

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

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

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

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

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

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

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

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

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

KOSKIE MINSKY LLP

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

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP

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

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

Supplementary answer Pöyry

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

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

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

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

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

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

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

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

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