 9, 2012, the common shares were delisted from the TSX.
10. On June 2, 2011, Muddy Waters, LLC (“**MW**”), which held a short position on the Company’s shares, issued a report (the “**MW Report**”) alleging, among other things, that Sino-Forest is a “ponzi-scheme” and a “near total fraud”. The MW Report was issued publicly and immediately caught the attention of the media on a world-wide basis.
11. Subsequent to the issuance of the MW Report, the Company devoted extensive time and resources to investigate and address the allegations in the MW Report as well as responding to additional inquiries from, among others, the Ontario Securities Commission (“**OSC**”), the Royal Canadian Mounted Police and the Hong Kong Securities and Futures Commission.
12. In view of the MW Report, the subsequent litigation and regulatory investigations and other issues continue to have a significant negative impact on the Company and have threatened the long term viability of Sino-Forest’s operations. For the reasons discussed in the Pre-Filing Report and the Initial Order Affidavit, the Company and the business was placed into a stalemate that could not be resolved without the Court supervised solution offered by the CCAA Proceedings.
13. The Pre-Filing Report and the Initial Order Affidavit provide a detailed outline of Sino-Forest’s corporate structure, business, reported assets and financial information as well as a detailed chronology of the Company and its actions since the issuance of the MW Report in June 2011.

Background Relating to the CCAA Proceedings to Date

14. On August 8, 2012, the Monitor issued its sixth report (the “**Sixth Report**”) providing an update on the Company’s CCAA Proceedings as well as providing certain information and an update relating to the Sino-Forest Subsidiaries and that information is therefore not repeated in detail herein. A copy of the Sixth Report (without appendices) is attached as Appendix A hereto.
15. As had previously been reported by the Monitor, as contemplated by the Company’s restructuring support agreement (the “**RSA**”) with certain initial consenting noteholders, the Company ran a sale process pursuant to which letters of intent (“**LOIs**”) were sought on or before June 28, 2012 (the “**Phase I Bid Deadline**”). In order to move to “Phase II” of the sale process, the sale process procedures contemplated that one or more “Qualified Letters of Intent” had to have been received by the Phase I Bid Deadline. On July 10, 2012, the Company issued a press release indicating that none of the LOIs received constituted Qualified Letters of Intent and that the Company was therefore terminating the sale process and proceeding with the restructuring transaction contemplated by the RSA.
16. The Sixth Report also highlighted some of the ongoing issues in the Sino-Forest business including:
 - (a) The virtual standstill of the standing timber business since the MW Report;
 - (b) Reduced operations in the remainder of the Sino-Forest businesses;
 - (c) Significant difficulties in the collection of receivables, including the de-registration of certain authorized intermediaries owing approximately \$504 million in receivables to BVI entities; and
 - (d) De-Registration of suppliers to the Sino-Forest standing timber business.
17. The Sixth Report also provided an update on the verification efforts being made by Indufor, Sino-Forest’s forestry consultant. It was also clear from the Sixth Report that the nature of the work being done would likely take several years before any significant

progress on verification would be achieved and that work, in any event, would not address title or valuation issues.

18. The Sixth Report also provided an update on events within the CCAA Proceedings including the granting of the Mediation Order as well as the Company's motion regarding Equity Claims and the Court's decision and order on that issue (the "**Equity Order**"). Pursuant to the Equity Order, the Court found that Shareholder Claims (as defined in the Equity Order) and related indemnity claims were "equity claims" within the meaning of section 2(1) of the CCAA. The only issue that the Court determined was premature for decision was whether claims of the Third Party Defendants in respect of defence costs constituted "equity claims". On August 16, 2012, Ernst & Young LLP, the Underwriters and BDO Limited each served notices of motion for leave to appeal the Equity Order to the Ontario Court of Appeal. The Company has advised the Monitor that it intends to oppose the motions for leave to appeal. The Monitor is supportive of the Company's position.

THE PLAN

19. The Company has now filed its proposed plan of compromise and reorganization (the "**Plan**") along with its motion for a Meeting Order (defined and discussed below) and information circular (the "**Information Circular**"). The following paragraphs contain a summary of certain of the significant provisions of the Plan. Reference should be made to the Plan for the complete terms of the Plan.
20. The Plan contemplates that a new company ("**Newco**") will be incorporated and the Company will transfer substantially all of its assets to Newco. As a result, Newco will directly or indirectly own all of the Sino-Forest Subsidiaries as well as the Company's interest in the Greenheart Group. The shares of Newco will be distributed to Affected Creditors with Proven Claims pursuant to the terms of the Plan.

Assets Available for Distribution

21. Under the Plan, the following assets will be made available for distribution to Affected Creditors with Proven Claims:

- (a) Newco Shares;
 - (b) Newco Notes; and
 - (c) Litigation Trust Interests.
22. Under the Plan, it is contemplated that Affected Creditors with Proven Claims will receive their pro rata share of:
- (a) 92.5% of the Newco Shares;
 - (b) 100% of the Newco Notes; and
 - (c) 75% of the Litigation Trust interests.
23. The remaining 7.5% of the Newco Shares will constitute the Early Consent Equity Sub-Pool and will be issued and distributed to the Early Consent Noteholders. The remaining 25% of the Litigation Trust Interests will be allocated to the Noteholder Class Action Claimants (subject to the caveats set out in the Plan).¹

Classification of Creditors

24. All Affected Creditors will constitute a single class for the purposes of voting and considering the Plan. Equity Claimants will constitute a separate class, but will have no right to attend the Meeting or vote on the Plan (in such capacities).
25. Unaffected Creditors will not be entitled to vote on the Plan or attend the Meeting (in such capacities).

Treatment of Claims against the Company

26. The Claims filed under the Claims Procedure Order largely fall into three categories: (a) current noteholder claims; (b) class action plaintiff claims; and (c) Third Party Defendant

¹ Pursuant to the Plan, if the Noteholder Class Action Claims against any of the Third Party Defendants are finally resolved within two (2) years of the Plan Implementation Date, then the entitlements of such claimants to the Litigation Trust Interests are cancelled.

indemnity claims. There were very few ordinary trade or other claims filed. Treatment of these largest categories of claims can essentially be broken down as follows:

- (a) *Current Noteholder Claims.* Claims of the current noteholders (relating indebtedness and obligations under the notes, including Subsidiary guarantees) are compromised and holders of those claims will be entitled to their pro rata distribution under the Plan as discussed above, of Newco Shares, Newco Notes and the Litigation Trust Interests;
- (b) *Class Action Plaintiff Claims.* Claims of the Class Action Plaintiffs are broken down into two (2) sub-categories:
 - (i) Class Action Claims relating to share purchases – these claims are classified as equity claims and not entitled to any distribution and are released against the Company, the Named Directors and Officers and Subsidiaries under the Plan. There is no release for these Class Action Claims against the other Third Party Defendants under the Plan; and
 - (ii) Class Action Claims relating to note purchases – these claims are released as against the Company, the Subsidiaries and the Named Directors and Officers. These Class Action Claims are not released against the other Third Party Defendants, however, with respect to all such claims against Third Party Defendants that are validly indemnified by the Company, the collective aggregate amount of all such Indemnified Noteholder Class Action Claims is limited to the Indemnified Noteholder Class Action Limit.² With respect to all such claims against the Third Party Defendants that are not validly indemnified by the Company, those claims are not limited by the Indemnified Noteholder Class Action Limit. Class Action Claims relating to the note purchases will not receive any distribution of

² The Indemnified Noteholder Class Action Limit is an amount to be agreed upon by the Company, the Monitor, the Initial Consenting Noteholders and counsel to the Ontario Class Action Plaintiffs or otherwise determined by the Court. The Monitor is aware that there have been conversations with the Ontario Class Action Plaintiffs regarding the quantum of the Indemnified Noteholder Class Action Limit, however, as of the date of this Report, no amount has been agreed upon.

Newco Shares or Newco Notes, but are entitled to their pro rata share of 25% of the Litigation Trust Interests, subject to the caveats set out in Plan.

- (c) *Indemnity Claims by the Third Party Defendants.* Claims of the Third Party Defendants against the Company can be broken down into three (3) categories:
- (i) Indemnity claims relating to the Indemnified Noteholder Class Action Claims which will be treated as Unresolved Claims unless and until proven – but only up to the Indemnified Noteholder Class Action Limit;
 - (ii) Defence Costs Claims (some or all of which may later be determined to be Equity Claims), which will be treated as Unresolved Claims unless and until proven; and
 - (iii) the balance of the Third Party Defendants' claims are classified as Equity Claims, and shall not be entitled to distribution or participation under the Plan and are released.
- (d) Claims of the Third Party Defendants against the Subsidiaries are released under the Plan.
- (e) Early Consent Noteholders are also entitled to their pro rata share of the Early Consent Equity Sub-Pool (i.e. 7.5% of the Newco Shares) as provided for under the Plan.
27. With respect to the Indemnity Claims of Third Party Defendants, as set out below, the Meeting Order provides that the terms of the Equity Order and the Meeting Order will be sufficient for classifying these claims as Equity Claims and as such, the Monitor will not be required to send out Notices of Revision or Disallowance or take any further steps in connection with the Claims Procedure Order. The Monitor believes this approach to classification and related relief dispensing with the requirement to issue Notices of Revision or Disallowance regarding the Equity Claims is consistent with the Equity Order and is appropriate in these circumstances.

28. The Plan also contemplates that there would be a number of “Unaffected Claims” including claims secured by Charges (under the Initial Order), governmental priority claims, employee priority claims, Lien Claims, claims of the Trustees for reasonable fees and expenses and trade payables incurred by the Company after the Filing Date.
29. Unaffected Claims (to the extent that they are valid and enforceable) will be satisfied as follows:
- (a) For Claims secured by the Administration Charge or the Directors’ Charge, outstanding invoices issued sufficiently prior to the implementation of the Plan will be paid in full prior to the Effective Time and any amounts after the Effective Time will be paid out of and limited to the Administration Charge Reserve and the Directors’ Charge Reserve respectively (the Administration Charge Reserve and Directors’ Charge Reserve are discussed in more detail below).
 - (b) For Lien Claims, at the election of the Initial Consenting Noteholders (with the consent of the Monitor), the Company will satisfy Lien Claims by either the return of property securing such Lien Claim or repayment of the Lien Claim in full.
 - (c) The balance of Unaffected Claims will be paid in full from the Unaffected Claims Reserve (discussed in greater detail below) and recovery for those claims will be restricted to the funds available in the Unaffected Claims Reserve.

Treatment of Claims against the Directors and Officers

30. The Plan provides for the compromise and release of claims filed against certain “Named Directors and Officers” other than those claims that cannot be released under Section 5.1(2) of the CCAA (“**Retained D&O Claims**”) and claims for fraud and criminal conduct (“**Non-Released D&O Claims**”). Retained D&O Claims are not released but recovery in respect of such claims against Named Directors and Officers is restricted to available insurance proceeds. Non-Released D&O Claims are not released.

31. The “Named Directors and Officers” are Andrew Agnew, William E. Ardell, James Bowland, Leslie Chan, Michael Cheng, Lawrence Hon, David J. Horsley, James M.E. Hyde, Richard M. Kimel, R. John (Jack) Lawrence, Jay A. Lefton, Edmund Mak, Tom Maradin, Judson Martin, Simon Murray, James F. O’Donnell, Kai Kit Poon, William P. Rosenfeld, Peter Donghong Wang, Garry West and Kee Y. Wong, in their respective capacities as Directors or Officers.
32. Claims against any Other Directors and Officers are not released but are subject to the Indemnified Noteholder Class Action Limit to the extent that they are Indemnified Noteholder Class Action Claims.

Treatment of D&O Indemnity Claims

33. D&O Indemnity Claims by the Named Directors and Officers are deemed to have no value and are released under the Plan, except that any D&O Indemnity Claims for Defence Costs shall be treated in the same way as the claims for Defence Costs of other Third Party Defendants and any claims for indemnification properly subject to the Directors’ Charge, shall be limited to the Directors’ Charge Reserve (discussed in greater detail below).
34. D&O Indemnity Claims by any of the Other Directors and Officers are deemed to have no value and are released under the Plan except that any D&O Indemnity Claims for Defence Costs shall be treated in the same way as the claims for Defence Costs of other Third Party Defendants, and any Class Action Indemnity Claim in respect of indemnity claims for the Indemnified Noteholder Class Action Claims shall be subject to the Indemnified Noteholder Class Action Limit.

Intercompany Claims

35. Any and all claims that the Company may have against any of the Sino-Forest Subsidiaries and/or the Greenheart Group will be assigned to Newco and any obligations that the Company owes to any Sino-Forest Subsidiaries and/or Greenheart Group will be assumed by Newco on the Plan Implementation Date.

Reserves

36. The Plan contemplates the establishment of a number of reserves including:
- (a) The Administration Charge Reserve;
 - (b) The Directors' Charge Reserve;
 - (c) The Unaffected Claims Reserve;
 - (d) The Unresolved Claims Reserve; and
 - (e) The Monitor's Post-Implementation Reserve.
37. The quantum of the reserves has not yet been established. With respect to the Unresolved Claims Reserve, it is anticipated that the assets in this reserve will consist of Newco Shares, Newco Notes and Litigation Trust Interests which will be distributed in accordance with the Plan and discussed in greater detail below.
38. With respect to the balance of the reserves, the Monitor is aware that the Company intends to finalize the amounts of the reserves (in accordance with the consultation and consent requirements under the Plan) prior to the Sanction Hearing. It is anticipated that the Sanction Order will affirm the amount of the reserves. If agreement cannot be reached with respect to some or all of the reserves, direction will be sought from the Court. The Monitor expects that it will report further on the proposed funding amounts of the reserves prior to the Sanction Hearing.
39. The reserves are intended to fund the purposes for which they are established under the Plan. If there is excess cash in the reserves (other than the Unresolved Claims Reserve), those funds will initially be transferred to the Monitor's Post-Implementation Reserve, which is a reserve intended for funds required to fund the on-going estate requirements after the implementation of the Plan. At this time, it is not known what those cash requirements may be. However, the Monitor intends to continue to work with the Company in order to understand the estimated cash requirement for the administration of the Company after Plan implementation. The Plan also provides that the Monitor may

release funds from the Monitor's Post-Implementation Reserve to Newco from time to time and if there are excess funds after the Monitor is satisfied funds are no longer necessary for administering the Company, those funds will be transferred to Newco.

Releases

40. The Plan provides for the release of a number of parties including the Company, the Subsidiaries, the Named Directors and Officers (other than for Retained D&O Claims and Non-Released D&O Claims, discussed above), Newco, the directors and officers of Newco, the Noteholders, members of the ad hoc committee of Noteholders, the Trustees, the Monitor, FTI HK, counsel for the Directors of SFC, counsel for the Monitor, the SFC Advisors, the Noteholder Advisors and present and former affiliates, subsidiaries, directors, officers, members, partners or employees of the foregoing.
41. As discussed above, the Plan does not release claims against the Other Directors and Officers (although Indemnified Noteholder Class Action Claims against those Directors and Officers are limited to the Indemnified Noteholder Class Action Limit). The Plan also does not release Retained D&O Claims (although recovery on those claims is limited to insurance proceeds) or Non-Released D&O Claims.

Mechanics for Distribution of Newco Shares, Newco Notes and Litigation Trust Interests

42. The Plan sets out the mechanics for the issuance and distribution of Newco Shares, Newco Notes and the Litigation Trust Interests on the initial and subsequent Distribution Dates. In essence, the Plan provides flexible alternatives for the issuance, distribution and registration of the Newco Shares and Newco Notes depending on whether the registers will be maintained by a Transfer Agent, whether the Newco Shares and/or Newco Notes are DTC eligible and whether the Newco Shares and/or Newco Notes are maintained in a Direct Registration System.
43. The Plan contemplates that the Monitor will undertake the necessary actions to both notify Noteholders and Ordinary Affected Creditors and obtain all contact and registration information necessary for the ultimate distributions contemplated by the Plan. The Plan also contemplates that the Monitor may, from time to time, hold Newco Shares

and/or Newco Notes in escrow for the benefit of Persons entitled thereto under the Plan, for a period of time for logistical purposes and other purposes contemplated in the Plan (including the Unresolved Claims Reserve) during the course of the implementation of the Plan.

44. The Monitor and the Company are engaged in ongoing discussions regarding which of the Monitor's responsibilities are more appropriately performed by an agent or other service provider to be retained for this purpose. The Monitor and the Company are also continuing to discuss whether there are any ongoing tax or other implications which may impact some of the implementation steps of the Plan.
45. Pursuant to the Plan, the Litigation Trustee will allocate, administer and track the interests in the Litigation Trust.

The Restructuring Transaction

46. The Plan contains specific implementation steps for completion of the restructuring transaction and the transfer of substantially all of the Company's assets to Newco. Reference to the Plan should be made to see the proposed steps. The Plan contemplates that the Monitor will be active in facilitating the implementation of the Plan including overseeing the distribution of Newco Shares and Newco Notes as well as maintaining the reserves.
47. A summary of the restructuring transaction is as follows:
 - (a) *Incorporation of Newco.* Newco shall be incorporated prior to the Plan Implementation Date. Newco shall be authorized to issue an unlimited number of Newco Shares and shall have no restrictions on the number of its shareholders.
 - (b) *Cash Payments and Satisfaction of Lien Claims*
 - (i) The Company shall pay required funds to the Monitor for the purpose of funding the Unaffected Claims Reserve, the Administration Charge Reserve, the Directors' Charge Reserve and the Monitor's Post-Implementation Reserve.

- (ii) The Company or its subsidiaries shall pay to the Noteholder Advisors each such Person's respective portion of the Expense Reimbursement and all fees and expenses owing to each of the SFC Advisors, Chandler Fraser Keating Limited and Spencer Stuart.
 - (iii) The Lien Claims shall be satisfied in accordance with the terms of the Plan.
- (c) *Transaction Steps*
- (i) All accrued and unpaid interest owing on, or in respect of, or as part of, Affected Creditor Claims will be released and discharged.
 - (ii) All of the Affected Creditors shall be deemed to assign, transfer and convey to Newco all of their Affected Creditor Claims, and from and after the occurrence of this step, Newco shall be the legal and beneficial owner of all Affected Creditor Claims.
 - (iii) In consideration for the assignment, transfer and conveyance of the Affected Creditor Claims to Newco, Newco will issue the Newco Shares and Newco Notes as contemplated by the Plan.
 - (iv) The Company shall be deemed to assign, transfer and convey to Newco all shares and other equity interests in the capital of (i) the Direct Subsidiaries and (ii) any other Subsidiaries that are directly owned by the Company immediately prior to the Effective Time for Newco Promissory Note 1 representing a purchase price equal to the fair market value of the Direct Subsidiary Shares.
 - (v) The Company shall be deemed to assign, transfer and convey to Newco all SFC Intercompany Claims for the assumption by Newco of all of the Company's obligations to the Subsidiaries in respect of Subsidiary Intercompany Claims and Newco Promissory Note 2, representing a

purchase price equal to the fair market value of such SFC Intercompany Claims.

- (vi) The Company shall be deemed to assign, transfer and convey to Newco all other SFC Assets³ excluding the Litigation Funding Amount, Newco Promissory Note 1 and Newco Promissory Note 2 for a purchase price equal to the fair market value of such other SFC Assets and, in consideration therefor, Newco shall issue Newco Promissory Note 3.
- (vii) The Company shall establish the Litigation Trust and shall contribute the Litigation Funding Amount to the Litigation Trustee for the benefit of the Litigation Trust.
- (viii) The Company shall settle and discharge the Affected Creditor Claims by assigning Newco Promissory Note 1, Newco Promissory Note 2 and Newco Promissory Note 3 (collectively, the “**Newco Promissory Notes**”) and the remaining Litigation Trust Interests held by the Company to Newco. Such assignment shall constitute payment, by set-off, of the full principal amount of the Newco Promissory Notes and of a portion of the Affected Creditor Claims equal to the aggregate principal amount of the Newco Promissory Notes and the fair market value of the Litigation Trust Interests so transferred (with such payment being allocated first to the Noteholder Claims and then to the Ordinary Affected Creditor Claims).
As a consequence thereof:

(A) Newco shall be deemed to discharge and release the Company of and from all of the Company’s obligations to Newco in respect of the Affected Creditor Claims, and all of Newco’s rights against the

³ Under the Plan, “**Excluded SFC Assets**” means (i) the rights of the Company to be transferred to the Litigation Trust in accordance with section 6.3(n) of the Plan; (ii) any entitlement to insurance proceeds in respect of insured Claims and/or Retained D&O Claims; (iii) any secured property of the Company that is to be returned in satisfaction of a Lien Claim pursuant to section 4.2(c)(i) of the Plan; (iv) any input tax credits or other refunds received by the Company after the Effective Time; and (v) cash in aggregate amount of (and for the purpose of): (A) the Litigation Funding Amount; (B) the Unaffected Claims Reserve; (C) the Administration Charge Reserve; (D) the Directors’ Charge Reserve; (E) the Expense Reimbursement; and (F) any amounts in respect of Lien Claims to be paid in accordance with section 4.2(c)(ii) of the Plan.

Company of any kind in respect of the Affected Creditor Claims shall thereupon be fully, finally, irrevocably and forever compromised, released, discharged and cancelled; and

- (B) the Company shall be deemed to discharge and release Newco of and from all of Newco's obligations to the Company in respect of the Newco Promissory Notes, and the Newco Promissory Notes and all of the Company's rights against Newco in respect thereof shall thereupon be fully, finally, irrevocably and forever released, discharged and cancelled.
- (ix) Newco shall cause a portion of the Litigation Trust Interests it acquired to be assigned to and registered in the name of the Affected Creditors with Proven Claims as contemplated under the Plan and to the Monitor in respect of Unresolved Claims.
- (d) *Releases.* All of the Releases under the Plan will be effective, the Charges will be discharged and released and Newco shall have no liability or obligations for any Claims, D&O Claims or D&O Indemnity Claims (as more fully set out in the Plan).
- (e) *Cancellation of Existing Shares and Notes.* On the first Business Day that is 31 days after the Plan Implementation Date, all Existing Shares and Equity Interests will be cancelled and a plan of reorganization pursuant to section 191 of the CBCA will be implemented in accordance with the Plan.
- (f) *Vesting of Assets Free and Clear.* All of the SFC Assets will be deemed to vest in Newco free and clear of all Claims, Charges or Encumbrances (as set out more fully in the Plan).
48. The Monitor intends to continue discussions with the Company as to the extent of its role as well as the appropriateness of hiring an experienced agent to assist in certain of these steps.

The Sanction Order

49. In the event that the Plan is approved by the Required Majority at the Meeting, the Company will be authorized to seek the Sanction Order. The required terms of the

Sanction Order are set out in the Plan and include the sanctioning of the Plan, confirmation of the releases and confirmation of the reserve amounts.

Conditions to Implementation of the Plan

50. The implementation of the Plan is subject to numerous and extensive conditions that may only be waived in accordance with the Plan by the Company and/or the Initial Consenting Noteholders as set out in the Plan. A summary of the significant conditions is as follows:

(a) *Plan Approval Matters*

- (i) the Plan shall have been approved by the Required Majority and the Court;
- (ii) the Sanction Order shall have been made and shall be in full force and effect prior to October 12, 2012 (or such later date as may be consented to by the Company and the Initial Consenting Noteholders), and all applicable appeal periods in respect thereof shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court;
- (iii) all filings under Applicable Laws that are required in connection with the Restructuring Transaction shall have been made and any regulatory consents or approvals that are required in connection with the Restructuring Transaction shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated;
- (iv) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Restructuring Transaction that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or prohibit) the Restructuring Transaction or any

material part thereof or requires or purports to require a variation of the Restructuring Transaction.

(b) *Newco Matters*

- (i) the organization, incorporating documents, articles, by-laws and other constating documents of Newco (including any shareholders agreement, shareholder rights plan and classes of shares (voting and non-voting)) and any affiliated or related entities formed in connection with the Restructuring Transaction or the Plan, and all definitive legal documentation in connection with all of the foregoing, shall be acceptable to the Initial Consenting Noteholders and in form and in substance reasonably satisfactory to the Company;
- (ii) the composition of the board of directors of Newco and the senior management and officers of Newco that will assume office, or that will continue in office, as applicable, on the Plan Implementation Date shall be acceptable to the Initial Consenting Noteholders;
- (iii) the terms of employment of the senior management and officers of Newco shall be acceptable to the Initial Consenting Noteholders;
- (iv) except as expressly set out in this Plan, Newco shall not have: (i) issued or authorized the issuance of any shares, notes, options, warrants or other securities of any kind, (ii) become subject to any Encumbrance with respect to its assets or property; (iii) become liable to pay any indebtedness or liability of any kind (other than as expressly set out in the Plan); or (iv) entered into any Material agreement;
- (v) any securities that are formed in connection with the Plan, including the Newco Shares and the Newco Notes, when issued and delivered, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance thereof shall be exempt from all prospectus and registration requirements and resale restrictions of any applicable securities, corporate

or other law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance, notice, policy or other

(c) *Plan Matters*

- (i) the Indemnified Noteholder Class Action Limit shall be acceptable to the Company, the Monitor and the Initial Consenting Noteholders;
- (ii) the aggregate amount of Proven Claims held by Ordinary Affected Creditors shall be acceptable to the Company, the Monitor and the Initial Consenting Noteholders;
- (iii) the amount of each of the Unaffected Claims Reserve, the Administration Charge Reserve, the Directors' Charge Reserve and the Monitor's Post-Implementation Reserve shall, in each case, be acceptable to the Company, the Monitor and the Initial Consenting Noteholders;
- (iv) the Litigation Funding Amount shall be acceptable to the Company, the Monitor and the Initial Consenting Noteholders;
- (v) the amount of each of the following shall be acceptable to the Company, the Monitor and the Initial Consenting Noteholders: (i) the aggregate amount of Lien Claims to be satisfied by the return to the applicable Lien Claimants of the applicable secured property in accordance with the Plan; and (ii) the aggregate amount of Lien Claims to be repaid in cash on the Plan Implementation Date in accordance with the Plan;
- (vi) the aggregate amount of Unaffected Claims, and the aggregate amount of the Claims listed in each subparagraph of the definition of "Unaffected Claims" shall, in each case, be acceptable to the Company, the Monitor and the Initial Consenting Noteholders;
- (vii) the aggregate amount of Unresolved Claims and the amount of the Unresolved Claims Reserve shall, in each case, be acceptable to the

Company, the Monitor and the Initial Consenting Noteholders and shall be confirmed in the Sanction Order;

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

- (ii) the Noteholders and the Early Consent Noteholders shall receive, on the Plan Implementation Date, all of the consideration to be distributed to them pursuant to the Plan;
- (iii) all of the following shall be in form and in substance satisfactory to the Company and the Initial Consenting Noteholders: (i) all materials filed by the Company with the Court or any court of competent jurisdiction in the United States, Canada, Hong Kong, the PRC or any other jurisdiction that relates to the Restructuring Transaction; (ii) the terms of any court-imposed charges on any of the assets, property or undertaking of any of the Company, including without limitation any of the Charges; (iii) the Initial Order; (iv) the Claims Procedure Order; (v) the Meeting Order; (vi) the Sanction Order; (vii) any other Order granted in connection with the CCAA Proceeding or the Restructuring Transaction by the Court or any other court of competent jurisdiction in Canada, the United States, Hong Kong, the PRC or any other jurisdiction; and (viii) the Plan (as it is approved by the Required Majority and the Sanction Order);
- (iv) any and all court-imposed charges on any assets, property or undertaking of the Company, including the Charges, shall be discharged on the Plan Implementation Date on terms acceptable to the Initial Consenting Noteholders and the Company, each acting reasonably;
- (v) the Company shall have paid, in full, the Expense Reimbursement and all fees and costs owing to the SFC Advisors on the Plan Implementation Date, and Newco shall have no liability for any fees or expenses due to the SFC Advisors or the Noteholder Advisors either as at or following the Plan Implementation Date;
- (vi) the Company or the Subsidiaries shall have paid, in full all fees owing to each of Chandler Fraser Keating Limited and Spencer Stuart on the Plan Implementation Date, and Newco shall have no liability for any fees or

expenses due to either Chandler Fraser Keating Limited and Spencer Stuart as at or following the Plan Implementation Date;

- (vii) the Company shall have paid all reasonable fees and expenses, including reasonable legal fees, of the Trustees in connection with the performance of their respective duties under the Note Indentures or this Plan that are outstanding as of the Plan Implementation Date, and the Initial Consenting Noteholders shall be satisfied that SFC has made adequate provision in the Unaffected Claims Reserve for the payment of the reasonable fees and expenses, including reasonable legal fees, to be incurred by the Trustees after the Plan Implementation Date in connection with the performance of their respective duties under the Note Indentures or this Plan;
 - (viii) there shall not exist or have occurred any Material Adverse Effect, and the Company shall have provided the Initial Consenting Noteholders with a certificate signed by an officer of the Company, without any personal liability on the part of such officer, certifying compliance with the Plan as of the Plan Implementation Date;
 - (ix) there shall have been no breach of the Noteholder Confidentiality Agreements (as defined in the RSA) by the Company or any of the Sino-Forest Representatives (as defined therein) in respect of the applicable Initial Consenting Noteholder;
 - (x) the Plan Implementation Date shall have occurred no later than November 30, 2012 (or such later date as may be consented to by the Company and the Initial Consenting Noteholders);
- (e) *RSA Matters*
- (i) all conditions set out in sections 6 and 7 of the RSA shall have been satisfied or waived in accordance with the terms of the RSA;
 - (ii) the RSA shall not have been terminated;

(f) *Other Matters*

- (i) the Initial Consenting Noteholders shall have completed due diligence in respect of the Company and the Sino-Forest Subsidiaries and the results of such due diligence shall be acceptable to the Initial Consenting Noteholders prior to the date of the hearing of the Sanction Order;
- (ii) if so requested by the Initial Consenting Noteholders, the Sanction Order shall have been recognized and confirmed as a binding and effective pursuant to an order of a court of competent jurisdiction in Canada, the United States, and any other jurisdiction requested by the Initial Consenting Noteholders, and all applicable appeal periods in respect of any such recognition order shall have expired and any appeals therefrom shall have been disposed of by the applicable appellate court; and
- (iii) all press releases, disclosure documents and definitive agreements in respect of the Restructuring Transaction or the Plan shall be in form and substance satisfactory to the Company and the Initial Consenting Noteholders, each acting reasonably.

Closings Risks Associated with the Plan

51. As is apparent from the number and substance of many of the conditions, even if the Company were to obtain the affirmative vote of the Required Majority at the Meeting, it is not clear whether all such conditions can be met. In particular, the Monitor notes that the implementation of the Plan remains subject to the completion of due diligence in respect of the Company and the Sino-Forest Subsidiaries by the Initial Consenting Noteholders prior to the Sanction Order hearing.

THE MEETING ORDER

52. On August 14, 2012, the Company filed its motion for a plan filing and meeting order (the “**Meeting Order**”) for a motion returnable August 28, 2012.

53. The terms of the Meeting Order are set out in the Martin Affidavit and therefore not repeated herein. Briefly, the terms of the Meeting Order include the following:

(a) *Classification of Creditors:*

- (i) Affected Creditors will constitute a single class for the purposes of voting on the Plan;
- (ii) Equity Claimants will constitute a single class but shall have no right to attend the Meeting or vote on the Plan (in that capacity).

(b) *Provisions relating to Equity Claimants.* The Meeting Order specifically provides that:

- (i) the class action plaintiffs in respect of their Shareholder Claims and the Third Party Defendants in respect of their Related Indemnity Claims (which shall consist of the entirety of the Third Party Defendants' Claims) (other than indemnity claims of the Third Party Defendants relating to Indemnified Noteholder Class Action Claims and any Defence Costs Claims that have not been determined to be Equity Claims) shall constitute Equity Claims;
- (ii) that the terms of the Equity Order and Meeting Order constitute the determination of such Claims as "Equity Claims" for the purposes of the Claims Procedure Order; and
- (iii) The Monitor is not required to send Notices of Revision or Disallowance in respect of such Claims.

(c) *Notices.* The Meeting Order provides:

- (i) for the posting of materials on the Monitor's website within three (3) Business Days of the granting of the Meeting Order;

- (ii) for an extensive mailing process on a date to be selected by the Monitor (in consultation with the Company and counsel for the Initial Consenting Noteholders) that is twenty (20) days after the date of the Meeting Order for mailing of meeting materials to Ordinary Affected Creditors, the Trustees and DTC as well as a process for notification of Participant Noteholders, Beneficial Noteholders and/or Unregistered Noteholders, if any;
 - (iii) that the Monitor may retain an agent to assist the Monitor in carrying out many or all of these administrative functions.
- (d) *Meeting Date.* The Meeting Date shall be a date to be set by the Monitor (in consultation with the Company and counsel for the Initial Consenting Noteholders) which shall be within thirty (30) days of the Mailing Date.
- (e) *Conduct of the Meeting.* The Meeting will be held at the offices of Bennett Jones LLP, 3400 First Canadian Place, Toronto, Ontario on the Meeting Date.
- (f) *Voting Procedure.* The Meeting provides that at the Meeting, the Chair shall direct a vote, by written ballot, on a resolution to approve the Plan and any amendments thereto.
- (g) *Voting of Unresolved Claims.* The Meeting Order provides that:
- (i) Persons with Unresolved Claims shall be entitled to vote and shall be recorded by the Monitor, who shall report on such votes (and any impact such votes would have on the approval of the Plan) at the Sanction Hearing; and
 - (ii) Each of the Third Party Defendants shall be entitled to one vote in respect of any Class Action Indemnity Claim it has filed in respect of the Indemnified Noteholder Class Action Claims, provided that the aggregate value of all such Class Action Indemnity Claims shall, for voting purposes, be deemed to be equal to the amount of the Indemnified

Noteholder Class Action Limit. The Monitor will keep a separate record of the votes and report to the Court on the results (including any impact on the approval of the Plan) at the Sanction Hearing.

- (h) *Monetary Claims of the Ontario Securities Commission.* The Meeting Order amends the Claims Procedure Order to provide for a call for monetary claims of the Ontario Securities Commission against the Company or any Directors and/or Officers on or before September 21, 2012.
- (i) *Sanction Hearing.* If the Plan is approved by the Required Majority, the Applicant may apply to the Court at 10am on a date that is within three (3) Business Days of the Meeting Date for the Sanction Order.

CONCLUSION

- 54. The Monitor remains hopeful that the Mediation will be productive. As such, the Monitor currently intends to select the Mailing Date as a date after the completion of the Mediation on September 10, 2012.
- 55. However, since the beginning of the filing and as was described in the Initial Order Affidavit and the Pre-Filing Report and again more recently reported in the Sixth Report, there are many difficulties in the Sino-Forest business and those difficulties have worsened since the Filing Date. The ongoing deterioration of the Sino-Forest business is evident given the increasing difficulties with collection of receivables, de-registration of AIs and suppliers, the ongoing standstill in the standing timber and trading businesses and decreased performance on the remainder of the businesses. This deterioration and on-going difficulties are unlikely to be remedied while the uncertainties relating to the parent company (i.e. Sino-Forest Corporation) continue.
- 56. The Monitor is of the view that it is important for the CCAA Proceedings to be completed as soon as possible and, as such, believes that the granting of the Meeting Order at this time is appropriate and fair and reasonable in the circumstances.

Dated this 17th day of August, 2012.

FTI Consulting Canada Inc.

In its capacity as Monitor of

~~Sino-Forest Corporation, and not in its personal capacity~~

A handwritten signature in blue ink, appearing to read 'Greg Watson', is written over the text 'Sino-Forest Corporation, and not in its personal capacity'.

Greg Watson

Senior Managing Director

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
(PROCEEDING COMMENCED AT TORONTO)**

SEVENTH REPORT OF THE MONITOR

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.

APPENDIX N – VOTING PROCEDURES

(See Attached)

VOTING PROCESS FOR THE MEETING OF CREDITORS OF SINO-FOREST CORPORATION

NOTICE IS HEREBY GIVEN that in connection with the meeting of Affected Creditors for the consideration of a plan of compromise and reorganization (as amended from time to time, the “**Plan**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for the purposes of tabulating Voting Claims and Unresolved Claims (as both terms are defined in the Plan Filing and Meeting Order of the Court dated August 31, 2012, the “**Meeting Order**”), the following guidelines will be applied:

1. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Meeting Order or the Plan as applicable.

Persons Entitled to Vote

2. Pursuant to paragraph 39 of the Meeting Order, persons entitled to vote at the Meeting (whether in person or by proxy) are as follows:
 - a. Beneficial Noteholders with Voting Claims as at the Voting Record Date; and
 - b. Ordinary Affected Creditors with Voting Claims as at the Voting Record Date.

Persons Not Entitled to Vote

3. Pursuant to paragraph 54 of the Meeting Order, persons not entitled to vote at the Meeting include:
 - a. Unaffected Creditors;
 - b. Noteholder Class Action Claimants;
 - c. Equity Claimants;
 - d. Any Person with a D&O Claim;
 - e. Any Person with a D&O Indemnity Claim (other than a D&O Indemnity Claim in respect of Defence Costs Claims or in respect of Indemnified Noteholder Class Action Claims);
 - f. Any Person with a Subsidiary Intercompany Claim; and
 - g. Any other Person asserting Claims against the Company whose Claims do not

constitute Affected Creditor Claims on the Voting Record Date.

Treatment of Contingent and Unresolved Claims for Voting Purposes

4. Unless specifically provided for in the Plan and/or the Meeting Order, place holder Claims will not be entitled to a vote.
5. Third Party Defendants with Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims will be entitled to vote such Claims in accordance with paragraph 51 of the Meeting Order and votes cast in respect of such Claims will be recorded and reported on in accordance with paragraph 51 of the Meeting Order. The aggregate value of all such Class Action Indemnity Claims will, for voting purposes, be limited to the amount of the Indemnified Noteholder Class Action Limit.
6. Persons with Defence Costs Claims will be entitled to vote such Defence Costs Claims to the extent that such Claim or D&O Indemnity Claim, as the case may be, set out a specified amount of defence costs incurred up to the Claims Bar Date, and votes cast in respect of such Defence Costs Claims will be recorded and reported on as Unresolved Claims in accordance with paragraph 53 of the Meeting Order.
7. For greater certainty, the Claims of the Third Party Defendants will be treated in accordance with section 4.7 of the Plan, as follows:
 - a. Class Action Indemnity Claims in respect of Indemnified Noteholder Class Action Claims will be entitled to vote as set out above;
 - b. Defence Costs Claims will be entitled to vote as set out above; and
 - c. the balance of the Third Party Defendants' Claims are Equity Claims and not entitled to vote.

The Meeting Order, the Plan and the Meeting Materials are available at <http://cfcanda.fticonsulting.com/sfc/>.

Dated at Toronto, Ontario this 21st day of November, 2012.

**APPENDIX O – GLOBIC’S MAILING CERTIFICATE
(MEETING MATERIALS)**

(See Attached)

CERTIFICATE OF THE NOTIFICATION AGENT

Regarding

Sino-Forest Corporation

**5% Convertible Senior Notes due 2013
CUSIPs: 82934HAB7 and C83912AB8**

**10.25% Guaranteed Senior Notes due 2014
CUSIPs: 82934HAC5 and C83912AC6**

**4.25% Convertible Senior Notes due 2016
CUSIPs: 82934HAD3 and C83912AD4**

**6.25% Guaranteed Senior Notes due 2017
CUSIPs: 82934HAF8 and C83912AF9**

In Connection To

**Noteholders' Proxy Solicitation in connection with the Plan of
Compromise and Reorganization
under the Companies' Creditors Arrangement Act**

**Voting Record Date: August 31, 2012
Prepared By: Globic Advisors**

MAILING CERTIFICATE OF THE NOTIFICATION AGENT

Regarding

Sino-Forest Corporation

5% Convertible Senior Notes due 2013
CUSIPs: 82934HAB7 and C83912AB8

10.25% Guaranteed Senior Notes due 2014
CUSIPs: 82934HAC5 and C83912AC6

4.25% Convertible Senior Notes due 2016
CUSIPs: 82934HAD3 and C83912AD4

6.25% Guaranteed Senior Notes due 2017
CUSIPs: 82934HAF8 and C83912AF9

The undersigned, Robert Stevens, of Globic Advisors (the “Notification Agent”), in connection with the communication of the solicitation of Noteholder Proxies (“Solicitation”) with respect to the Plan of Compromise and Reorganization under the Companies’ Creditors Arrangement Act (the “Plan”) to the Noteholders of the above listed Notes (the “Notes”) on behalf of the Issuer, Sino-Forest Corporation hereby certifies as follows:

1. The Notification Agent received from FTI Consulting, which acts as the Court Appointed Monitor, the documents pertaining to the Solicitation (collectively, the “Information Package”), and the authorization to release the Information Package to the Noteholders. The Information Package consisted of the following:
 - a. Notice to Affected Creditors
 - b. CCAA Plan
 - c. Information Statement
 - d. Meeting Order
 - e. Endorsement of the Meeting Order
 - f. Noteholders Proxy
 - g. Instructions to Participant Holders
 - h. Instructions to Registered Noteholders
 - i. Instructions to Unregistered Noteholders
2. The Indenture Trustees of the Notes, the Bank of New York Mellon and Law Debenture Trust Company of New York, conveyed to the Notification Agent that as of the Voting Record Date, August 31, 2012, the Notes were registered in the name of, Cede & Co., as securities depository for The Depository Trust Company (“DTC”).
3. The Notification Agent provided a copy of the Information Package to DTC on October 24, 2012 via e-mail transmission as the registered holder of the Notes; DTC confirmed receipt of the Information Package to the Notification Agent.
4. The Notification Agent received the DTC Security Position Report listing each of its underlying Participants acting as intermediary/nominee to the Noteholders with positions in the Notes as of the Voting Record Date, August 31, 2012, attached as Exhibit A.

5. The Notification Agent surveyed each of the DTC Participant Banks in order to determine each DTC Participant's preferable method of communication of the Solicitation to the Voting Record Date Noteholders. This information is summarized and the results recorded as Exhibit B. Copies of each of the DTC Participant responses received by the Notification Agent are attached as Exhibit C.
6. The Notification Agent made available and delivered the Information Package, in electronic or physical format, to each DTC Participant for distribution of the Information Package to the respective clients, the underlying Noteholders.
 - a. Where electronic copies were requested, the Notification Agent provided PDF copies of the Information Package along with a link to the Monitor's website:
<http://cfcanada.fticonsulting.com/sfc/>

Date: October 24, 2012



Robert Stevens
President

**APPENDIX P – GLOBIC’S MAILING CERTIFICATE
(PLAN SUPPLEMENT AND VOTING PROCEDURES)**

(See Attached)

CERTIFICATE OF THE NOTIFICATION AGENT

Regarding

Sino-Forest Corporation

**5% Convertible Senior Notes due 2013
CUSIPs: 82934HAB7 and C83912AB8**

**10.25% Guaranteed Senior Notes due 2014
CUSIPs: 82934HAC5 and C83912AC6**

**4.25% Convertible Senior Notes due 2016
CUSIPs: 82934HAD3 and C83912AD4**

**6.25% Guaranteed Senior Notes due 2017
CUSIPs: 82934HAF8 and C83912AF9**

In Connection To

**Noteholders' Proxy Solicitation in connection with the Plan of
Compromise and Reorganization
under the Companies' Creditors Arrangement Act**

**(Plan Supplement dated November 11, 2012
and
Notice of Voting Procedures)**

**Voting Record Date: August 31, 2012
Prepared By: Globic Advisors**

MAILING CERTIFICATE OF THE NOTIFICATION AGENT

Regarding

Sino-Forest Corporation

5% Convertible Senior Notes due 2013

CUSIPs: 82934HAB7 and C83912AB8

10.25% Guaranteed Senior Notes due 2014

CUSIPs: 82934HAC5 and C83912AC6

4.25% Convertible Senior Notes due 2016

CUSIPs: 82934HAD3 and C83912AD4

6.25% Guaranteed Senior Notes due 2017

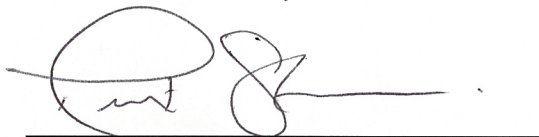
CUSIPs: 82934HAF8 and C83912AF9

The undersigned, Robert Stevens, of Globic Advisors (the "Notification Agent"), in connection with the communication of the solicitation of Noteholder Proxies ("Solicitation") with respect to the Plan of Compromise and Reorganization under the Companies' Creditors Arrangement Act (the "Plan") to the Noteholders of the above listed Notes (the "Notes") on behalf of the Issuer, Sino-Forest Corporation hereby certifies as follows:

1. On November 21, 2012 the Notification Agent received from FTI Consulting, which acts as the Court Appointed Monitor, the 'Plan Supplement' and 'Notice of Voting Procedures' (collectively, the "Supplemental Information Package"), and the authorization to release the Supplemental Information Package to the Noteholders.
2. The Indenture Trustees of the Notes, the Bank of New York Mellon and Law Debenture Trust Company of New York, conveyed to the Notification Agent that as of the Voting Record Date, August 31, 2012, the Notes were registered in the name of, Cede & Co., as securities depository for The Depository Trust Company ("DTC").
3. The Notification Agent provided a copy of the Supplemental Information Package to DTC on November 21, 2012 via e-mail transmission as the registered holder of the Notes; DTC confirmed receipt of the Supplemental Information Package to the Notification Agent.
4. The Notification Agent received the DTC Security Position Report listing each of its underlying Participants acting as intermediary/nominee to the Noteholders with positions in the Notes as of the Voting Record Date, August 31, 2012, attached as Exhibit A.
5. The Notification Agent surveyed each of the DTC Participant Banks in order to determine each DTC Participant's preferable method of communication of the Solicitation to the Voting Record Date Noteholders. This information is summarized and the results recorded as Exhibit B. Copies of each of the DTC Participant responses received by the Notification Agent are attached as Exhibit C.
6. The Notification Agent made available and delivered the Supplemental Information Package, in electronic or physical format, to each DTC Participant for distribution of the Supplemental Information Package to the respective clients, the underlying Noteholders.

- a. Where electronic copies were requested, the Notification Agent provided PDF copies of the Supplemental Information Package along with a link to the Monitor's website: <http://cfcanada.fticonsulting.com/sfc/>

Date: November 21, 2012

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a series of loops and a long horizontal stroke extending to the right.

Robert Stevens
President

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

(PROCEEDING COMMENCED AT TORONTO)

THIRTEENTH REPORT OF THE MONITOR
(Volume II of II)

GOWLING LAFLEUR HENDERSON LLP
Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Derrick Tay (LSUC No. 21152A)
Tel: (416) 369-7330 / Fax: (416) 862-7661
Email: derrick.tay@gowlings.com

Jennifer Stam (LSUC No. 46735J)
Tel: (416) 862-5697 / Fax: (416) 862-7661
Email: jennifer.stam@gowlings.com

Lawyers for the Monitor,
FTI Consulting Canada Inc.