

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, and 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., and MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AMENDED NOTICE OF ACTION

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiffs. The claim made against you is set out in the statement of claim served with this notice of action.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiffs' lawyer or, where the plaintiffs do not have a lawyer, serve it on the plaintiffs, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this notice of action is served on you, if you are served in Ontario.

AMENDED THIS / MODIFIÉ CE Jan. 26/12 PURSUANT TO / CONFORMÉMENT À
 RULE/LA RÈGLE 26.02 ()
 THE ORDER OF / L'ORDONNANCE DU Justice Perrell
DATED / FAIT LE Jan. 6/12
.....
REGISTRAR / GREFFIER
SUPERIOR COURT OF JUSTICE / COUR SUPÉRIEURE DE JUSTICE

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFFS' CLAIM, and \$5,000 for costs, within the time for serving and filing your statement of defence, you may move to have this proceeding dismissed by the court. If you believe the amount claimed for costs is excessive, you may pay the plaintiffs' claim and \$400.00 for costs and have the costs assessed by the court.

Date July 20, 2011

Issued by

Christina Irwin
[Signed]

Local Registrar

Address of court office 393 University Ave. - 10th Fl.
Toronto ON M5G 1E6

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

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

AND TO: Allen Chan
Sino-Forest Corporation
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AND TO: William Ardell
Sino-Forest Corporation
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AND TO: James Bowland
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AND TO: James Hyde
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AND TO: Edmund Mak
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AND TO: W. Judson Martin
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AND TO: Simon Murray
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AND TO: Kai Kit Poon
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AND TO: Peter Wang
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AND TO: Garry West
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- AND TO: Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7
- AND TO: BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
- AND TO: Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052, PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9
- AND TO: RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8

AND TO: Merrill Lynch Canada Inc.
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8

AND TO: Canaccord Financial Ltd.
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1

AND TO: Maison Placements Canada Inc.
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5

AND TO: Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010

AND TO: Banc of America Securities LLC
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

CLAIM

1. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for a class defined as:

All persons or entities wherever they may reside (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named Defendants) who acquired securities of Sino-Forest Corporation from and including May 14, 2007 to and including June 2, 2011 (the "Class Period") either by primary distribution in Canada or an acquisition on the Toronto Stock Exchange or other secondary market in Canada;

or such other class definition as may be approved by the Court (the "Class" or "Class Members");

- (b) A declaration that every prospectus or other offering document, management's discussion and analysis, annual information form, information circular, annual financial statement, interim financial report, Form 52-109F2 and Form 52-109F1 issued by Sino-Forest Corporation on or after May 14, 2007 (the "Impugned Documents") contained one or more misrepresentations;
- (c) A declaration that Sino-Forest Corporation is vicariously liable for the acts and omissions of Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West and its other officers, directors and employees;

- (d) A declaration that Ernst & Young LLP, BDO Limited, 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., ~~and~~ Maison Placements Canada Inc., Banc of America Securities LLC and Credit Suisse Securities (USA) LLC are vicariously liable for the acts and omissions of each of their respective officers, directors, partners and employees;
- (e) General and special damages in the sum of \$6,500,000,000 or such other sum as this Court deems appropriate at the trial of the common issues or at a reference or references;
- (f) A declaration that Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, Edmund Mak, Simon Murray, Ernst & Young LLP, BDO Limited, 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., ~~and~~ Maison Placements Canada Inc., Banc of America Securities LLC and Credit Suisse Securities (USA) LLC were unjustly enriched;
- (g) A constructive trust, accounting or such other equitable remedy as may be available as against Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, Edmund Mak, Simon Murray, Ernst & Young LLP, BDO Limited, 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., ~~and~~ Maison Placements Canada Inc., Banc of America Securities LLC and Credit Suisse Securities (USA) LLC;

- (h) An order directing a reference or giving such other directions as may be necessary to determine issues not determined at the trial of the common issues;
- (i) leave to amend this pleading to bring the causes of action set out in Part XXIII.1 of the *Securities Act*, RSO 1990, cS5 as amended (the “*OSA*”) and, if necessary, the equivalent sections of the *Securities Act*, RSA 2000, c S-4, *Securities Act*, RSBC 1996, c 418, *Securities Act*, CCSM c S50, *Securities Act*, SNB 2004, c S-5.5, *Securities Act*, RSNL 1990, c S-13, *Securities Act*, SNWT 2008, c 10, *Securities Act*, RSNS 1989, c 418, *Securities Act*, S Nu 2008, c 12, *Securities Act*, RSPEI 1988, c S-3.1, *Securities Act*, RSQ c V-1.1, *Securities Act*, 1988, SS 1988-89, c S-42.2, and *Securities Act*, SY 2007, c 16, all as amended (together with the *OSA*, the “Securities Legislation”);
- (j) Prejudgment and postjudgment interest;
- (k) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to section 26(9) of the *Class Proceedings Act, 1992*, SO 1992, c 6 (the “*CPA*”), the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and

- (l) Such further and other relief as to this Honourable Court may seem just.

The Parties

The Defendants

2. The Defendant Sino-Forest Corporation (“Sino”) purports to be a commercial forest plantation operator in the People’s Republic of China (“PRC”). Sino is a corporation formed under the *Canada Business Corporations Act*, RSC 1985, c. C-44 (the “CBCA”).
3. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino’s shares were listed for trading on (a) the Toronto Stock Exchange (the “TSX”) under the ticker symbol “TRE”; (b) on the Berlin exchange as “SFJ GR”; (c) on the OTC market in the United States as “SNOFF”; and (d) on the Tradedgate market as “SFJ TH.” Sino securities are also listed on alternative trading systems in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino has various debt instruments, derivatives and other securities that are publicly traded in Canada and elsewhere.
4. Sino conducted three prospectus offerings during the Class Period, raising an aggregate of almost \$950 million from investors:
 - (a) by short form prospectus dated June 5, 2007 (filed with SEDAR), Sino conducted an offering of 15,900,000 common shares at a price of \$12.65 per share, resulting in gross proceeds of \$201,135,000;

- (b) by short form prospectus dated June 1, 2009 (filed with SEDAR), Sino conducted an offering of 34,500,000 common shares for \$11.00 per share, resulting in gross proceeds of \$379,500,000; and
 - (c) by short form prospectus dated December 10, 2009 (filed with SEDAR on December 11, 2009), Sino conducted an offering of 21,850,000 common shares for \$16.80 per share, resulting in gross proceeds of \$367,080,000.
5. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:
- (a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
 - (b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
 - (c) contemporaneously with each of the above, a management discussion and analysis (“MD&A”) of each of the above financial statements; and
 - (d) within 90 days of the end of the fiscal year, an annual information form (“AIF”), including material information about the company and its business at a point in time in the context of its historical and possible future development.
6. MD&A detail how the company performed during the period covered by the financial statements and set out the company’s financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future.

7. An AIF is an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.
8. The Defendants 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 and Garry J. West (collectively, the “D&Os”) were officers and/or directors of Sino at material times during the Class Period.
9. Poon was a director until 2008 and was Sino’s president during the Class Period. Wang has been a director since August 2007, Ardell became a director in January 2010 and Bowland and West have been directors since February 2011. Chan was a director and Sino’s chief executive officer during the Class Period. Horsley was Sino’s chief financial officer during the Class Period. Each of the D&Os are directors and/or officers of Sino within the meaning of the Securities Legislation.
10. The Defendant Ernst & Young LLP (“E&Y”) has been Sino’s auditor since August 13, 2007. E&Y was also Sino’s auditor from 2000 to 2004. E&Y is an expert of Sino within the meaning of the Securities Legislation.
- ~~10~~11. BDO Limited is the successor of BDO McCabe Lo Limited, the Hong Kong based auditing firm that was engaged as Sino’s auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino’s request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

~~11~~.12. The Defendant Pöyry (Beijing) Consulting Company Limited (“Pöyry”) is an international forestry consulting firm. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

13. The Defendants 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. and Maison Placements Canada Inc. (collectively, the “Underwriters”) underwrote the prospectus offering dated offering December 10, 2009. The Defendants Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, Scotia Capital Inc. and Merrill Lynch Canada Inc. underwrote the prospectus offering dated June 1, 2009. These Defendants also acted as underwriters in one or more of Sino’s note offerings during the Class Period.

~~12~~.14. The Defendants Banc of America Securities LLC and Credit Suisse Securities (USA) LLC are financial institutions who served as underwriters in one or more of Sino’s note offerings during the Class Period, including Sino’s October 2010 offering of 6.25% Guaranteed Senior Notes due 2017.

The Plaintiffs

~~13~~.15. The Labourers’ Pension Fund of Central and Eastern Canada (the “Labourers’ Fund”) is a multi-employer pension plan providing benefits for employees working in the construction industry. The Labourers’ Fund is a union-negotiated, collectively-bargained defined benefit pension plan. The Fund was established on February 23, 1972, and currently has approximately \$2 billion in assets, over 39,000 members, over

13,000 pensioners and beneficiaries and approximately 2,000 participating employers. The Labourers' Fund is governed by a board of trustees representing members of the pension plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp., c.1.

~~14.16.~~ The International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario is a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and approximately 900 participating employers. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1.

~~17.~~ Sjunde AP-Fonden ("AP7") is the Swedish National Pension Fund. AP7 purchased Sino's common shares through funds it manages over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

~~18.~~ David Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 offering memorandum and in the distribution to which that offering memorandum related. Grant continued to hold those notes at the end of the Class Period.

~~19.~~ Robert Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 prospectus and in the distribution

to which that prospectus related, and continued to own those shares at the end of the Class Period.

~~15.20.~~ The Plaintiffs purchased Sino shares during the Class Period. The trustees of the Labourers' Fund also purchased shares pursuant to the prospectus dated December 10, 2009.

~~16.21.~~ The Plaintiffs bring this action pursuant to the *CPA* on their own behalf and on behalf of all Class Members.

Factual Background

~~17.22.~~ Sino claims to be in the commercial forestry business in the PRC and elsewhere.

~~18.23.~~ As a reporting issuer in Ontario and elsewhere Sino was required to comply with GAAP. Indeed, Sino and E&Y, Sino's auditor, repeatedly made the representation, that Sino's financial statements complied with Canadian GAAP (the "Representation").

~~19.24.~~ Unbeknownst to the Plaintiffs and those similarly situated, Sino had not complied with GAAP and the Representation was untrue.

~~20.25.~~ Sino's disclosure documents contain numerous misrepresentations, including the Representation, relating to Sino's revenues, assets, profitability, financial status and various transactions that it had purported to enter. Sino also made the omission (namely, the failure to disclose that Sino was not compliant with PRC law including, without limitation, tax law and the failure to disclose non-arm's length transactions with certain entities, including, without limitation, Huaihua Yuda, Sonic Jita and other entities concealed by the Defendants, or some of them, and unknown to the Plaintiffs),

denying the Class information required to render other statements made not untrue or misleading.

~~21~~26. Sino and the other Defendants made misrepresentations or failed to state material facts regarding, among other things, Sino's corporate history, including with regard to Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd and Shanghai Jin Xiang Timber Ltd.; regarding Sino's "assets" in Yunnan, Suriname, New Zealand and Guangxi; and regarding the sale of logs, trees and wood chips.

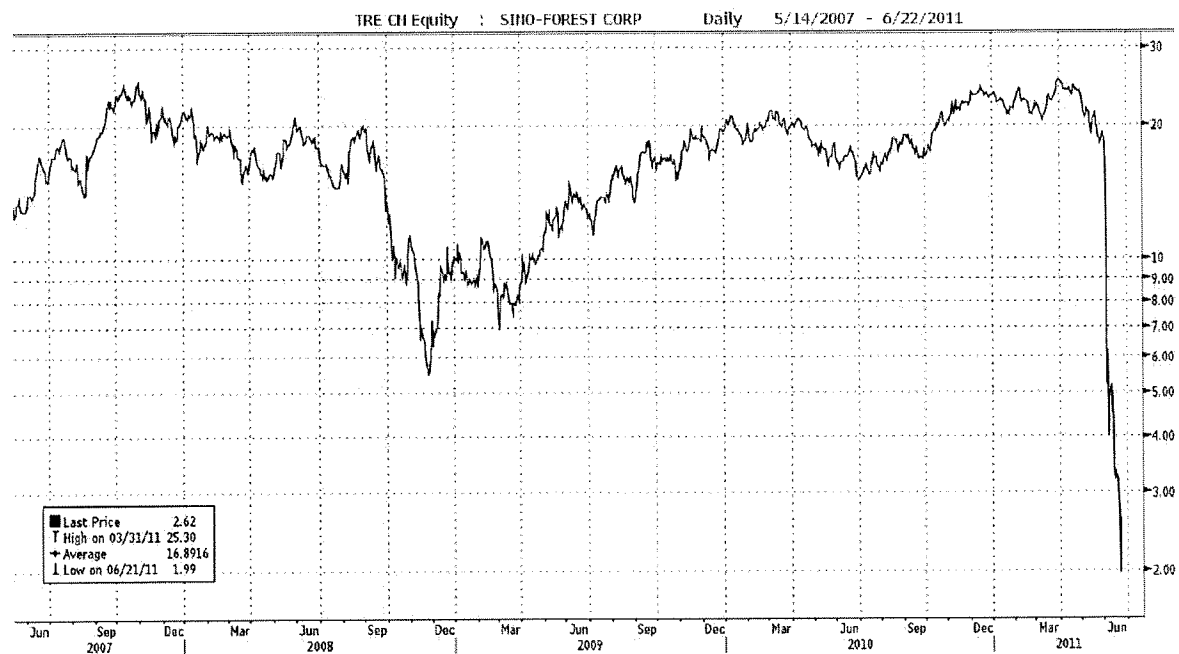
~~22~~27. As a result of the misrepresentations and the Representation, Sino – which claimed to be "Growing with China," the "Right Place, Right Time, Right Company" and "Growing Intelligently" on the *front page* of its 2008, 2009 and 2010 Annual Reports – enjoyed consistently high share prices and strong ratings from analysts.

~~23~~28. The Defendants profited thereby. Sino and certain of the Individual Defendants sold shares at those high prices. Sino's management used the "successes" the company "enjoyed" to take outsized bonuses and large salaries. Sino itself raised in excess of \$2.7-billion while making the Representation and misrepresentations. Stock options granted to Chan, Horsley and others were backdated. E&Y, BDO Limited and Pöyry, "experts" on who the Class relied but who did not perform the services they were required to at the required standard or at all, took millions of dollars to bless the actions of the Individual Defendants and Sino.

~~24~~29. However, as was known to the Defendants but not the Class, the Representation and misrepresentations were false.

25.30. Beginning on June 2, 2011 Muddy Waters Research and the Globe and Mail revealed the results of investigations that showed that Sino had materially misstated its financial affairs. Trees that Sino claimed to own were, in fact, owned by others. Sales that Sino had claimed to have made were not made, or were not made in a way that allowed them to be booked as revenue pursuant to GAAP.

26.31. The revelation of the truth had a catastrophic effect on the Plaintiffs' investment:



27.32. This collapse in value – which destroyed *billions* of dollars of shareholder value – represented a staggering loss for Class Members. On June 1, prior to the publication of Muddy Waters' report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares, on the TSX, fell to \$14.46 at which point trading was halted (a decline of ~20.6%). When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of ~71.3% from June 1). On Saturday June 18 and Sunday June 19 the Globe published investigatory articles that revealed, among

other things, that Sino had “substantially overstated the size and value of its forestry holdings in China’s Yunnan province.”

~~28~~33. When the market closed on Monday, June 20, Sino’s shares were trading at \$2.73 (a decline of ~85% from June 1). After the close of markets on June 20 it was revealed that certain entities affiliated with Paulson & Co., which had been Sino’s largest shareholder, had sold all of its holdings (realizing a loss, on a mark-to-market basis, in excess of USD\$560-million), citing “uncertainty over Sino-Forest’s public disclosures and financial statements.” The next day, Sino shares closed at \$1.99, a decline of \$16.22 or ~89.1% from its close on June 1.

~~29~~34. The value of other Sino securities, including various debt instruments, traded in a similar fashion.

Claims

Negligent Misrepresentation and Negligence

~~30~~35. During the Class Period, the Defendants other than Pöyry falsely represented in some or all of the Impugned Documents that the Sino financial statements and/or other financial information contained therein complied and had been compiled in accordance with GAAP. The Class and the Plaintiffs relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded.

~~31~~36. During the Class Period, Sino’s internal controls were inadequate or ignored by the Defendants. The Defendants owed a duty of care to the Plaintiffs and the Class to properly design and maintain such internal controls. The Plaintiffs and the Class plead

negligent misrepresentation and negligence as against the Defendants other than Pöyry and the Underwriters.

~~32-37.~~ During the Class Period, Sino sold securities that would not have been sold, or would not have been sold at such prices had the Representation and the misrepresentations not been made. The Plaintiffs and the Class plead negligence as against the Defendants other than Pöyry on behalf of all Class Members who purchased pursuant to the offerings dated June 5, 2007, June 1, 2009, ~~and~~ December 11, 2009, July 17, 2008, June 24, 2009, December 10, 2009, and October 14, 2010.

Unjust Enrichment

~~33-38.~~ Each of Chan, Martin, Poon, Horsley, Mak and Murray sold securities of Sino while in actual or constructive possession of materially negative, undisclosed information and were thus unjustly enriched at the expense of those persons who bought such securities. The Plaintiffs and the other Class Members plead unjust enrichment as against Chan, Martin, Poon, Horsley, Mak and Murray.

~~34-39.~~ Each of Chan, Horsley, and Hyde backdated stock options they granted to themselves and others, and sold securities of Sino pursuant to such options, and were thus unjustly enriched at the expense of those persons who bought such securities. The Plaintiffs and the other Class Members plead unjust enrichment as against Chan, Horsley and Hyde.

~~35-40.~~ During the Class Period, Chan, Martin, Poon and Horsley were paid bonuses that depended, in whole or in part, on the profitability of Sino and Sino conducting various transactions. The reporting of Sino's profitability and financial performance was not

GAAP-compliant and certain of the transactions that Sino “conducted” did not occur, did not occur at the size reported or did not occur in a fashion that allowed revenues to be booked pursuant to GAAP. The Plaintiffs and the other Class Members plead unjust enrichment as against Chan, Martin, Poon and Horsley.

36-41. During the Class Period, each of E&Y, BDO Limited and Pöyry earned fees from the Class, whether directly or indirectly, for work that they never performed or that they performed inadequately, and they were thus unjustly enriched at the expense of the Plaintiffs and Class. The Plaintiffs and Class plead unjust enrichment as against E&Y, BDO Limited and Pöyry.

37-42. During the Class Period, the Underwriters, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC earned fees from the Class, whether directly or indirectly, for work that they never performed or that they performed inadequately and they were thus unjustly enriched at the expense of the Plaintiffs and Class. The Plaintiffs and Class plead unjust enrichment as against the Underwriters, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC.

38-43. During the Class Period, certain of the Underwriters, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC acted as brokers and sold securities and earned commissions from the Class. The Underwriters, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC were thus unjustly enriched at the expense of the Plaintiffs and the Class in connection with the sale of securities that they knew or ought to have known were overvalued. The Plaintiffs and the Class plead unjust enrichment as against the Underwriters, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC.

Statutory Liability for Misrepresentations – Secondary Market

~~39.44.~~ Each of the Impugned Documents is a “Core Document” within the meaning of the Securities Legislation.

~~40.45.~~ Each of the Impugned Documents contained one or more misrepresentations.

~~41.46.~~ Each of the D&Os was an officer and/or director of Sino at material times. Each of the D&Os authorized, permitted or acquiesced in the release of some or all of the Impugned Documents.

~~42.47.~~ Sino is a reporting issuer within the meaning of the Securities Legislation.

~~43.48.~~ E&Y is an expert within the meaning of the Securities Legislation. BDO Limited is an expert within the meaning of the Securities Legislation.

~~44.49.~~ Pöyry is an expert within the meaning of the Securities Legislation.

~~45.50.~~ The Plaintiffs and the Class assert the causes of action set forth in Part XXIII.1 of the *OSA* as against Sino, E&Y, BDO Limited, Pöyry and the D&Os and will seek leave, if and as required, in connection therewith. In the alternative, the Plaintiffs and the Class assert the equivalent sections of the Securities Legislation¹ on behalf of Class Members residing or located outside of Ontario.

¹ Part 16.1 of *Securities Act*, R.S.B.C. 1996, c.418; Part 17.01 of *Securities Act*, R.S.A. 2000, c. S-4; Part XVIII.1 of *Securities Act*, 1988, S.S. 1988-89, c. S-42-2; Part XVIII of *Securities Act*, C.C.S.M. c.S50; Division II of Title VIII, Chapter II of *Securities Act*, R.S.Q., c. V-1.1; Part 11.1 of *Securities Act*, S.N.B. 2004, c. S-5.5; Sections 146A to 146N of *Securities Act*, R.S.N.S. 1989, c. 418; Part XXII.1 of *Securities Act*, R.S.N.L. 1990, c. S-13; Part 14 of *Securities Act*, R.S.P.E.I. 1988, c. S-3.1; Part 14 of *Securities Act*, SY 2007, c 16; Part 14 of *Securities Act*, SNWT 2008, c 10; Part 14 of *Securities Act*, S Nu 2008, c 12.

Statutory Liability for Misrepresentations – Primary Market

46:51. Sino issued prospectuses during the Class Period, including on June 1, 2009 and December 11, 2009, which are Impugned Documents. These prospectuses contained one or more misrepresentations and/or incorporated by reference documents that contained one or more misrepresentations.

47:52. Chan, Horsley, Martin and Hyde each signed the June 2009 and December 2009 prospectuses and certified that the prospectuses and the documents incorporated by reference constituted full, true and plan disclosure of all material facts.

48:53. Mak, Murray, Poon and Wang were directors at the time of the June 2009 Prospectus and the December 2009 Prospectus.

49:54. E&Y signed the June 2009 and December 2009 prospectus.

50:55. The Underwriters signed the December 2009 prospectus.

51:56. Credit Suisse, Dundee, Merrill, Scotia and TD signed the June 2009 Prospectus.

52:57. The Plaintiffs and the Class plead the cause of action found in Part XXIII of the *OSA* and the equivalent sections of the Securities Legislation² as against Sino, E&Y, BDO Limited, Chan, Horsley, Martin, Hyde, Mak, Murray, Poon and Wang with respect to the June 2009 and December 2009 prospectus.

² Part 16 of *Securities Act*, R.S.B.C. 1996, c.418; Part 17 of *Securities Act*, R.S.A. 2000, c. S-4; Part XIX of *Securities Act*, 1988, S.S. 1988-89, c. S-42-2; Part XIV of *Securities Act*, C.C.S.M. c.S50; Division I of Title VIII, Chapter II of *Securities Act*, R.S.Q., c. V-1.1; Part 11 of *Securities Act*, S.N.B. 2004, c. S-5.5; Sections 137, 139A, 140 and 141 of *Securities Act*, R.S.N.S. 1989, c. 418; Part XXII of *Securities Act*, R.S.N.L. 1990, c. S-13; Part 13 of *Securities Act*, R.S.P.E.I. 1988, c. S-3.1; Part 13 of *Securities Act*, SY 2007, c 16; Part 13 of *Securities Act*, SNWT 2008, c 10; Part 13 of *Securities Act*, S Nu 2008, c 12.

53:58. The Plaintiffs and the Class plead the cause of action found in Part XXIII of the *OSA* and the equivalent sections of the Securities Legislation as against the Underwriters with respect to the December 2009 prospectus.

54:59. The Plaintiffs and the Class plead the cause of action found in Part XXIII of the *OSA* and the equivalent sections of the Securities Legislation as against Credit Suisse, Dundee, Merrill, Scotia and TD with respect to the June 2009 Prospectus.

Oppression

55:60. In the circumstances alleged herein, the Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's best interests and, in turn, in the interests of its security holders. These reasonable expectations were not met. Sino and the D&Os conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests.

Conspiracy

56:61. Sino, Chan, Poon and Horsley conspired between themselves and persons unknown to the Plaintiffs (the "Conspirators") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together, the one with the other and with persons unknown, to, among other things, make the Representation and misrepresentations particularized herein. The Conspirators inflated the price of Sino's securities, artificially increased the value of the securities they held, issued options to themselves at artificially low strike prices through 'back dating' such options and inflated that portion of their compensation was

dependent in whole or in part upon the performance of Sino and its securities. Such conduct was unlawful and the conspiracy was directed toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members.

Vicarious Liability

~~57.62.~~ In addition to their direct liability, Sino, E&Y, BDO Limited, Pöyry, 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., ~~and~~ Maison Placements Canada Inc., Banc of America Securities LLC and Credit Suisse Securities (USA) LLC are vicariously liable for the acts and/or omissions of each of their respective officers, directors, partners and/or employees as set out above.

Real and Substantial Connection with Ontario

~~58.63.~~ The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

- (a) Sino is a reporting issuer in Ontario;
- (b) Sino's registered office is in Ontario;
- (c) Sino securities trade on the TSX which is located in Toronto, Ontario;
- (d) the Impugned Documents were disseminated in Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario; and

- (f) a substantial portion of the damages sustained by the Class were sustained in Ontario.

Service Outside of Ontario

~~59.64.~~ The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the *Rules of Civil Procedure*, because it is:

- (a) A claim in respect of personal property in Ontario (para 17.02(a));
- (b) A claim in respect of damage sustained in Ontario (para 17.02(h));
- (c) A claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and
- (d) A claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and
- (e) A claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

Relevant Legislation

~~60.65.~~ The Plaintiffs plead and rely on the *Courts of Justice Act*, RSO 1990, c C.43, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

Place of Trial

~~61.66.~~ The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

~~62.67.~~ The Plaintiffs will serve a jury notice.

July 20, 2011

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Plaintiffs

Sino-Forest Corporation,
et al.

Defendants

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

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AMENDED NOTICE OF ACTION

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