

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

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**MOTION RECORD OF THE PLAINTIFFS**  
**(Certification for Settlement Purposes**  
**and Notice of Fairness Hearing)**

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**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

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

**Plaintiffs**

**- and -**

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

**Defendants**

*Proceeding under the Class Proceedings Act, 1992*

**NOTICE OF MOTION  
(Certification for Settlement Purposes  
and Notice of Fairness Hearing)**

**THE PLAINTIFFS** will make a motion to the Honourable Justice Perell on April 17, 2012 at 10 a.m., at Osgoode Hall, 130 Queen Street West, Toronto Ontario.

**PROPOSED METHOD OF HEARING:** The motion will be heard orally.

**THE MOTION IS FOR:**

(a) an order certifying this action as a class proceeding for the purposes of settlement, pursuant to the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, against the Defendant Poyry (Beijing) Consulting Company Limited only;

(b) an order defining the class as:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada,

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

(c) an order defining the common issues as:

Did the Pöyry (Beijing) Consulting Company Limited make misrepresentations as alleged in this action during the class period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did class members suffer?

(d) an order appointing the plaintiffs as the representatives of the class;

(e) an order requiring the defendant Sino-Forest Corporation to deliver to the plaintiffs within ten days a list of the names and addresses of known beneficial owners of Sino-Forest securities as of June 2, 2011;

- (f) an order approving and directing the dissemination and publication of the notice of settlement approval hearing in respect of a proposed settlement between the plaintiffs and Pöyry (Beijing) Consulting Company Limited (“Pöyry”);
- (g) an order granting leave to bring this motion in advance of the motion for certification and motion for leave under section 138.8 of the *Securities Act*; and
- (h) such further and other relief as this Honourable Court deems just.

**THE GROUNDS FOR THE MOTION ARE:**

- (a) this action was commenced on July 20, 2011 under the *Class Proceedings Act, 1992*;
- (b) the plaintiffs advance statutory and common law claims against all defendants;
- (c) as against Pöyry, the plaintiffs allege: (a) negligence in connection with Sino-Forest’s share and note offerings during the class period; (b) the statutory cause of action in section 130 of the *Securities Act*, R.S.O. 1990, c.S.5 for alleged misrepresentations in Sino-Forest’s June 2009 and December 2009 prospectuses; and (c) the statutory cause of action in Part XXIII.1 of the *Securities Act* in connection with Sino-Forest’s continuous disclosure documents;
- (d) the plaintiffs and Pöyry have entered into a settlement agreement in respect of the claims against Pöyry;
- (e) the plaintiffs will bring a motion to this Honourable Court seeking approval of the settlement agreement on a date to be determined by the court;

- (f) Pöyry consents to an order for certification for the purposes of settlement, including notice to putative class members of certification and the settlement approval hearing;
- (g) the elements of the Pöyry settlement include:
  - (i) Pöyry will consent to certification;
  - (ii) Pöyry will provide material cooperation in the plaintiffs' prosecution of this action against the remaining defendants, including, providing relevant documents and if necessary, acting as a witness for the plaintiffs;
  - (iii) the action is being dismissed as against Pöyry without costs; and
  - (iv) the approval order would include bar orders to prevent future and other claims against Pöyry respect of the matters raised in this action.
- (h) the plaintiffs' claim meets the criteria for certification in section 5 of the *Class Proceedings Act, 1992* and this action should be certified for settlement purposes;
- (i) the proposed class definition uses objective criteria to determine membership in the class and is rationally linked to the proposed common issue;
- (j) the causes of action, proposed class definition and proposed common issue are substantially similar to other securities class actions certified in Ontario for the purposes of settlement;
- (k) a class proceeding is the preferable procedure for resolving the claims of class members particularly in light of the large class size, the prohibitively high cost of prosecuting individual securities actions and in the interests of judicial economy;

- (l) a class proceeding is the fairest, most efficient and manageable means of adjudicating the common issues;
- (m) the proposed representative plaintiffs can fairly and adequately represent the interests of the class and there is no conflict of interest;
- (n) all of the plaintiffs except David Grant purchased Sino-Forest shares on the Toronto Stock Exchange;
- (o) the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and Robert Wong purchased Sino-Forest shares as part of Sino-Forest's December 2009 prospectus offering;
- (p) David Grant purchased Sino-Forest notes as part of Sino-Forest's October 2010 note offering;
- (q) the plaintiffs propose to provide notice of certification and the settlement approval hearing by posting it on class counsel's and other websites, direct mailings to class members, forwarding the notice to brokers and newspaper notice;
- (r) direct mailings can only occur if Sino-Forest provides information regarding the names and addresses of class members;
- (s) Sino-Forest has this information available for shareholders as it is required by the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 to periodically send materials to its shareholders, such as shareholder meeting materials;

- (t) The Trustees of the International Union Of Operating Engineers Local 793 Pension Plan For Operating Engineers are current Sino-Forest shareholders and, in accordance with section 21 of the *Canada Business Corporations Act* are entitled to a list “setting out the names of the shareholders of the corporation, the number of shares owned by each shareholder and the address of each shareholder as show on the records of the corporation”;
- (u) Sino-Forest also has information regarding the class members that held notes during the class period;
- (v) for example, the December 2009 offering memorandum (p.161) provides that in the event of a fundamental change, Sino-Forest shall mail a notice of such change to all noteholders “at their address shown in the register of the Registrar” and to the beneficial owners”; and
- (w) such further and other grounds as this Honourable Court may permit.

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

- (a) the affidavit of Joseph Mancinelli;
- (b) the affidavit of Michael Gallagher;
- (c) the affidavit of David Grant;
- (d) the affidavit of Robert Wong;
- (e) the affidavit of Richard Gröttheim;

- (f) the affidavit of Daniel Bach; and
- (g) such further and other material as counsel may advise and this Honourable Court may permit.

April 2, 2012

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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**

**NOTICE OF MOTION**  
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**SUPERIOR COURT OF JUSTICE**

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FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE  
SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF JOSEPH MANCINELLI**

I, **JOSEPH MANCINELLI**, of the City of Hamilton, in the Province of Ontario,

MAKE OATH AND SAY:

1. I am the chair of the Board of Trustees of the Labourers' Pension Fund of Central and Eastern Canada (the "Labourers Fund"), one of plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Michael Mazzuca of Koskie Minsky LLP,

counsel to the Labourers Fund, and Janet Rabovsky of Towers Watson, investment counsel to the Labourers Fund, and I believe that such information is true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

#### **THE LABOURERS' FUND**

4. The Labourers Fund was established February 23, 1972. It is a specified multi-employer pension plan registered with the Financial Services Commission on Ontario, No. 573188, and is regulated by the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada). It was established by the Labourers International Union of North America ("LIUNA"), pursuant to collective agreements between LIUNA and construction industry employer associations and individual employers that provide for contributions to the fund. The Labourers Fund is administered by a board of trustees.

5. The Labourers Fund has approximately 37,500 members and more than 14,600 pensioners, primarily in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. The Labourers Fund has approximately 2,000 unrelated participating employers. The Labourers Fund has more than \$2.5 billion in assets.

6. The trustees are all union representatives with extensive experience in commercial and labour matters, and with the assistance of legal and financial advisors, regularly deal with contentious matters and litigation. We are also familiar with working in a regulatory

environment, given the extensive regulation of pension plans under the *Pension Benefits Act* (Ontario) and *Income Tax Act* (Canada).

#### **NATURE OF THE ACTION**

7. This action was commenced on July 20, 2011 against Sino-Forest Corporation (“Sino”) and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol “TRE”.

8. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino’s securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino’s securities traded at artificially inflated prices.

9. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it “massively exaggerates its assets”. This was followed by a significant decline Sino-Forest’s share price. As set out below, the trustees of the Labourers Fund held 128,700 shares at the time of this report.

10. The trustees brought this action because of the Labourers Fund’s investment losses and because of their concern that public markets remain healthy and transparent. While cases such this are relatively rare, the trustees, as part of their ongoing fiduciary responsibilities, will consider pursuing cases in which we believe an individual or company has committed fraud or made misrepresentations to investors and a loss to the fund has resulted.

11. In addition, this action is brought against Sino’s professional advisors such as BDO Limited, Ernst & Young LLP and various underwriting banks. The trustees consider it

important that the professionals who serve companies like Sino – and whose professional opinion investors rely on – be held accountable for their role in any misconduct.

12. The trustees chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses of the Labourers Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Michael Mazzuca of Koskie Minsky LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

13. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. Some investors, such as my co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. They could not afford it, and for those that can, such as the Labourers Fund, it would not make financial sense to do so.

#### **LABOURERS FUND'S INVESTMENT IN SINO-FOREST CORPORATION**

14. The trustees purchased Sino shares between December 2009 and June 2011. Most of these purchasers were made in the secondary market over the Toronto Stock Exchange. I am advised by Janet Rabovsky of Towers Watson and I believe that the following reflects the trustees' transactions in Sino shares.

15. The trustees invested in Sino shares through two asset managers: Fiera Sceptre Inc. and TD Asset Management Inc. ("TDAM"). The plan's assets were invested on a segregated fund basis by Fiera Sceptre and on a pooled fund basis by TDAM.



16. On December 11, 2009, the trustees purchased 32,300 shares at a cost of \$16.80 per share in a primary market distribution pursuant to the Final Short Form Prospectus dated December 10, 2009. This trade was placed through Credit Suisse and settled on December 17, 2009.

17. The trustees held a total of 128,700 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,343,627 at the close of trading on June 1, 2011. On June 2 and 3, 2011, the trustees sold their holdings for net proceeds of \$695,993.96. Attached and marked as **Exhibit "A"** is a summary of the trustees' transactions in Sino's shares.

18. The trustees also purchased units in two pooled funds managed by TDAM that held Sino-Forest shares. On May 31, 2011 the trustees held \$367,000,000 in these pooled funds. On the same date, the pooled funds had invested approximately 0.38% of the funds in shares of Sino. The trustees' holdings of Sino were valued at approximately \$1,386,104. As of June 30, 2011, the value of Sino shares in the pooled funds fell to 0.08% of the total assets of the pooled fund and the trustees' holdings of Sino had a value of approximately \$291,811.

**ACTING AS REPRESENTATIVE PLAINTIFF**

19. I and the other trustees of the Labourers Fund are prepared to act as representative plaintiffs in this class action. I understand that as representative plaintiffs we would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to the losses of the Labourers Fund, but must relate to the claims of the class members as a whole.

20. The trustees seek to represent the following persons as class members in this action:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

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

21. Counsel for the trustees and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. Michael Mazzuca of Koskie Minsky LLP has provided the trustees with frequent updates regarding this class action.

22. Michael Mazzuca of Koskie Minsky LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my and the other trustees' ability to fairly and adequately represent the class will be in issue;

- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and our counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to the trustees and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

23. I understand that as representative plaintiffs the trustees would have, among others, the following responsibilities:

- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize ourselves with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;

- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that the Labourers Fund has in its possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express the trustees' views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

24. The trustees of the Labourers Fund are committed to actively directing this litigation and maximizing the recovery for the class. The trustees have been advised by Michael Mazzuca and accept that we owe a duty to all members of the proposed class to provide fair and adequate representation. The trustees intend to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

25. The trustees of the Labourers Fund have acted as plaintiff in several securities class actions and understand the obligations of a representative plaintiff to act on behalf of a class of investors in public markets. The trustees act or acted as plaintiffs in class actions commenced in the United States against *Fortis et. al.*, *Pitney Bowes Inc. et al.*, *Synovus Financial Corp. et al.* and *Gammel v. Hewlett-Packard Company et al.* Those actions, much as this action, involve allegations of misrepresentation in the statements and filings of public issuers.

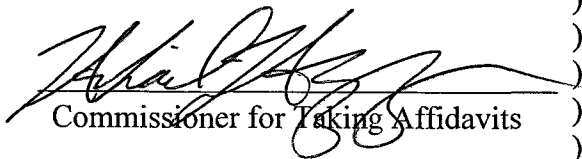
26. I believe that I and the other trustees can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

**LITIGATION PLAN**

27. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I and the other trustees do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.


28. I am not aware of a conflict of interest between the trustees and the proposed class members with respect any issues in this case.

SWORN before me at the City of )  
Hamilton, on March 27 2012. )

  
Commissioner for Taking Affidavits )

  
JOSEPH MANCINELLI

**EXHIBIT "A" TO THE AFFIDAVIT OF JOSEPH S. MANCINELLI  
SWORN BEFORE ME, THIS 20<sup>th</sup> DAY OF MARCH, 2012**

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

**Summary of Transactions in Sino's Shares**

<b>TRADE DATE</b>	<b>TYPE</b>	<b># OF SHARES</b>	<b>PRICE PER UNIT</b>
11-Dec-09	Buy	6,500	\$17.443
11-Dec-09	Buy	6,500	\$17.351
11-Dec-09	Buy	6,500	\$17.329
11-Dec-09	Buy	13,000	\$17.203
11-Dec-09	Buy	11,800	\$17.250
11-Dec-09	Buy	32,300	\$16.800
18-Dec-09	Buy	8,300	\$17.260
18-Dec-09	Buy	8,800	\$17.250
04-Jan-10	Sell	6,900	\$19.694
12-Jan-10	Sell	10,700	\$21.104
17-Feb-10	Sell	11,700	\$19.775
18-Mar-10	Buy	9,300	\$19.487
29-Mar-10	Buy	18,400	\$19.000
01-Apr-10	Sell	7,300	\$20.065
01-Apr-10	Sell	5,900	\$20.086
16-Apr-10	Sell	35,600	\$19.846
19-Apr-10	Sell	16,000	\$19.781
04-May-10	Sell	4,900	\$17.880
05-May-10	Sell	6,100	\$17.628
05-May-10	Sell	5,700	\$17.533
05-May-10	Sell	10,600	\$17.780
08-Jul-10	Buy	17,800	\$15.600
08-Jul-10	Buy	27,900	\$15.500
09-Jul-10	Buy	4,700	\$15.825
09-Jul-10	Buy	100	\$15.960
12-Jul-10	Buy	2,500	\$16.038
13-Jul-10	Buy	14,400	\$16.000
13-Jul-10	Buy	5,900	\$16.000
28-Sep-10	Buy	13,200	\$16.852
28-Sep-10	Buy	8,700	\$16.870
01-Oct-10	Buy	9,300	\$17.200
14-Oct-10	Sell	4,900	\$19.279

14-Oct-10	Sell	10,200	\$19.360
21-Oct-10	Sell	1,300	\$20.419
04-Nov-10	Buy	5,000	\$21.378
04-Nov-10	Buy	3,300	\$21.378
05-Nov-10	Buy	8,300	\$21.420
05-Nov-10	Buy	5,900	\$21.280
10-Nov-10	Buy	7,500	\$22.097
10-Nov-10	Buy	1,300	\$22.000
13-Dec-10	Sell	8,400	\$24.140
20-Jan-11	Sell	4,200	\$21.602
20-Jan-11	Sell	2,900	\$21.602
21-Jan-11	Sell	3,100	\$21.750
21-Jan-11	Sell	200	\$21.623
03-Feb-11	Sell	7,000	\$22.800
08-Feb-11	Sell	2,500	\$24.490
08-Feb-11	Sell	5,400	\$24.485
08-Feb-11	Sell	800	\$24.500
18-Feb-11	Sell	6,900	\$22.493
18-Feb-11	Sell	3,200	\$22.493
15-Mar-11	Buy	10,500	\$21.273
15-Mar-11	Buy	2,900	\$21.228
15-Mar-11	Buy	1,200	\$21.750
15-Mar-11	Buy	6,500	\$21.786
18-Mar-11	Buy	3,300	\$23.196
18-Mar-11	Buy	5,700	\$23.150
30-Mar-11	Sell	9,500	\$24.990
31-Mar-11	Sell	2,300	\$25.790
31-Mar-11	Sell	3,600	\$25.790
07-Apr-11	Sell	300	\$24.790
07-Apr-11	Sell	100	\$24.760
11-Apr-11	Sell	2,200	\$24.083
12-Apr-11	Sell	4,000	\$23.658
14-Apr-11	Sell	8,900	\$24.000
14-Apr-11	Sell	8,500	\$24.300



11-May-11	Sell	1,100	\$21.821
13-May-11	Buy	9,400	\$19.550
13-May-11	Buy	4,800	\$19.550
13-May-11	Buy	4,100	\$19.550
13-May-11	Buy	12,200	\$19.499
16-May-11	Buy	8,000	\$19.750
18-May-11	Sell	5,300	\$20.820
18-May-11	Sell	3,800	\$20.820
25-May-11	Buy	12,800	\$19.160
25-May-11	Buy	4,000	\$19.123
25-May-11	Buy	4,600	\$19.140
27-May-11	Buy	4,600	\$17.800
27-May-11	Buy	2,300	\$17.800
30-May-11	Buy	2,300	\$18.810
30-May-11	Buy	1,500	\$18.769
30-May-11	Buy	2,800	\$18.730
02-Jun-11	Sell	300	\$13.813
03-Jun-11	Sell	8,900	\$5.007
03-Jun-11	Sell	17,700	\$5.375
03-Jun-11	Sell	22,200	\$5.321
03-Jun-11	Sell	48,700	\$5.319
03-Jun-11	Sell	21,700	\$5.701
03-Jun-11	Sell	8,800	\$6.024
03-Jun-11	Sell	400	\$5.230

TRUSTEES OF THE LABOURERS' and SINO-FOREST CORPORATION *et al.*  
PENSION FUND OF CENTRAL AND  
EASTERN CANADA *et al.*

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

Plaintiffs Defendants

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF JOSEPH MANCINELLI**

Siskinds LLP  
Barristers & Solicitors  
680 Waterloo Street  
P.O. Box 2520  
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)  
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Fax: 519.660.7845  
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Koskie Minsky LLP  
20 Queen Street West, Suite 900, 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

Lawyers for the plaintiffs

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF MICHAEL GALLAGHER**

I, MICHAEL GALLAGHER, of the City of Toronto, in the Province of Ontario,  
MAKE OATH AND SAY:

1. I am the chair of the Board of Trustees of the International Union of Operating Engineers Local 793 Pension Plan (the "OE Fund"), one of the plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Mark Zigler of Koskie

Minsky LLP, counsel to the OE Fund, and Chris Brisebois of Eckler Ltd., actuaries and investment counsel to the OE Fund, and I believe that such information is true.

2. I swear this affidavit in support of the plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the Ontario *Securities Act* and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

#### **THE OE FUND**

4. I have been a member of the OE Fund since May 31, 1985 and a Trustee since April 8, 1997. The OE Fund was established November 1, 1973. It is a specified multi-employer pension plan registered with the Financial Services Commission on Ontario, No. 3890890 and is regulated by the *Pension Benefits Act* (Ontario) and *the Income Tax Act* (Canada). The OE Fund was established pursuant to collective agreements between Local 793 and employer associations and individual employers. The OE Fund is administered by a board of trustees.

5. The OE Fund has approximately 8,487 members in active employment and 12,380 retired, inactive and deferred vested members. The OE Fund has approximately 1,001 participating employers. The OE Fund has approximately \$1.5 billion in assets.

6. The trustees are all either union representatives or negotiators or representatives of management with extensive experience in commercial and labour matters, and with the assistance of legal and financial advisors, regularly deal with contentious matters and litigation. We are also familiar with working in a regulatory environment, given the extensive

regulation of pension plans under the *Pension Benefits Act* (Ontario) and *Income Tax Act* (Canada).

#### **NATURE OF THE ACTION**

7. This action was commenced on July 20, 2011 against Sino-Forest Corporation (“Sino”) and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol “TRE”.

8. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino’s securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino’s securities traded at artificially inflated prices.

9. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it “massively exaggerates its assets”. This was followed by a significant decline Sino-Forest’s share price. As set out below, the trustees of the OE Fund held 324,100 shares at the time of this report.

10. The trustees brought this claim to recover investor losses, including those of the OE Fund, and in the interests of proper disclosure from issuers. The trustees have a strong interest in the health and proper function of the Canadian capital markets.

11. The alleged conduct in this action undermines the confidence in and proper functioning of capital markets in Canada.

12. The trustees chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses of the OE Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Mark Zigler of Koskie Minsky LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

13. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. Some investors, such as my co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. They could not afford it, and for those that can, such as the OE Fund, it would not make financial sense to do so.

#### **OE FUND'S INVESTMENT IN SINO-FOREST CORPORATION**

14. The trustees invested in Sino shares through four asset managers: McLean Budden Ltd., Morrison Williams Investment Management Ltd., Greystone Managed Investment Inc., and TD Asset Management Inc. ("TDAM"). I am advised by Chris Brisebois of Eckler Ltd. and I believe that the following reflects the trustees' transactions in Sino shares. Attached and marked as **Exhibit "A"** is a summary of these transactions in Sino's shares.

15. The fund's assets were invested on a segregated fund basis by Morrison Williams, Greystone and McLean Budden, and on a pooled fund basis by TDAM.

16. On the trustees' behalf, McLean Budden purchased 42,000 Sino shares between February 1, 2011 and May 24, 2011, which had a market value of \$18.21 per share or

\$764,820 at the close of trading on June 1, 2011. The trustees sold their holdings on June 21, 2011 at a share price of \$1.84 for net proceeds \$77,170.80.

17. On the trustees' behalf, Morrison Williams purchased 181,700 Sino shares between January 20, 2011 and June 1, 2011, which had a market value of \$18.21 per share or \$3,308,757 at the close of trading on June 1, 2011. The trustees sold their holdings on June 3, 2011 at an average share price of \$5.147 for net proceeds of \$1,524,026.70.

18. On the trustees' behalf, Greystone purchased 100,400 Sino shares between July 5, 2007 and May 26, 2011, which had a market value of \$18.21 per share or \$1,828,384 at the close of trading on June 1, 2011. The trustees sold many of these shares in July and August and continue to hold approximately 37,350 Sino shares. The market price for these shares at the imposition of the cease-trade order by the Ontario Securities Commission on August was \$4.91.

19. The trustees also purchased units of a pooled fund managed by TDAM that held Sino shares between June 15, 2007 and June 9, 2011.

#### **ACTING AS REPRESENTATIVE PLAINTIFF**

20. I and the other trustees of the OE Fund are prepared to act as representative plaintiffs in this class action. I understand that as representative plaintiffs we would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to the losses of the OE Fund, but must relate to the claims of the class members as a whole.

21. The trustees seek to represent the following persons as class members in this action:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

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

22. Counsel for the trustees and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. Mark Zigler of Koskie Minsky LLP has provided the trustees with frequent updates regarding this class action.

23. Mark Zigler of Koskie Minsky LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my and the other trustees' ability to fairly and adequately represent the class will be in issue;



- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and our counsel can examine the defendants' representatives;
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- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
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- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

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- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize ourselves with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;

- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that the OE Fund has in its possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express the trustees' views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

25. The trustees of the OE Fund are committed to actively directing this litigation and maximizing the recovery for the class. The trustees have been advised by Mark Zigler and accept that we owe a duty to all members of the proposed class to provide fair and adequate representation. The trustees intend to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

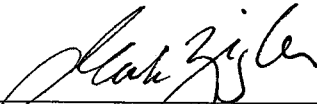
26. I believe that I and the other trustees can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

#### **LITIGATION PLAN**

27. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I and the other trustees do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.


28. I am not aware of a conflict of interest between the trustees and the proposed class members with respect to any issues in this case.

SWORN before me at the City of )  
Oakville, on March 19, 2012. )  
)  
)  
)

  
\_\_\_\_\_  
Commissioner for Taking Affidavits )  
*Max Zigler* )

  
\_\_\_\_\_  
MICHAEL GALLAGHER

**EXHIBIT "A" TO THE AFFIDAVIT OF MICHAEL GALLAGHER  
SWORN BEFORE ME, THIS 19 DAY OF MARCH, 2012**

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

**Summary of Transactions in Sino's Shares**

<b>TRADE DATE</b>	<b>TYPE</b>	<b># OF SHARES</b>	<b>PRICE PER UNIT</b>
<b>McLean Budden</b>			
01-Feb-11	Buy	5,700	\$22.2215
02-Feb-11	Buy	2,500	\$22.7232
03-Feb-11	Buy	2,800	\$22.7766
04-Feb-11	Buy	2,700	\$23.2396
07-Feb-11	Buy	2,000	\$23.8432
08-Feb-11	Buy	8,800	\$24.4734
08-Feb-11	Buy	1,500	\$24.55
17-May-11	Buy	300	\$20.48
17-May-11	Buy	3,500	\$20.6637
18-May-11	Buy	2,500	\$20.8238
18-May-11	Buy	400	\$20.79
19-May-11	Buy	500	\$20.9666
19-May-11	Buy	1,900	\$21.0764
20-May-11	Buy	4,500	\$20.4702
24-May-11	Buy	2,400	\$19.4105
21-Jun-11	Sell	42,000	\$1.8407
<b>Morrison Williams</b>			
20-Jan-11	Buy	181,700	\$21.535
14-Mar-11	Buy	83,800	\$21.526
15-Mar-11	Buy	30,600	\$21.616
3-Jun-11	Sell	296,100	\$5.147
<b>Greystone</b>			
05-Jul-07	Buy	800	\$17.1374
06-Jul-07	Buy	700	\$17.0498
09-Jul-07	Buy	200	\$17
10-Jul-07	Buy	1800	\$17.042
11-Jul-07	Buy	300	\$17.25
16-Jul-07	Buy	400	\$17.6
17-Jul-07	Buy	900	17.7783

18-Jul-07	Buy	3900	17.9749
18-Jul-07	Buy	300	17.8849
20-Jul-07	Buy	2700	18.8874
23-Jul-07	Buy	600	18.4758
24-Jul-07	Buy	600	18.0999
25-Jul-07	Buy	1000	17.3125
26-Jul-07	Buy	700	16.7498
27-Jul-07	Buy	2200	17.098
30-Jul-07	Buy	3200	17.1184
31-Jul-07	Buy	5000	17.171
01-Aug-07	Buy	600	15.9966
02-Aug-07	Buy	200	16.05
03-Aug-07	Buy	400	16.05
07-Aug-07	Buy	600	15.4422
09-Aug-07	Buy	1000	15.7949
10-Aug-07	Buy	1200	14.9193
10-Aug-07	Buy	1000	15.2581
13-Aug-07	Buy	1000	15.0395
14-Aug-07	Buy	800	15.1954
15-Aug-07	Buy	800	14.9744
16-Aug-07	Buy	4600	13.8702
17-Aug-07	Buy	2250	13.9638
20-Aug-07	Buy	800	14.0159
21-Aug-07	Buy	2200	13.9995
22-Aug-07	Buy	300	14.3237
23-Aug-07	Buy	1400	16.1001
24-Aug-07	Buy	450	16.9357
29-Aug-07	Buy	1000	17.4422
30-Aug-07	Buy	600	17.5898
04-Sep-07	Buy	5200	18.23
10-Sep-07	Buy	1000	18.85
26-Sep-07	Buy	1600	22.2955

27-Sep-07	Buy	1200	21.8191
02-Oct-07	Buy	800	23.2441
03-Oct-07	Buy	5430	23.1858
04-Oct-07	Buy	2300	23.165
11-Oct-07	Buy	3970	24.7695
23-Oct-07	Sell	2700	22.4873
22-Jan-08	Buy	2900	15.9431
28-Jan-08	Sell	700	17.711
26-Feb-08	Sell	270	19.1641
04-Mar-08	Sell	1200	18.9003
20-Mar-08	Buy	2200	14.9113
04-Apr-08	Sell	2700	17.5524
21-Apr-08	Sell	1200	15.3125
22-Apr-08	Sell	600	15.2969
21-May-08	Sell	860	18.0225
22-May-08	Sell	840	17.99
08-Jul-08	Buy	1400	16.4677
11-Aug-08	Buy	1720	14.9995
12-Aug-08	Buy	130	16.4084
13-Aug-08	Buy	2100	17.5051
20-Aug-08	Buy	320	18.8381
21-Aug-08	Buy	1380	19.4353
10-Sep-08	Buy	1740	17.7225
11-Sep-08	Buy	880	18.0153
07-Oct-08	Buy	3260	10.7574
14-Oct-08	Buy	1900	10.6571
15-Oct-08	Buy	4700	9.9627
18-Nov-08	Buy	2400	6.6901
21-Nov-08	Buy	1700	5.6527
25-Feb-09	Buy	4100	8.9626
26-Feb-09	Buy	1400	8.9057
21-May-09	Sell	1600	12.6417

02-Jun-09	Sell	1700	13.256
06-Oct-09	Sell	1200	16.5709
18-Feb-10	Buy	2900	20.2981
13-May-10	Sell	1700	18.3831
09-Jun-10	Buy	1000	16.4574
20-Jul-10	Buy	1500	16.1303
08-Sep-10	Sell	1300	18.7328
07-Oct-10	Sell	4800	17.3474
09-Nov-10	Sell	1600	22.262
04-Feb-11	Sell	1660	22.9815
16-Mar-11	Buy	1400	21.9237
05-May-11	Buy	700	21.268
26-May-11	Buy	17300	18.4451
6-Jul-11	Sell	22800	4.7579
26-Jul-11	Sell	17,900	7.4341
27-Jul-11	Sell	3,100	7.5853
26-Aug-11	Sell	16,310	1.72



TRUSTEES OF THE LABOURERS' and  
PENSION FUND OF CENTRAL AND  
EASTERN CANADA *et al.*

SINO-FOREST CORPORATION *et al.*

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

40

Plaintiffs

Defendants

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF MICHAEL GALLAGHER**

**Siskinds LLP**  
Barristers & Solicitors  
680 Waterloo Street  
P.O. Box 2520  
London, ON N6A 3V8

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Tel: 416-595.2072  
Fax: 416.204.2907

Lawyers for the plaintiffs

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF DAVID C. GRANT**

I, **DAVID C. GRANT**, of the City of Calgary, in the Province of Alberta, MAKE  
OATH AND SAY:

- I am a plaintiff in this action and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

#### **NATURE OF THE ACTION**

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE". Sino also had a number of offerings of notes in the last few years.

5. In this action, I and the other plaintiffs allege, on our own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities, including its notes, traded at artificially inflated prices.

6. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino's share price . I held 100 Guaranteed Senior Notes of Sino at the time and continue to hold those notes. I had purchased these notes on October 21, 2010 at a price of US \$101.50 per note as part of Sino's October note offering. I understand that the value of my notes has declined significantly. Attached and marked as **Exhibit "A"** is the trade confirmation.

7. I am pursuing this action to recover my investment losses, to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

8. I chose to advance this action as a class proceeding as I can neither afford nor justify pursuing this securities action individually. I invested \$10,150 in Sino. I am advised by Daniel Bach of Siskinds LLP and I believe that prosecuting this action as an individual action could involve hundreds of thousands of dollars in legal fees and expert costs. Even if it could be prosecuted for tens of thousands of dollars, it simply would not be justifiable given my losses. A class action is the only realistic context in which I and other small investors will recover our losses.

#### **ACTING AS REPRESENTATIVE PLAINTIFF**

9. I am prepared to act as a representative plaintiff in this class action. I understand that as representative plaintiff I would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to my losses, but must relate to the claims of the class members as a whole.

10. I and the other plaintiffs seek to represent the following persons as class members in this action:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

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

11. Counsel for I and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. A. Dimitri Lascaris and other lawyers at Siskinds LLP have provided me with frequent updates regarding this class action.

12. Daniel Bach of Siskinds LLP has explained the major steps in a class action, which I understand include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which relate to the claims of class members that purchased shares on the secondary market (e.g. Toronto Stock Exchange);
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and my counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;

- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to me and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

13. I understand that as a representative plaintiff I would have, among others, the following responsibilities:

- (a) review and keep myself informed of the steps in this litigation;
- (b) familiarize myself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that I have in my possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express my views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

14. I am committed to actively directing this litigation and maximizing the recovery for the class. I am advised by Daniel Bach and I understand that I owe a duty to all members of the proposed class to provide fair and adequate representation. I intend to work with my co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

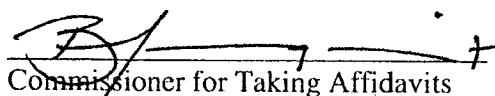
15. I believe that I can fairly and adequately represent the interests of class members and I am committed to fulfilling my obligations as their representative.

#### LITIGATION PLAN

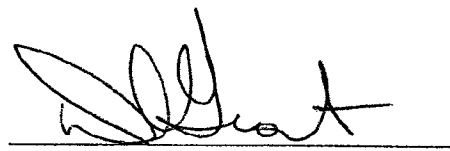
16. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of my lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but my lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from my lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

17. I am not aware of a conflict of interest between me and the proposed class members with respect any issues in this case.

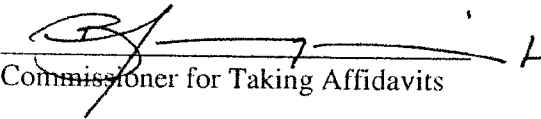
SWORN BEFORE ME at the City of  
Calgary, on March ~~30~~, 2012.

  
Commissioner for Taking Affidavits

Brett Turnquist  
Student-At-Law

  
DAVID C. GRANT

This is Exhibit "A" mentioned and referred to in the Affidavit of David C. Grant, sworn before me at the City of Calgary, on March 30, 2012.

  
Commissioner for Taking Affidavits

Brett Turnquist  
Student-At-Law



00000621

**DUNDEEWEALTH**

DUNDEE SECURITIES CORPORATION  
1 ADELAIDE STREET EAST, SUITE 2700  
TORONTO, ONTARIO M5C 2V9



CON\_5\_1021\_00000621

MR DAVID GRANT  
713 CIMARRON CLOSE  
OKOTOKS AB  
T1S 1X3 CAN

**TRADE CONFIRMATION**

Thank you for choosing Dundee for your financial and investment needs

We confirm the following transaction(s) subject to the agreement on the reverse side.

We suggest the retention of this contract for Income Tax purposes.

**Your Investment Advisor**

Afif Jawad  
Telephone: (780) 443-7777  
Email: ajawad@dundeewealth.com

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Trade Confirmation**

Client Name		Account Type	Account #
MR DAVID GRANT		CASH RRSP	14A182SN
We confirm you	Security description	Trade Date	Settlement Date
BOUGHT	SINO-FOREST CORPORATION GTD SR NT 6.25% 21OCT2017	OCTOBER 21, 2010	OCTOBER 21, 2010

AS PRINCIPALS, WE CONFIRM THE FOLLOWING SALE TO YOU

*Other information*

Exchange Rate: 1.0218

*References*

Representative		
Afif Jawad		
Security Symbol	Advisor Code	
C83912AF9	BVE5	
Trade #	Our Role	CUSIP
21796	Principal	C83912AF9

*Trade Activity*

# Shares/Units	Price
10000	\$101,5000

Description	Amount
GROSS AMOUNT	\$10,150.00
EXCHANGE	\$224.27
<b>Net Amount</b>	<b>\$10,371.27 CAD</b>

Please indicate your account number on all documents and instructions sent to us.



October 21, 2010

**Alberta**  
OPERATOR'S LICENCE

GRANT David C



No. 72296-171  
Class: 5  
Cond/End:  
Expires: 28 JAN 2014

GRANT David C  
713 Cameron Close  
Okotoks AB T1S 1X3

Sex: M DOB: 25 JAN 1956  
Eyes: Blue Hair: Brown  
Ht: 173 cm Wt: 58 kg

Issue: 31 JUL 2009

0000-17129

**Conditions of Licence**

- 1. The licence holder must be at least 16 years of age.
- 2. The licence holder must be a resident of Alberta.
- 3. The licence holder must be a Canadian citizen or permanent resident of Canada.
- 4. The licence holder must be a resident of Alberta for at least 90 days before applying for a licence.
- 5. The licence holder must be a resident of Alberta for at least 90 days before applying for a licence.
- 6. The licence holder must be a resident of Alberta for at least 90 days before applying for a licence.
- 7. The licence holder must be a resident of Alberta for at least 90 days before applying for a licence.
- 8. The licence holder must be a resident of Alberta for at least 90 days before applying for a licence.
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The Trustees of the Labourer's Pension Fund  
of Central and Eastern Canada, et al.

Plaintiffs

Sino-Forest Corporation, et al.

and

Defendants

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**AFFIDAVIT OF DAVID C. GRANT**

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

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A. Dimitri Lascaris (LSUC#: 50074A)  
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Fax: 519.660.7845

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

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Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)  
Tel: 416.595.2072  
Fax: 416.204.2907

Lawyers for the plaintiffs

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF ROBERT WONG**

I, **ROBERT WONG**, of the City of Kincardine, in the Province of Ontario, MAKE  
OATH AND SAY:

1. I am a plaintiff in this action have I have knowledge of the matters herein deposed.  
Where I make statements in this affidavit that are not within my personal knowledge, I have  
indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

#### **NATURE OF THE ACTION**

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".

5. In this action, I and the other plaintiffs allege, on our own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

6. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino's share price . As set out below, I was a shareholder of Sino-Forest Corporation from July 2002 to June 2011. By June 1, 2011, I continued to own 508,700 Sino-Forest shares having at that time a market value of approximate \$9.4 million. On June 3, 2011 and June 10, 2011, following the allegations against Sino-Forest, I sold all of my shares for total proceeds of approximately \$2.8 million.

7. I am pursuing this action to recover my investment losses, to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

8. My losses from investing in Sino have been devastating for me. While I was a shareholder of Sino, the vast majority of my net worth derived from my investment in Sino.

9. I chose to advance this action as a class proceeding because of the significant costs of prosecuting a securities action on this scale. I had significant losses. However, the legal and expert costs of advancing this action on my own would be significant and could approach a significant proportion of my losses. I am advised by Daniel Bach of Siskinds LLP and I believe that these costs could be over a million dollars, particularly as I held shares over a long period of time. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Mr. Bach and I believe that adverse cost awards after a trial could be in the millions of dollars.

#### **MY INVESTMENT IN SINO-FOREST CORPORATION**

10. I am an electrical engineer by profession and a retired member of the Professional Engineers of Ontario. I am of Chinese original and I speak English and Cantonese fluently. I am also able to read Chinese.

11. I first became a Sino shareholder on July 29, 2002 when I purchased approximately 15,000 Sino shares over the Toronto Stock Exchange. I was a Sino shareholder continuously from that time until June 10, 2011, when I disposed of my last shares of Sino.

12. I purchased hundreds of thousands of Sino shares, many of which I acquired during the proposed class period in this action. In early September 2008, I owned 1,371,500 Sino shares having then a market value of approximately \$26.1 million.

13. On June 2, 2011, I held 518,700 Sino shares with a market value of \$9.4 million. 30,000 of the Sino shares I then owned were purchased at a price of \$16.80 per share as part of Sino's December 2009 share offering.

14. On June 3, 2011 and June 10, 2011, after I learned of the serious allegations against Sino, I sold all of my shares for a total proceedings of \$2.8 million. This included the 30,000 shares I purchased as part of the December 2009 share offering. Attached and marked as **Exhibit "A"** is a summary of my purchases and sales of Sino shares.

15. I reviewed many of the public filings that Sino prepared during the time that I was a shareholder. I expected and believed that Sino's disclosure documents were materially accurate and complete. I would never have invested in Sino had I believed that its disclosure documents were unreliable or that its financial statements were not prepare in accordance with generally accepted accounting principles (GAAP).

16. I investigated the business and affairs of Sino not only by reviewing its disclosure documents, but also by visiting some of Sino's facilities in China. In March 2005, I travelled to Hogn Kong and China in part to examine Sino's operations in China. I advised Sino officials of my trip before I went. When I was in Hong Kong, a Sino vice-president, Samuel Hui, and a research director met me outside my hotel. They took me to a Sino research plantation in the town of Heyuan in the province of Guangdong in China. I spent the afternoon at this facility. I then travelled to other locations where Sino purported to have manufacturing facilities or plantations. These included Gaoyao, the site of a Sino particle

board factory, Wuzhou, an inland port of Xijiang (West River) in Guangxi Province, Yulin, the purported location of a tree plantation, Nanning, the capitol of Guangxi Province and the purported site of a Sino tree plantation, Kunming, the capitol of Yunnan Province, Chengdu, the capitol of Sichuan, Chongqing, a major city in central China, and Guangzhou, the capitol of Guangdong Province.

**ACTING AS REPRESENTATIVE PLAINTIFF**

17. I am prepared to act as a representative plaintiff in this class action. I understand that as representative plaintiff I would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to my losses, but must relate to the claims of the class members as a whole.

18. I and the other plaintiffs seek to represent the following persons as class members in this action:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

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



19. Counsel for I and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. A. Dimitri Lascaris and other lawyers at Siskinds LLP have provided me with frequent updates regarding this class action.

20. Daniel Bach of Siskinds LLP has explained the major steps in a class action, which I understand include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
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- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to the trustees and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;

- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

21. I understand that as a representative plaintiff I would have, among others, the following responsibilities:

- (a) review and keep myself informed of the steps in this litigation;
- (b) familiarize myself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that I have in my possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express my views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

22. I am committed to actively directing this litigation and maximizing the recovery for the class. I am advised by Daniel Bach and I understand that I owe a duty to all members of the proposed class to provide fair and adequate representation. I intend to work with my co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

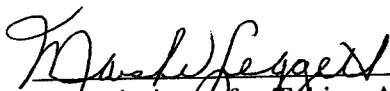
23. I believe that I can fairly and adequately represent the interests of class members and I am committed to fulfilling my obligations as their representative.

### LITIGATION PLAN

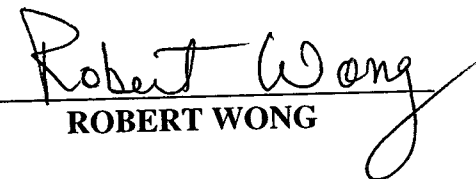
24. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of my lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but my lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from my lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

25. I am not aware of a conflict of interest between me and the proposed class members with respect any issues in this case.

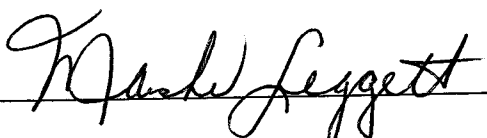
SWORN BEFORE ME at the City of  
KINCARDINE in the Province of Ontario,  
on March 22, 2012.

  
Commissioner for Taking Affidavits

MARSHA PAULINE LEGGETT, a Commissioner,  
etc., Province of Ontario, for  
William S. Mathers, Barrister and Solicitor.  
Expires January 20, 2013.

  
ROBERT WONG

This is Exhibit "A" mentioned and referred to in the Affidavit of Robert Wong, sworn before me at the City of KINCARDINE in the Province of Ontario, on March 22, 2012.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits

MARSHA PAULINE LEGGETT, a Commissioner,  
etc., Province of Ontario, for  
William S. Mathers, Barrister and Solicitor.  
Expires January 20, 2013.

Date	Stock	Transaction	Symbol	Quantity	Price	Commission	Amount
							-14,896.00
7/29/02	sino forest	b	ire.a	16200	0.95		-4,410.00
7/30/02	sino forest	b	ire.a	40000	0.95		-39,200.00
8/29/02	sino forest	b	ire.a	74700	1.20		-91,881.00
12/12/02	sino forest	b	ire.a	25300	1.20		-31,119.00
12/13/02	sino forest	b	ire.a	40000	1.73		-70,035.00
3/6/03	sino forest	b	ire.a	40000	1.84		-74,800.00
3/10/03	sino forest	b	ire.a	24100	1.80		-44,103.00
3/19/03	sino forest	b	ire.a	15900	1.80		-28,097.00
3/20/03	sino forest	b	ire.a	10000	1.75		-17,800.00
4/16/03	sino forest	b	ire.a	15800	1.73		-27,685.00
4/24/03	sino forest	b	ire.a	20000	2.71		-54,800.00
7/28/03	sino forest	b	ire.a	16500	3.45		-57,420.00
9/2/03	sino forest	b	ire.a	3500	3.45		-12,180.00
9/3/03	sino forest	b	ire.a	20000	3.35		-67,800.00
9/10/03	sino forest	b	ire.a	20000	3.35		-67,800.00
10/3/03	sino forest	b	ire.a	11800	6.20		-71920.00
2/19/04	sino forest	b	ire.a	1000	4.00		-4015.00
3/19/04	sino forest	b	ire.a	30000	4.10		-123,305.00
3/29/04	sino forest	b	ire.a	2000	3.82		-7,655.00
3/29/04	sino forest	b	ire.a	50000	2.50		-125,505.00
5/20/04	sino forest	b	ire.a	100000	4.16		-417,000.00
2/17/05	sino forest	b	ire	9000	4.77		-43,020.00
12/12/05	sino forest	b	ire	8500	6.47		-56,880.00
1/25/06	sino forest	b	ire	2700	6.49		-17,550.00
3/27/06	sino forest	b	ire	47300	6.49		-307,450.00
3/29/06	sino forest	b	ire	50000	5.50		-275,500.00
5/29/06	Sino Forest	b	ire	5100	5.66		-28,917.00
8/3/06	Sino Forest	b	ire	42300	6.86		-290,841.00
8/4/06	Sino Forest	b	ire	2800	6.68		-14,742.00
8/8/06	Sino Forest	b	ire	20000	4.50		-90,200.00
8/15/06	Sino Forest	b	ire	30000	5.09		-153,000.00
10/11/06	Sino Forest	b	ire	43600	6.30		-231,516.00
10/16/06	Sino Forest	b	ire	6400	5.30		-33,984.00
10/17/06	Sino Forest	b	ire	50000	5.43		-272,000.00
10/24/06	Sino Forest	b	ire	50000	5.70		-285,500.00
11/1/06	Sino Forest	b	ire	2500	6.29		-15,750.00
11/10/06	Sino Forest	b	ire	80400	6.65		-402,264.00
11/13/06	Sino Forest	b	ire	10000	6.62		-66,300.00
11/14/06	Sino Forest	b	ire	2200	6.82		-14,588.00
12/24/06	Sino Forest	b	ire	34000	7.89		-268,600.00
1/2/07	Sino Forest	b	ire	20000	7.89		-158,476.00
1/3/07	Sino Forest	b	ire	15000	7.50		-114,150.00
1/4/07	Sino Forest	b	ire	5000	7.65		-38,340.00
1/5/07	Sino Forest	b	ire	5000	7.66		-38,300.00
1/8/07	Sino Forest	b	ire	10000	7.87		-78,800.00
1/9/07	Sino Forest	b	ire	9800	7.98		-78,302.00
1/10/07	Sino Forest	b	ire	40000	10.37		-415,200.00
1/12/07	Sino Forest	b	ire	60000	9.13		-548,400.00
1/15/07	Sino Forest	b	ire				

				20000	9.43		-188,800.00
1/24/07	Sino Forest	b	tre	10000	16.00		-150,100.00
6/26/07	sino forest	b	tre	10000	15.00		-150,100.00
8/7/07	sino forest	b	tre	1261500	4.930		-6,218,284.00
	total			-20000	16.000		299,800.00
8/10/07	sino forest	s	tre	1241500	4.930		-6,120,692.43
	remaining			10000	15.000		-150,100.00
8/15/07	sino forest	b	tre	4400	20.580		-90,596.00
12/10/07	sino forest	b	tre	5600	20.600		-115,416.00
12/10/07	sino forest	b	tre	10000	20.170		-201,700.00
1/15/08	sino forest	b	tre	10000	16.670		-186,700.00
5/13/08	sino forest	b	tre	20000	18.000		-360,000.00
6/26/08	sino forest	b	tre	10000	15.000		-150,000.00
7/16/08	sino forest	b	tre	10000	14.500		-145,000.00
7/22/08	sino forest	b	tre	7900	15.500		-122,460.00
8/6/08	sino forest	b	tre	2100	15.500		-32,550.00
8/8/08	sino forest	b	tre	10000	15.000		-150,000.00
8/11/08	sino forest	b	tre	10000	19.000		-190,000.00
8/25/08	sino forest	b	tre	20000	19.000		-380,000.00
9/4/08	sino forest	b	tre	1371500	6.1088		-6,375,204.43
	total			-40000	15.900	400.00	635,600.00
9/18/08	sino forest	s	tre	-20000	14.288	200.00	285,520.00
9/18/08	sino forest	s	tre	-1,500.00	13.210	15.00	18,600.00
9/29/08	sino forest	s	tre	-18500	13.210	185.00	244,200.00
	sino forest	s	tre	-100,000	13.460	1,000.00	1,345,000.00
9/30/08	sino forest	s	tre	-26,000	11.743	2,935.80	290,844.20
10/2/08	sino forest	s	tre	-20,000	12.030	200.00	240,400.00
10/2/08	sino forest	s	tre	-40,000	12.250	400.00	489,600.00
10/2/08	sino forest	s	tre	-10,000	9.600	100.00	96,900.00
10/8/08	sino forest	s	tre	-20,000	10.150	200.00	202,800.00
10/8/08	sino forest	s	tre	-20,000	10.250	200.00	204,800.00
10/8/08	sino forest	s	tre	-10,000	10.410	100.00	104,000.00
10/8/08	sino forest	s	tre	-10000	10.800	100.00	107,900.00
10/8/08	sino forest	s	tre	-7400	10.265	74.00	75,887.00
10/9/08	sino forest	s	tre	-2600	8.880	26.00	23,062.00
10/10/08	sino forest	s	tre	-8500	10.000	65.00	84,935.00
10/16/08	sino forest	s	tre	-20000	6.990	200.00	139,800.00
11/13/08	sino forest	s	tre	-20000	7.000	200.00	139,800.00
11/14/08	sino forest	s	tre	-5000	6.850	50.00	33,200.00
11/18/08	sino forest	s	tre	-15000	6.720	150.00	100,650.00
11/19/08	sino forest	s	tre	-40000	6.960	400.00	238,000.00
11/20/08	sino forest	s	tre	-20000	5.700	200.00	113,800.00
11/21/08	sino forest	s	tre	-108100	5.898	1,081.00	636,492.80
11/24/08	sino forest	s	tre	-108700	5.549	1,087.00	602,089.30
11/25/08	sino forest	s	tre	-310300	5.557	3,103.00	1,721,234.10
11/26/08	sino forest	s	tre	-10000	6.174	1,000.00	61,840.00
11/27/08	sino forest	s	tre	-4000	6.870	40.00	27,440.00
11/28/08	sino forest	s	tre	-2000	6.700	20.00	13,380.00
12/1/08	sino forest	s	tre	-2000	6.420	20.00	12,820.00
	sino forest	s	tre	-700	6.600	7.00	4,613.00
	sino forest	s	tre	-2000	6.600	20.00	13,180.00
12/2/08	sino forest	s	tre				

	sino forest	s	tre	-2000	6.850	20.00	13,680.00
12/3/08	sino forest	s	tre	-2000	6.700	20.00	13,360.00
12/4/08	sino forest	s	tre	-2000	7.000	20.00	14,580.00
	sino forest	s	tre	-2000	7.300	20.00	14,680.00
12/8/08	sino forest	e	tre	-2000	8.080	20.00	16,140.00
	sino forest	s	tre	-2000	8.160	20.00	16,280.00
	sino forest	s	tre	-2000	9.600	20.00	18,980.00
12/10/08	sino forest	s	tre	-2000	10.500	20.00	20,980.00
	sino forest	e	tre	-2000	10.500	20.00	20,980.00
	total sale			-1035300	8.090		8376027
	remaining			336200	6.1066		-2,053,039.64
				2000	6.000	20.00	-16,020.00
3/2/09	sino forest	b	tre	30000	16.800	0.00	-604,000.00
12/16/09	sino forest	b	tre	10000	17.390	100.00	-174,000.00
12/17/09	sino forest	b	tre	10000	18.600	100.00	-198,100.00
12/29/09	sino forest	b	tre	5000	19.3100	50.00	-98,800.00
12/30/09	sino forest	b	tre	5000	19.2300	50.00	-96,200.00
12/31/09	sino forest	b	tre	10000	20.5500	100.00	-205,600.00
1/6/10	sino forest	b	tre	10000	20.6400	100.00	-206,600.00
1/11/10	sino forest	b	tre	10000	20.5000	100.00	-205,100.00
1/14/10	sino forest	b	tre	500	16.0000	5.00	-8,005.00
6/7/10	sino forest	b	tre	20000	23.0000	200.00	-460,200.00
1/13/11	sino forest	b	tre	10000	21.3700	100.00	-213,800.00
5/6/11	sino forest	b	tre	10000	19.7400	100.00	-197,600.00
5/13/11	sino forest	b	tre	10000	19.0000	100.00	-190,100.00
5/24/11	sino forest	b	tre	10000	18.1000	100.00	-191,100.00
5/26/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
5/26/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
5/25/11	sino forest	b	tre	10000	17.0000	100.00	-170,100.00
6/2/11	sino forest	b	tre	518700	10.7318		-5566664.64
	total						
6/3/11	sino forest	s	tre	-488700	5.4400	0.00	2658628.00
8/10/11	sino forest	s	tre	-30000	5.3397	1,089.30	159100.70
	total sale			-518700	5.4321		2817628.70
	remaining			0			-2,748,935.84

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

Sino-Forest Corporation, et al.  
and

Defendants

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

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**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**AFFIDAVIT OF ROBERT WONG**

**KOSKIE MINSKY LLP**  
900-20 Queen Street West  
Box 52

Toronto, ON M5H 3R3

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Tel: 519.660.7844

Fax: 519.660.7845

Lawyers for the Plaintiffs



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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

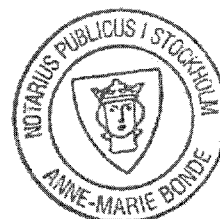
Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF RICHARD GRÖTTHEIM**

**I, RICHARD GRÖTTHEIM, of the City of Stockholm, in the Country of Sweden,  
MAKE OATH AND SAY:**

1. I am the chief executive officer of Sjunde AP-Fonden ("AP7"), a plaintiff in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

[SW1684041/2]



2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

**AP7**

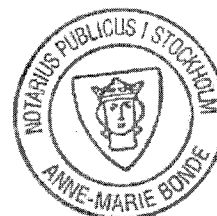
4. AP7 is the Seventh Swedish National Pension Fund and is part of Sweden's national pension system. AP7 is governed by a board of directors. AP7 is appointed in mandatory Swedish Law as the exclusive manager of two funds, the AP7 Securities Fund and the AP7 Fixed Income Fund. This action only relates to transactions done on behalf of AP7 Securities Fund. As of June 30, 2011, the two funds had approximately 103 billion SEK (approximately \$15.9 billion at current exchange rates) in assets under management by AP7.

5. AP7 is authorized to initiate and prosecute legal actions on behalf of the funds it manages, and no other person or entity other than AP7 may commence claims on behalf of those funds.

**NATURE OF THE ACTION**

6. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".

7. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and



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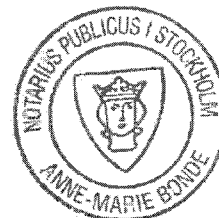
operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

8. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino-Forest's share price. As set out below, AP7 held 139,398 shares at the time of this report.

9. AP7 is pursuing this action because of the losses suffered by the AP7 Securities Fund to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

10. AP7 chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses sustained by the AP7 Securities Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Daniel Bach of Siskinds LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

11. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. I have been advised by Daniel Bach that some investors, such as AP7's co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. I have also been advised that these investors cannot afford pursuing an expensive complex commercial litigation of this nature on an individual basis, and for those that can, such as AP7, it would not make financial sense to do so.



AM

**AP7'S INVESTMENT IN SINO-FOREST CORPORATION**

12. AP7 purchased, on behalf of the AP7 Securities Fund, Sino shares between April 21, 2010 and January 14, 2011 over the Toronto Stock Exchange.

13. AP7 held, on behalf of the AP7 Securities Fund, a total of 139,398 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,538,438, at the close of trading on June 1, 2011. On August 24, 2011, AP7 sold 43,095 Sino shares for net proceeds of \$188,829.36. AP7 continues to hold 96,303 Sino shares. Attached and marked as **Exhibit "A"** is a summary of AP7's transactions in Sino shares.

**ACTING AS REPRESENTATIVE PLAINTIFF**

14. AP7 is prepared to act as representative plaintiffs in this class action. I understand that as a representative plaintiff AP7 would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to AP7's losses, but must relate to the claims of the class members as a whole.

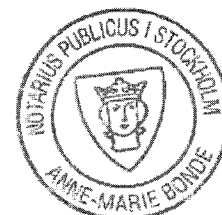
15. AP7 seeks to represent the following persons as class members in this action:

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

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal



*Handwritten signature*

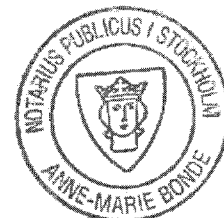
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representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

16. Counsel to AP7 and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. AP7 has also retained the U.S. law firm of Kessler Topaz Meltzer & Check, LLP as United States securities law experts. Kessler Topaz has acted for AP7 in U.S. securities litigation for a number of years and I believe their extensive expertise will be of significant benefit to AP7 and to the class. Lawyers at Kessler Topaz, along with lawyers at Siskinds LLP, have provided AP7 with frequent updates regarding this class action.

17. Daniel Bach of Siskinds LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that AP7's ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class, and our counsel can examine the defendants' representatives;

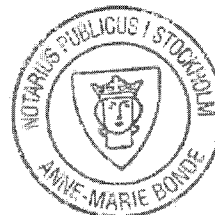


*AB*

- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to AP7 and other class members, if any);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

18. I understand that, as representative plaintiff, AP7 would have, among others, the following responsibilities:

- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize itself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that AP7 has in its possession, power or control;



M

- 7 -

- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express AP7's views on any settlement offers that it receives or that it makes on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

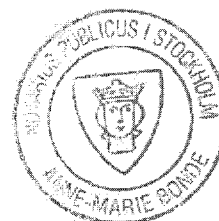
19. AP7 is committed to actively directing this litigation and maximizing the recovery for the class. AP7 has been advised by Daniel Bach and accepts that we owe a duty to all members of the proposed class to provide fair and adequate representation. AP7 intends to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

20. AP7 has acted as lead plaintiff in two class actions in the United States, against *Johnson & Johnson* (a securities class action) and *Anheuser-Busch Companies, Inc.* (a stockholder class action). Accordingly, AP7 understands the obligations of a plaintiff in a class action to act in the interests of class members.

21. I believe that AP7 can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

#### LITIGATION PLAN

22. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action.



7/1

I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

23. I am not aware of a conflict of interest between AP7 and the proposed class members with respect any issues in this case.

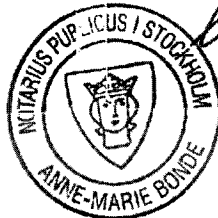
SWORN BEFORE ME at the City of  
*Stockholm*, on March *29*, 2012.

*Kristina Olnén Einarsson*  
Commissioner for Taking Affidavits

*Richard Gröttheim*  
RICHARD GRÖTTHEIM

I, the undersigned, Anne-Marie Bonde, Notary Public of the City of Stockholm, Sweden, hereby certify that KRISTINA OLNÉN EINARSSON has issued and signed the foregoing document.  
Fee 240:- Stockholm 29.03.2012  
Crowns Ex officio:

*Anne-Marie Bonde*



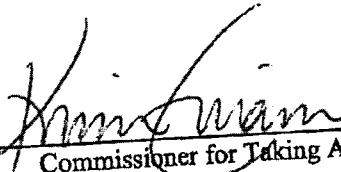
I, the undersigned, Anne-Marie Bonde, Notary Public of the City of Stockholm, Sweden, hereby certify that RICHARD GRÖTTHEIM duly authorized to sign for SJUNDE AP-FONDEN has issued and signed the foregoing document.  
Fee 400:- Stockholm 29.03.2012  
Crowns Ex officio:

*Anne-Marie Bonde*

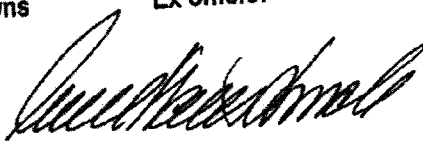


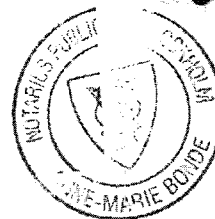


**EXHIBIT "A" TO THE AFFIDAVIT OF RICHARD GRÖTTHEIM  
SWORN BEFORE ME, THIS 29 DAY OF MARCH, 2012**

  
Commissioner for Taking Affidavits

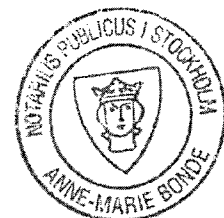
I, the undersigned, Anne-Marie Bonde, Notary Public of  
the City of Stockholm, Sweden, hereby certify that  
KRISTINA OLNÉN EINARSSON  
has issued and signed the foregoing document.  
Fee 240:- Stockholm 29.03.2012  
Crowns Ex officio:





**Summary of Transactions in Sino's Shares**

<b>TRADE DATE</b>	<b>TYPE</b>	<b># OF SHARES</b>	<b>PRICE PER UNIT</b>
4/21/2010	Purchase	2,945	\$19.6986
4/22/2010	Purchase	4,900	\$19.80
4/22/2010	Purchase	1,020	\$19.80
4/23/2010	Purchase	5,500	\$19.49
4/26/2010	Purchase	1,994	\$19.5122
4/27/2010	Purchase	71,500	\$19.3148
4/27/2010	Purchase	6,085	\$19.3206
4/27/2010	Purchase	1,300	\$19.3152
4/28/2010	Purchase	4,070	\$18.6711
5/5/2010	Purchase	3,082	\$17.6994
5/6/2010	Purchase	4,123	\$18.0285
5/7/2010	Purchase	3,469	\$17.5641
5/10/2010	Purchase	3,147	\$17.7518
5/11/2010	Purchase	1,933	\$17.6461
10/6/2010	Purchase	6,100	\$17.7350
12/14/2010	Purchase	13,600	\$24.4373
1/14/2011	Purchase	4,630	\$22.6349
8/24/2011	Sale	43,095	\$4.3817



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

Sino-Forest Corporation, et al.

and

Defendants

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**AFFIDAVIT OF RICHARD GRÖTTHEIM**

**SISKINDS LLP**

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P.O. Box 2520  
London, ON N6A 3V8

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Tel: 519.660.7753

Fax: 519.660.7754

**A. Dimitri Lascaris (LSUC#: 50074A)**

Tel: 519.660.7844

Fax: 519.660.7845

**KOSKIE MINSKY LLP**

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

**Kirk M. Baert (LSUC#: 30942O)**

Tel: 416.595.2117

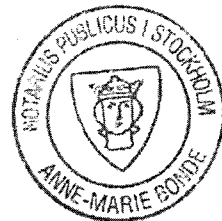
Fax: 416.204.2889

**Jonathan Bida (LSUC#: 54211D)**

Tel: 416.595.2072

Fax: 416.204.2907

Lawyers for the plaintiffs



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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF DANIEL E. H. BACH**

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

1. I am a lawyer in the class actions department of Siskinds LLP, co-counsel for the plaintiffs in this action, and I have knowledge of the matters deposed to below. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

#### NATURE OF THIS ACTION

3. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE."

4. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities allegedly traded at artificially inflated prices for many years.

5. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino-Forest's share price.

6. On January 26, 2012, the plaintiffs filed an amended notice of action and a statement of claim.

7. A Proposed Fresh As Amended Statement of Claim was served on the defendants as part of the plaintiffs' motion record seeking leave under Part XXIII.1 of the *Securities Act*. Attached and marked as **Exhibit "A"** is a copy of the Proposed Fresh As Amended Statement

of Claim. The certification motion and leave motion are set to be heard by this court on November 21, 2012 to November 30, 2012.

### **IMPUGNED DOCUMENTS**

8. This action centres around allegations that there were misrepresentations in Sino's public filings. The statement of claim as filed and the Proposed Fresh As Amended Statement of Claim refer to the following impugned documents:

- i) 2005 to 2010 annual financial statements
- ii) 2006 to 2010 annual information forms
- iii) 2006 to 2010 annual management's discussion and analysis
- iv) 2007 and 2008 amended annual management's discussion and analysis
- v) Q1 2006, Q1-Q3 2007, Q1-Q3 2008, Q1-Q3 2009 and Q1-Q3 2010 interim financial statements
- vi) Q1-Q3 2007, Q1-Q3 2008, Q1-Q3 2009 and Q1-Q3 2010 management's discussion and analysis
- vii) management information circular dated April 27, 2007
- viii) management information circular dated April 28, 2008
- ix) management information circular dated April 28, 2009
- x) management information circular dated May 4, 2010
- xi) management information circular dated May 2, 2011
- xii) June 2007 prospectus
- xiii) July 2008 offering memorandum
- xiv) June 2009 prospectus
- xv) June 2009 offering memorandum
- xvi) December 2009 prospectus
- xvii) December 2009 offering memorandum
- xviii) October 2010 offering memorandum,

A copy of these impugned documents are contained in Exhibit "A" to my affidavit filed in respect of the motion for leave under section 138.8 of the *Securities Act* and the plaintiffs intend to rely on these documents in respect of the motion for certification.

## **CERTIFICATION CRITERIA**

### **Class definition**

9. The proposed class definition in this action essentially comprises persons who acquired Sino securities between March 19, 2007 and June 2, 2011 (inclusive).
  
10. The beginning of the proposed class period corresponds to Sino's announcement of its financial results for Q4 2006 and for the year ended December 31, 2006. After this announcement, there was a substantial increase in Sino's share price. Attached and marked as **Exhibit "B"** is a spreadsheet showing Canadian stock price data for Sino's shares from January 1, 2007 to August 25, 2011. On my instructions, Michael McAlpine, the librarian at Siskinds LLP, created this spreadsheet from data provided by Bloomberg.
  
11. The end of the proposed class period is June 2, 2011. This is the date on which Muddy Waters Research released a report on Sino that alleged that Sino had misstated its financial results, falsely claimed to acquire trees it did not own, reported sales that had not been made or that had been made in a manner that did not permit Sino to report the sales as revenue under generally accepted accounting principles and concealed numerous related party transactions. Attached and marked as **Exhibit "C"** is a copy of the Muddy Waters Research report dated June 2, 2011.

**Estimate of the class size**

12. The plaintiffs do not, at this stage, have a definitive estimate as to the size of the proposed class. As of August 26, 2011, when Sino securities were cease traded, there were approximately 246 million outstanding Sino shares.

13. Class counsel contacted NPT Ricepoint Class Action Services for the purposes of assisting with notice of certification and opt out procedures. David Weir of NPT advised me that he estimates there are roughly 50,000 class members. He based this estimate on NPT's review of factors such as share price before analyst report, trading volumes, market capitalization, length of the class period, the number of exchanges where Sino-Forest shares were traded and the industry.

14. Sino-Forest ought to have more complete information regarding the number of class members and their contact information. Sino-Forest is required by the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 to periodically send materials to its shareholders, such as shareholder meeting materials.

15. Sino-Forest should also have information on the names and addresses of noteholders. For example, the December 2009 offering memorandum (p.161) provides that in the event of a fundamental change, Sino-Forest shall mail a notice of such change to all noteholders "at their address shown in the register of the Registrar" and to the beneficial owners". The December 2009 offering memorandum is contained on the CD in Exhibit "A" to my affidavit filed in respect of the motion for leave under section 138.8 of the *Securities Act*.



**Preferable Procedure**

16. Having discussed this matter with my colleagues, I estimate that the cost of litigating this matter through a trial of the common issues, including the cost of expert fees, will total at least \$5 million. As of the date of this affidavit, class counsel have approximately \$1.8 million in docketed time and have incurred approximately \$450,000 in disbursements.

17. The documentary evidence will likely be extensive and time-consuming to collect and review. For instance, the relevant public documents in this case already number in the hundreds of documents and thousands of pages. Given our experience in other securities class actions involving public companies, it is highly likely that there will be thousands, if not tens of thousands, of relevant documents, many of which are in Chinese.

18. Further, there will be substantial expert costs in litigating this action through to trial. As set out in the proposed litigation plan, the plaintiffs have already retained accounting experts, economists and damages experts and experts on Chinese law and Suriname law.

**Litigation Plan**

19. A litigation plan has been developed that sets out a workable method of advancing the proceeding on behalf of the class members. The litigation plan is subject to review and ongoing modification by this Honourable Court, as well as input from the defendants. Attached and marked as **Exhibit "D"** is the proposed litigation plan.

20. Siskinds LLP has prepared numerous litigation plans for securities class actions and the court has approved similar litigation plans in the past. Attached and marked as **Exhibits "E-1"** and **"E-2"** are copies of the certification orders in *Silver v. Imax Corp.* and *Dobbie v. Arctic Glacier Income Fund.*

**SETTLEMENT WITH PÖYRY (BEIJING) CONSULTING COMPANY LIMITED**

21. The plaintiffs have entered a settlement agreement with Pöyry (Beijing) Consulting Company Limited, executed as of March 20, 2012. The settlement agreement essentially provides that Pöyry will provide information and cooperation to the plaintiffs for the purposes of prosecuting this action against the remaining defendants. Attached and marked as **Exhibit "F"** is a copy of the settlement agreement.

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

23. The settlement agreement provides that the parties shall consent to certification for the purposes of settlement and that Pöyry will pay the first \$100,000 of the costs of providing notice of certification and fairness hearing and half of any such costs over \$100,000. The opt out period would run for 60 days from the time the notice of certification is first published.

**NOTICE AND COMMUNICATIONS WITH CLASS MEMBERS**

24. The plaintiffs propose to provide notice to the class as follows:

- (a) posted by class counsel on their websites;
- (b) provided by class counsel to any person who requests it;
- (c) sent directly to the addresses of class members based on a list of names and addresses for security holders to be provided by the defendants;
- (d) published once in the national edition of *The Globe and Mail*, Report on Business section,

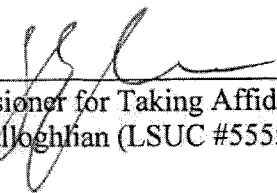
- (e) published once in the national edition of the *National Post*, Financial Post section;
- (f) published once, in French, in *La Presse*;
- (g) sent to brokers in Canada asking them to bring the notice to the attention of their clients who acquired Sino securities during the class period; and
- (j) posted by Sino in a prominent location on the main page of its website.

25. I believe the notice plan will be sufficient for the purposes of notifying class members of certification and providing them an adequate opportunity to opt-out of the class action (if certified).

26. In particular, the plaintiffs are seeking an order requiring Sino to deliver to the plaintiffs within ten days a list of the names and addresses of known beneficial owners of its securities as of the last day of the class period, June 2, 2011. The addresses in this list would be used to distribute the notice to security holders directly.

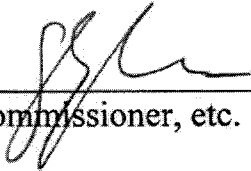
27. Class counsel have engaged NPT Ricepoint Class Action Services to assist in distributing the notice and collecting opt outs from class members. NPT Ricepoint has experience in distributing notices in more than thirteen class actions, including at least six securities class actions.

SWORN BEFORE ME at the City of  
Toronto, on April 2nd, 2012.

  
\_\_\_\_\_  
Commissioner for Taking Affidavits  
Serge Kaloghlian (LSUC #55557F)

  
\_\_\_\_\_  
DANIEL E. H. BACH

This is Exhibit "A" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.

  
\_\_\_\_\_  
A Commissioner, etc.

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*

**FRESH AS AMENDED STATEMENT OF CLAIM  
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

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

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

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

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

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

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

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

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

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

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

- AND TO: RBC Dominion Securities Inc.**  
155 Wellington Street West, 17<sup>th</sup> 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, 4<sup>th</sup> and 5<sup>th</sup> 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: Merrill Lynch, Pierce, Fenner & Smith Incorporated**  
100 N. Tryon St., Ste. 220  
Charlotte, NC 28255



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## I. DEFINED TERMS

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

- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the *Ontario Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s** Code of Business Conduct;
- (p) “**CPA**” means the *Ontario Class Proceedings Act, 1992*, SO 1992, c 6, as amended;

- (q) “**Credit Suisse**” means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) “**Credit Suisse USA**” means the defendant Credit Suisse Securities (USA) LLC;
- (s) “**Defendants**” means **Sino, the Individual Defendants, Pöyry, BDO, E&Y and the Underwriters**;
- (t) “**December 2009 Offering Memorandum**” means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which **Sino** filed on **SEDAR** on December 11, 2009;
- (u) “**December 2009 Prospectus**” means **Sino**’s Final Short Form Prospectus, dated December 10, 2009, which **Sino** filed on **SEDAR** on December 11, 2009;
- (v) “**Dundee**” means the defendant Dundee Securities Corporation;
- (w) “**E&Y**” means the defendant, Ernst and Young LLP;
- (x) “**Excluded Persons**” means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;
- (y) “**Final Report**” means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) “**GAAP**” means Canadian generally accepted accounting principles;
- (aa) “**GAAS**” means Canadian generally accepted auditing standards;
- (bb) “**Horsley**” means the defendant David J. Horsley;
- (cc) “**Hyde**” means the defendant James M.E. Hyde;
- (dd) “**Impugned Documents**” mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements

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

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

- (ee) “**Individual Defendants**” means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West**, collectively;
- (ff) “**July 2008 Offering Memorandum**” means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which **Sino** filed on **SEDAR** as a schedule to a material change report on July 25, 2008;
- (gg) “**June 2007 Prospectus**” means **Sino**’s Short Form Prospectus, dated June 5, 2007, which **Sino** filed on **SEDAR** on June 5, 2007;
- (hh) “**June 2009 Offering Memorandum**” means **Sino**’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which **Sino** filed on **SEDAR** as a schedule to a material change report on June 25, 2009;
- (ii) “**June 2009 Prospectus**” means **Sino**’s Final Short Form Prospectus, dated June 1, 2009, which **Sino** filed on **SEDAR** on June 1, 2009;

- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s **Securities** that occurred during the **Class Period** including the public offerings of Sino’s common shares pursuant to the **June 2007, June 2009 and December 2009 Prospectuses**, as well as the offerings of Sino’s notes pursuant to the **July 2008, June 2009, December 2009, and October 2010 Offering Memoranda**, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;
- (vv) “**Poon**” means the defendant Kai Kit Poon;



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

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

## II. CLAIM

### 2. The Plaintiffs claim:

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

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

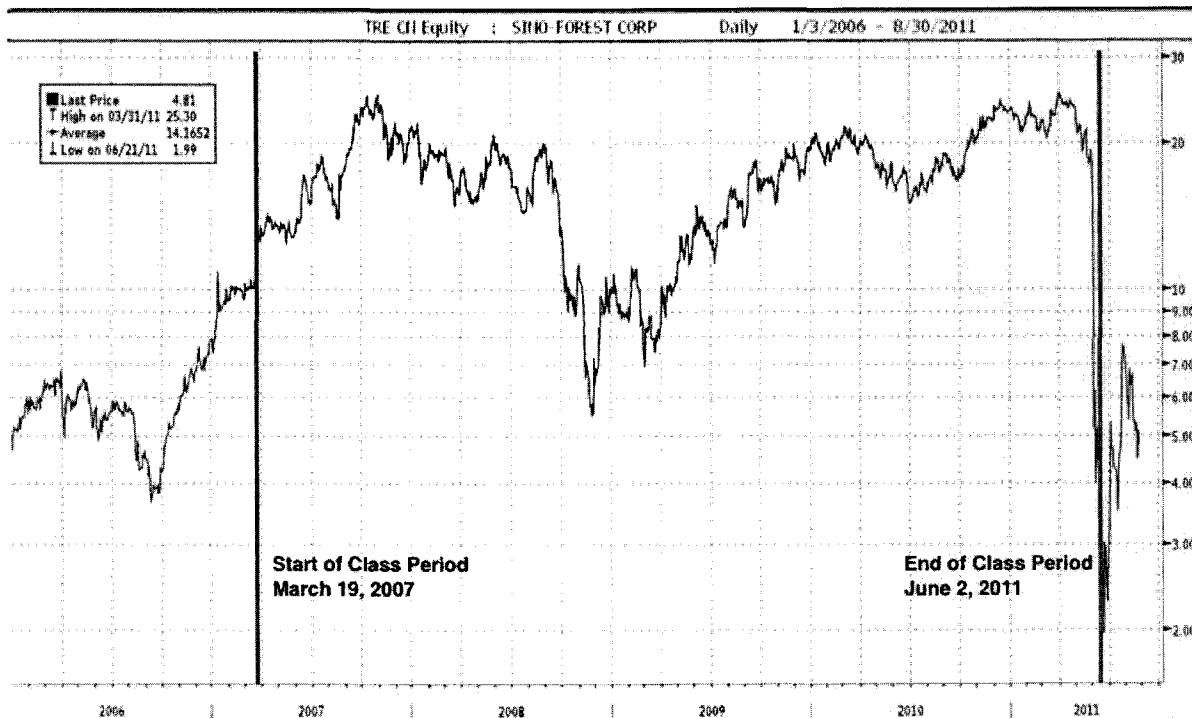
- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord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

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

### III. OVERVIEW

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

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



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

6. Sino itself raised in excess of \$2.7 billion<sup>1</sup> in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

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

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

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

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

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

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

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

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



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

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

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

[...]

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

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

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

#### IV. THE PARTIES

##### A. *The Plaintiffs*

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

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

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. 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. 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.

**B. *The Defendants***

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. 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 the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. 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 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 MD&A of each of the above financial statements; and
- (d) within 90 days of the end of the fiscal year, an 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.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of 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 future.

24. AIFs are 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.

25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US\$3.0 million, US\$3.8 million, US\$5.0 million, US\$7.6 million and US\$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of \$10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of \$11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US\$1.1 million, US\$1.4 million, US\$1.7 million, US\$2.5 million, and US\$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of \$34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of \$474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of \$6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of \$9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of \$2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.



42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs of *investors and creditors*" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.

59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately \$7.5 million, \$14.0 million and \$14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US\$2.2 million, US\$8.5 million and \$US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

## V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of \$2.7 billion from investors during the Class Period. In particular:

- (a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of \$12.65 per share for gross proceeds of \$201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;
- (b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US\$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;
- (c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of \$11.00 per share for gross proceeds of \$379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

- (d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US\$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;
- (e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US\$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

- (f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the “**Prospectuses**”) pursuant to which Sino distributed to the public 21,850,000 common shares at a price of \$16.80 per share for gross proceeds of \$367,080,000. The December 2009 Prospectus incorporated by reference Sino’s: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled “Valuation of China Forest Corp Assets As at 31 December 2008” dated April 1, 2009;
- (g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD\$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD\$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD\$187,187,000 in aggregate principal amount of Sino’s existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and
- (h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US\$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino’s Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors’ report of E&Y dated March 15, 2010 with respect to Sino’s Annual Financial Statements for 2008 and 2009; and (3) Sino’s unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.



64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have receipted the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

## **VI. THE MISREPRESENTATIONS**

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

- A. Sino's history and fraudulent origins;
- B. Sino's forestry assets;
- C. Sino's related party transactions;

- D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;
- E. Sino's relationships with its "Authorized Intermediaries;"
- F. Sino's cash flows;
- G. Certain risks to which Sino was exposed; and
- H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.

**A. *Misrepresentations relating to Sino's History and Fraudulent Origins***

*(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture*

71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("**Leizhou**"). The stated purpose of Leizhou, established in 1994, was:

Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m<sup>3</sup> of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m<sup>3</sup>.

72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("EJV") and cooperating joint ventures ("CJV"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have "phased-in." Leizhou was the key driver of Sino's purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US\$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US\$11.3 million, US\$23.9 million and US\$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28<sup>th</sup> January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29<sup>th</sup> January in the same year. It has been 4 years since the registration and we set out the situation as follows:

I. Information of the investment of both sides

- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20<sup>th</sup> June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16<sup>th</sup> March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30<sup>th</sup> January 1996. In accordance with the notice, the foreign party then on 10<sup>th</sup> April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20<sup>th</sup> December the same year. On 14<sup>th</sup> May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14<sup>th</sup> May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11<sup>th</sup> June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30<sup>th</sup> June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29<sup>th</sup> January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30<sup>th</sup> April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

## II. *The Joint Venture is not capable of attaining substantial operation*

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

*Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.*

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

The \$14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

*(ii) Sino's Fictitious Investment in SJXT*

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "**1997 Financial Statements**"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("**SJXT**"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as “Shanghai Jin Xiang Timber Ltd.” While an entity called “Shanghai Jin Xiang Timber Wholesale Market” does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately US\$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US\$1.0 million. In Sino’s balance sheet as at December 31, 1997, the SJXT investment was shown as an asset of \$1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m<sup>3</sup> of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate “significant revenue” for Sino-Forest amounting to approximately \$40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino’s total reported revenues in 1998 were \$92.7 million.

84. In Sino’s Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the “1998 Financial Statements”), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total



investment in SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately \$1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US\$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SJXT investment was again shown as an asset of US\$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US\$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

*SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising.* Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.

*The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.*

*The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.*

[...]

*The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.*

[Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the “Agency Agreement with SJXT [is] expected to generate approximately \$40 million over 18 months.”

88. In Sino’s Annual Report for 1999, Sino stated:

*There are also promising growth opportunities as Sino-Forest’s investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops.* The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.

Sino-Forest’s investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company’s lumber and wood products trading business.

[Emphasis added.]

89. In Sino’s MD&A for the year ended December 31, 1999, Sino also stated that:

*Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999.* Lumber and wood products trading on an agency basis has increased 35% from \$2.3 million in 1998 to \$3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately \$1.8 million of fees earned from a new customer.

[Emphasis added.]

90. That same MD&A, however, also states that “The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999*” (emphasis added).

91. In Sino’s Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the “1999 Financial Statements”), Sino stated:

During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of \$868,000* [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of \$278,000* as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%*. The principal activity of SJXT is to organize trading of timber and logs in the PRC market.

[Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of \$1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, \$796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of \$796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "**2000 Financial Statements**"),

Sino stated:

In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of \$868,000 [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of \$278,000 as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of \$796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of \$519,000, being the sum of Sino's purported SJXT investment of \$1,315,000 as at December 31, 1999, and the \$796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interest therein.

*(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History*

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by

the Code, which touted the “high standards of ethical conduct, in both words and actions”, of Sino’s senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge 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 the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation 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.

102. Similarly, the June 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge 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 the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation 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.

103. Finally, the December 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge 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 the

Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation 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.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

**B. *Misrepresentations relating to Sino's Forestry Assets***

*(i) Sino Overstates its Yunnan Forestry Assets*

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US\$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("**Sino-Panel**"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("**Gengma Forestry**") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US\$700 million to US\$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

*(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname*

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("**Greenheart**").

110. In August 2010, Greenheart issued an aggregate principal amount of US\$25,000,000 convertible notes for gross proceeds of US\$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

**Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname**

\*\*\*\*\*

**312,000 hectares now under Greenheart management**

Hong Kong, March 1, 2011 – Greenheart Group Limited (“Greenheart” or “the Company”) (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. (“Vista”), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart’s concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*



Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

[Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.*

[Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries.

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

*(iii) Sino overstates its Jiangxi Forestry Assets*

119. On June 11, 2009, Sino issued a press release in which it stated:

Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.

Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m<sup>3</sup>) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m<sup>3</sup>, to the extent permitted under the relevant PRC laws and regulations. *The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares* to achieve an estimated average wood fibre yield of approximately 100 m<sup>3</sup> per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.

In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

*Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."*

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("**Zhonggan**") for US\$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US\$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

*(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets*

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

- (a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US\$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi," and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;
- (b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;
- (c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the

area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,” provided figures and tables regarding Yunnan, stated that “Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest,” stated that “the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha” and that “[a]lmost 97% of the broadleaf forest is in Yunnan,” and provided a detailed discussion of Sino’s Yunnan “holdings” at Appendixes 3 and 4. Pöyry’s 2010 Valuations were incorporated in Sino’s 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

- (d) In a “Summary Valuation Report” regarding “Valuation of Purchased Forest Crops as at 31 December 2010” and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that “[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces” and that “[a]nalysis of [Sino’s] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,” and stated that “[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;” and
- (e) In a press release titled “Summary of Sino-Forest’s China Forest Asset 2010 Valuation Reports” and which was “jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports,” Pöyry reported on Sino’s “holdings” and estimated the market value of Sino’s forest assets on the 754,816 ha to be approximately US\$3.1 billion as at December 31, 2010.

**C. *Misrepresentations relating to Sino's Related Party Transactions***

*(i) Related Party Transactions Generally*

124. Under GAAP and GAAS, a "related party" exists "when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other." (CICA Handbook 3840.03) Examples include a parent-subsiary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm's length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary "sells" an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm's length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

*(ii) Sino fails to disclose that Zhonggan was a Related Party*

127. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

*(iii) Sino fails to disclose that Homix was a Related Party*

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited (“**Homix**”), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US\$7.1 million. That press release stated:

HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically 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 environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.

[...]

Mr. Allen Chan, Sino-Forest’s Chairman & CEO, said, “As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("**Jiangsu**")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

#### HOMIX acquisition

In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for \$7.1 million. This corporate acquisition is small but strategically important *adding valuable intellectual property rights* and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. *Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture.* Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a



variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

*(iv) Sino fails to disclose that Yunnan Shunxuan was a Related Party*

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

*(v) Sino fails to disclose that Yuda Wood was a Related Party*

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("Yuda Wood"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *“there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood’s RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)”* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

*(vi) Sino fails to Disclose that Major Suppliers were Related Parties*

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino’s purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

**D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC***

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officials, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

- (a) In the 2008 AIF: *"We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management, and we are in the process of applying for the plantation rights*

certificates for those plantations for which we have not obtained such certificates” [emphasis added];

- (b) In the 2009 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added]; and
- (c) In the 2010 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries (“BVIs”) in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

- (a) In the July 2008 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (b) In the June 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (c) In the October 2010 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (d) In the 2006 AIF, Sino stated “Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (e) In the 2007 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (f) In the 2008 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations”;

- (g) In the 2009 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”;
- (h) In the December 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”; and
- (i) In the 2010 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations.”

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that “*in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred*” [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the “Notice on the Implementation of Nationwide Uniform Plantation Right Certificates” (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the “Notice”). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*

[Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

- (a) In the 2006 AIF: “In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*” [emphasis added]; and
- (b) In the 2007 AIF: “For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*” [emphasis added]



**E. Misrepresentations relating to Sino's Relationships with its AIs**

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with its AIs.

*(i) Sino Misrepresents the Degree of its Reliance on its AIs*

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. ***In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.***

[Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) *Sino Misrepresents the Tax-related Risks Arising from its use of AIs*

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties maybe also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US\$10 million to US\$150 million, US\$50 million to US\$260 million, US\$81 million to US\$371 million, and US\$83 million to US\$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

- (a) In the 2006 Annual Financial Statements, note 11 [b] “Provision for tax related liabilities” and associated text;
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the AIF dated March 30, 2007, the section “Estimation of the Company’s provision for income and related taxes,” and associated text;
- (d) In the Q1 and Q2 2007 Financial Statements, note 5 “Provision for Tax Related Liabilities,” and associated text;
- (e) In the Q3 2007 Financial Statements, note 6 “Provision for Tax Related Liabilities,” and associated text;
- (f) In the 2007 Annual Financial Statements, note 13 [b] “Provision for tax related liabilities,” and associated text;
- (g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (h) In the AIF dated March 28, 2008, the section “Estimation of the Corporation’s provision for income and related taxes,” and associated text;
- (i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 “Provision for Tax Related Liabilities,” and associated text;
- (j) In the Q1, Q2 and Q3 2008 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (k) In the July 2008 Offering Memorandum, the subsection “Taxation” in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and associated text;

- (l) In the 2008 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;
- (m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (n) In the AIF dated March 31, 2009, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 "Provision for Tax Related Liabilities," and associated text;
- (p) In the Q1, Q2 and Q3 2009 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (q) In the 2009 Annual Financial Statements, note 15 [d] "Provision for tax related liabilities," and associated text;
- (r) In the 2009 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (s) In the AIF dated March 31, 2010, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (t) In the Q1 and Q2 2010 Financial Statements, note 14 "Provision for Tax Related Liabilities," and associated text;
- (u) In the Q1 and Q2 2010 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

- (v) In the Q3 2010 Financial Statements, note 14 “Provision and Contingencies for Tax Related Liabilities,” and associated text; and
- (w) In the Q3 2010 MD&As, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (x) In the October 2010 Offering Memorandum, the subsection “Taxation” in the section “Selected Financial Information,” and associated text;
- (y) In the 2010 Annual Financial Statements, note 18 “Provision and Contingencies for Tax Related Liabilities,” and associated text;
- (z) In the 2010 Annual MD&A, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text; and
- (aa) In the AIF dated March 31, 2011, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text.

171. In every Impugned Document that is a financial statement, the line item “Accounts payable and accrued liabilities” and associated figures on the Consolidated Balance Sheets fails to properly account for Sino’s tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US\$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

(iii) *Sino Misrepresents its Accounting Treatment of its AIs*

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. ***Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.***

[Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. ***Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.***

[Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions.

This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

**F. *Misrepresentations relating to Sino's Cash Flow Statements***

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory": cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material



overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

**G. Misrepresentations relating to Certain Risks to which Sino was exposed**

*(i) Sino is conducting "business activities" in China*

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

*(ii) Sino fails to disclose that no proceeds were paid to it by its AIs*

187. In the Second Report, Sino belatedly revealed that:

In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. ***No proceeds are directly paid to the Company, either onshore or offshore.***

[Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

- (a) In the 2005 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities” [emphasis added];
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the 2006 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (d) In the 2007 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;”
- (e) In the 2008 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (f) In the 2009 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added]; and

- (g) In the 2010 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added].

**H. *Misrepresentations relating to Sino’s GAAP Compliance and the Auditors’ GAAS Compliance***

*(i) Sino, Chan and Horsley misrepresent that Sino complied with GAAP*

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007, at Note 1: “These consolidated financial statements Sino-Forest Corporation (the “Company”) have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008, at Note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;

- (d) In the annual financial statements filed on March 16, 2010, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”.

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

- (a) In the annual MD&A filed on March 19, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (b) In the quarterly MD&A filed on May 14, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (c) In the quarterly MD&A filed on August 13, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (d) In the quarterly MD&A filed on November 12, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;

- (e) In the annual MD&A filed on March 18, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (f) In the amended annual MD&A filed on March 28, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (g) In the quarterly MD&A filed on May 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (h) In the quarterly MD&A filed on August 12, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (i) In the quarterly MD&A filed on November 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (j) In the annual MD&A filed on March 16, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (k) In the amended annual MD&A filed on March 17, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (l) In the quarterly MD&A filed on May 11, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (m) In the quarterly MD&A filed on August 10, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;

- (n) In the quarterly MD&A filed on November 12, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (o) In the annual MD&A files on March 16, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (p) In the quarterly MD&A filed on May 12, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (q) In the quarterly MD&A filed on August 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (r) In the quarterly MD&A filed on November 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”); and
- (s) In the annual MD&A filed on March 15, 2011: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”).”

193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:

- (a) In the July 2008 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada” and “Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]”;

- (b) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP”;
- (c) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada” and “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP”; and
- (d) In the October 2010 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-



month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP.”

195. In the Class Period Management’s Reports, Chan and Horsley represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management’s Reports that Sino’s financial statements were GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (d) In the annual financial statements filed on March 16, 2010 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles.”

(ii) *E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS*

197. In each of Sino’s Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino’s financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

- (a) In Sino’s annual financial statements filed on March 19, 2007, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (b) In the June 2007 Prospectus, BDO stated: “We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents”;
- (c) In Sino’s annual financial statements filed on March 18, 2008, E&Y stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007”;

- (d) In the July 2008 Offering Memorandum, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles” and E&Y stated “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles”;
- (e) In Sino’s annual financial statements filed on March 16, 2009, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (f) In Sino’s annual financial statements filed on March 16, 2010, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles”; and

- (g) In Sino’s annual financial statements filed on March 15, 2011, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards.” and “In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.”

(iii) *The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting*

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino’s auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino’s financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino’s securities on the critical premise that Sino’s financial statements were in fact GAAP-compliant, and that Sino’s auditors had in fact conducted their audits in compliance with GAAS. Sino’s reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino’s purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino’s securities.

201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

#### **VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS**

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

#### **VIII. THE TRUTH IS REVEALED**

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE’s default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE’s fraud is a convoluted structure whereby it claims to run most of its revenues through “authorized intermediaries” (“AI”). AIs are supposedly timber trader customers who purportedly pay much of TRE’s value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.

The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

[...]

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006

[...]

#### Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

205. Muddy Waters’ report also disclosed that (a) Sino’s business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters’ initial report became public, Sino shares fell to \$14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of \$18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

#### B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

##### Timber Ownership

[...]

***The Company does not obtain registered title to BVI purchased plantations.*** In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. ***The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved*** with the Suppliers in a manner satisfactory to the Company.

##### Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. ***Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.*** In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

***Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers.*** The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

***In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained.*** It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

#### Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, ***these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.***

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. ***However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.*** We note also that the independent valuation referred to in Part VIII below has not yet been completed.

#### Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, ***the IC was unable to review any documentation of AIs or Suppliers which independently verified movements***



*of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.*

#### Relationships

- Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)*. Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*

- Other: The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.

- Accounting Considerations: *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

#### BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute “business activities” within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking “business activities” within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

### C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

#### (a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register*; and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes*;
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities: *many third parties explained their reluctance to provide requested documentation and information as being “for tax reasons” but declined to elaborate*; and

- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships*. The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company’s business and in relation to North American practices; including:

- *incomplete or inadequate record creation and retention practices*;
- contracts not maintained in a central location;
- significant volumes of data maintained across multiple locations on decentralized servers;
- *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system*;
- no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- *no internal audit function* although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- *SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses* which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: *The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.*

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. *In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.* In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: *The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.* The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the

forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

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

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

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

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

## II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. ***That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:***

- ***book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited***
- ***recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.***

### A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. ***However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.*** At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. ***While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.*** It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

#### B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) *Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.*

(iii) Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.

(iv) Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. *As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.*

#### 1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. *As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.* The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of



obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

## 2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

### (a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. ***The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.***

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

### (b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14. as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. *Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.*

### 3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. *The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.*

### 4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

#### VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

#### IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid \$163,623 by Sino in 2010, \$115,962 in 2009, \$57,000 in 2008 and \$55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total \$712,000 in 2008, \$1,225,000 in 2009 and \$992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

#### **X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS**

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.

216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

## XI. THE PLAINTIFFS' CAUSES OF ACTION

### A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

**B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy***

*(i) Statutory Liability— Secondary Market under the Securities Legislation*

231. The Plaintiffs plead the claim found in Part XXIII.1 of the *OSA*, and, if required, the equivalent sections of the Securities Legislation other than the *OSA*, against all Defendants except the Underwriters.



232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a “Core Document” within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

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

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

(ii) *Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation*

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

*(iii) Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation*

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino’s notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

*(iv) Negligence Simpliciter – Primary Market for Sino’s Securities*

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the “**Primary Market Defendants**”) acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.

254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) *Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray*

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

(vi) *Unjust Enrichment of Sino*

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

(vi) *Unjust Enrichment of the Underwriters*

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

*(vii) Oppression*

274. 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. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

- (a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;
- (b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;
- (d) Sino and the Individual Defendants would not make the misrepresentations particularized above;
- (e) Sino stock options would not be backdated or otherwise mispriced; and
- (f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

- (a) Sino did not comply with GAAP;
- (b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino's corporate governance procedures and internal controls were inadequate;
- (d) the misrepresentations particularized above were made;
- (e) stock options were backdated and/or otherwise mispriced; and
- (f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders.

The value of the shareholders' investments was based on, among other things:

- (a) the profitability of Sino;
- (b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;
- (c) Sino's compliance with its disclosure obligations;
- (d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and
- (e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

*(viii) Conspiracy*

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "Conspirators") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

- (a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;
- (b) artificially increase the value of the securities they held; and
- (c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

- (a) they agreed to, and did, make the Representation, which they knew was false;
- (b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;
- (c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;
- (d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and
- (e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

- (a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;
- (b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and
- (c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

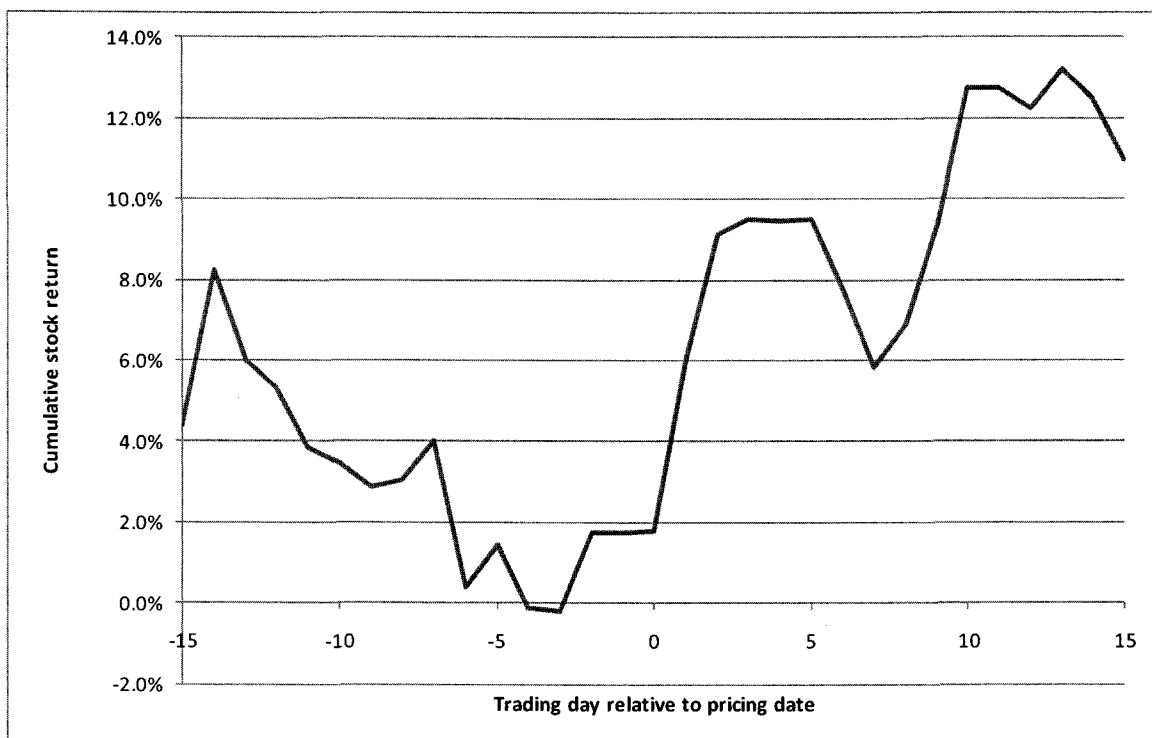
285. At all material times, the Sino Option Plan (the "**Plan**") prohibited in-the-money options.

286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX

Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the *OSA*, the Securities Legislation other than the *OSA*, the Code, the rules and requirements of the TSX (the “**TSX Rules**”) and the *CBCA*. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino’s securities.

290. The Conspirators directed the conspiracy 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. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

## **XII. THE RELATIONSHIP BETWEEN SINO’S DISCLOSURES AND THE PRICE OF SINO’S SECURITIES**

291. 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 of the effect of Sino’s disclosure documents upon the price of its Sino’s securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

### **XIII. VICARIOUS LIABILITY**

#### **A. *Sino and the Individual Defendants***

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

**B. E&Y**

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

**C. BDO**

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

**D. Pöyry**

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.



305. The acts or omissions particularized and alleged in this Claim to have been done by Pöyry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöyry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöyry.

**E. *The Underwriters***

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

**XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO**

308. 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 shares trade on the TSX which is located in Toronto, Ontario;
- (c) Sino's registered office and principal business office is in Mississauga, Ontario;
- (d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario;

- (f) Sino carries on business in Ontario; and
- (g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

#### **XV. SERVICE OUTSIDE OF ONTARIO**

309. 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 this claim 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)).

#### **XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS**

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

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

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

January 26, 2012

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*et al.*  
Plaintiffs

and

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*

**FRESH AS AMENDED STATEMENT OF CLAIM  
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

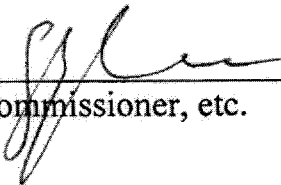
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Lawyers for the Plaintiffs

This is Exhibit "B" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.

  
A Commissioner, etc.

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/2/2007	7.85	7.94	7.74	7.85	258890
1/3/2007	7.95	7.98	7.88	7.94	471971
1/4/2007	7.93	7.93	7.39	7.46	1223700
1/5/2007	7.55	7.69	7.51	7.63	328751
1/8/2007	7.63	7.77	7.63	7.75	254517
1/9/2007	7.79	7.93	7.79	7.9	869948
1/10/2007	7.9	8.45	7.9	8.45	867321
1/11/2007	8.43	9.09	8.4	8.93	1214338
1/12/2007	9.5	10.98	9.5	10.85	3585353
1/15/2007	8.8	9.33	8.1	9.05	2779241
1/16/2007	8.99	9.39	8.82	9.08	2994701
1/17/2007	9.12	9.28	9.05	9.28	1995883
1/18/2007	9.25	9.29	9.03	9.1	1383339
1/19/2007	9.07	9.2	9.07	9.16	1099562
1/22/2007	9.16	9.33	9.12	9.22	786514
1/23/2007	9.31	9.55	9.25	9.43	632874
1/24/2007	9.32	9.55	9.3	9.5	766710
1/25/2007	9.45	9.55	9.38	9.45	1265242
1/26/2007	9.46	9.49	9.26	9.37	1922895
1/29/2007	9.3	10.05	9.3	9.99	929678
1/30/2007	9.87	9.96	9.47	9.5	551192
1/31/2007	9.5	9.64	9.5	9.51	406335
2/1/2007	9.56	9.74	9.53	9.61	377686
2/2/2007	9.55	9.61	9.38	9.58	672371
2/5/2007	9.6	9.9	9.6	9.76	264439
2/6/2007	9.86	10.24	9.77	10.19	891220
2/7/2007	10.22	10.37	10.07	10.19	964276
2/8/2007	10.02	10.12	9.92	10.05	437770
2/9/2007	9.92	10.22	9.92	10.11	666854
2/12/2007	10.1	10.18	10.02	10.16	404628
2/13/2007	10.05	10.15	9.7	9.81	707916
2/14/2007	9.8	9.99	9.75	9.84	655669
2/15/2007	9.81	10.16	9.81	10.15	1015586
2/16/2007	10.05	10.4	10.05	10.08	706543
2/19/2007	10	10.15	9.96	10.04	158023
2/20/2007	10.06	10.12	10.01	10.08	303239
2/21/2007	9.99	10.11	9.99	10.02	354119
2/22/2007	10.11	10.13	10.01	10.03	609462
2/23/2007	10	10.08	10	10.01	408359
2/26/2007	9.95	10.07	9.85	9.95	382744
2/27/2007	9.52	9.71	9.38	9.59	1089353
2/28/2007	9.53	9.6	9.12	9.56	605495
3/1/2007	9.56	9.94	9.36	9.85	660557
3/2/2007	9.85	10.31	9.82	10.3	1399389
3/5/2007	10.15	10.27	10.03	10.04	1553328

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
3/6/2007	10.19	10.23	10.01	10.04	1409217
3/7/2007	10.04	10.18	10.04	10.12	116041
3/8/2007	10.09	10.19	10	10.1	310812
3/9/2007	10.1	10.19	10.08	10.18	107152
3/12/2007	10.1	10.19	10.1	10.1	159287
3/13/2007	10.21	10.71	10.2	10.48	439469
3/14/2007	10.39	10.39	10.03	10.15	812636
3/15/2007	10.25	10.26	10.1	10.11	776283
3/16/2007	10.1	10.26	10.1	10.1	421942
3/19/2007	10.11	10.71	10.11	10.51	579842
3/20/2007	10.54	11.2	10.54	10.83	894993
3/21/2007	10.81	11.19	10.75	11.11	713649
3/22/2007	11.12	11.67	11.12	11.56	1101991
3/23/2007	11.46	12	10.63	11.88	1563127
3/26/2007	11.91	12.96	11.91	12.95	1436951
3/27/2007	13	13.07	12.85	12.85	538656
3/28/2007	12.7	12.78	12.2	12.64	2181373
3/29/2007	12.55	13.5	12.55	13.42	2791740
3/30/2007	13.44	13.44	13.09	13.1	484814
4/2/2007	13.09	13.09	12.88	12.94	346328
4/3/2007	12.92	13.15	12.91	12.95	602846
4/4/2007	12.85	13.05	12.7	12.97	536125
4/5/2007	12.97	13.45	12.78	13.29	876510
4/9/2007	13.44	13.72	13.39	13.57	294242
4/10/2007	13.57	14.11	13.55	13.83	513029
4/11/2007	13.62	14.08	13.62	13.87	543962
4/12/2007	13.94	14.29	13.84	14.25	864791
4/13/2007	14.35	14.43	13.75	13.85	677870
4/16/2007	13.85	14.05	13.75	13.81	899665
4/17/2007	13.83	14.05	13.81	13.98	941873
4/18/2007	13.91	14.35	13.91	14.1	743935
4/19/2007	14.07	14.07	13.7	13.86	468392
4/20/2007	13.87	13.88	12.86	13.32	724382
4/23/2007	12.82	13.43	12.82	13.32	621928
4/24/2007	13.38	13.45	13.26	13.4	245231
4/25/2007	13.32	13.9	13.22	13.77	389057
4/26/2007	13.77	13.77	13.49	13.62	86022
4/27/2007	13.5	13.9	13.5	13.58	294277
4/30/2007	13.58	13.96	13.4	13.5	346531
5/1/2007	13.6	13.78	13.33	13.55	1092030
5/2/2007	13.56	13.65	13.33	13.36	602561
5/3/2007	13.2	13.2	13	13.15	635947
5/4/2007	13.1	13.7	13.07	13.58	656738
5/7/2007	13.7	13.95	13.65	13.7	427974
5/8/2007	13.7	13.7	13.42	13.6	697775

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
5/9/2007	13.5	13.59	13.21	13.38	631071
5/10/2007	13.46	13.68	13.43	13.59	929141
5/11/2007	13.65	13.8	13.5	13.6	753705
5/14/2007	13.58	13.58	12.9	13.05	503810
5/15/2007	13	13.1	12.25	12.49	1450770
5/16/2007	12.1	12.73	11.76	12.64	1354234
5/17/2007	12.56	13.32	12.56	13.31	1266072
5/18/2007	13.38	13.59	13.12	13.41	546280
5/22/2007	13.62	14.11	13.62	13.83	1179246
5/23/2007	13.7	13.7	12.9	13.15	1402115
5/24/2007	13.07	13.15	12.84	12.93	757324
5/25/2007	12.89	12.93	12.69	12.9	430691
5/28/2007	12.75	12.95	12.75	12.87	82020
5/29/2007	12.84	12.99	12.84	12.85	925356
5/30/2007	12.85	13.1	12.73	12.87	869727
5/31/2007	12.87	13.19	12.87	13.05	688622
6/1/2007	13.18	13.2	13.04	13.15	724888
6/4/2007	13	14.03	13	13.99	1063644
6/5/2007	14.02	14.4	13.94	14.05	1234165
6/6/2007	14.04	14.08	13.96	14.05	899577
6/7/2007	14.05	14.35	13.75	13.75	998556
6/8/2007	13.73	13.84	13.54	13.76	1246966
6/11/2007	13.85	14.19	13.82	14.05	847158
6/12/2007	14.2	14.3	14	14.1	1037238
6/13/2007	14.1	15.1	14	14.98	1108829
6/14/2007	15.1	16.69	14.99	16.07	3609985
6/15/2007	16.2	16.76	16	16.75	3751545
6/18/2007	16.75	17.38	16.55	17.19	938008
6/19/2007	17.25	17.65	16.77	17.05	1141471
6/20/2007	17.05	17.05	16.22	16.55	1204876
6/21/2007	16.57	17.13	15.88	16.42	1348439
6/22/2007	16.38	16.49	15.98	15.98	1831889
6/25/2007	15.8	16.2	15.65	15.84	839554
6/26/2007	15.79	15.95	14.75	15.04	1187631
6/27/2007	14.99	15.32	14.58	15.19	935235
6/28/2007	15.3	15.43	14.85	14.98	850725
6/29/2007	15.04	15.56	15.04	15.3	451357
7/3/2007	15.46	16.39	15.46	16.28	1088634
7/4/2007	16.02	16.96	16.01	16.64	351462
7/5/2007	16.68	17.25	16.65	17.09	991440
7/6/2007	17.06	17.25	16.98	17.08	1420136
7/9/2007	17.05	17.16	16.5	17.05	653479
7/10/2007	17.05	17.18	16.94	17.04	1881542
7/11/2007	16.79	18.29	16.79	17.92	1302972
7/12/2007	18.2	18.2	17.96	18.1	886347



## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/13/2007	18.12	18.3	17.91	17.92	574535
7/16/2007	17.9	17.9	17.57	17.6	575490
7/17/2007	17.57	18.15	17.57	17.93	1963010
7/18/2007	17.72	18.29	17.72	18.29	1819439
7/19/2007	18.32	18.88	18.32	18.8	389668
7/20/2007	18.7	19.22	18.61	18.87	1528170
7/23/2007	19.04	19.11	18.11	18.5	577205
7/24/2007	18.5	18.5	17.88	17.89	409523
7/25/2007	17.91	18.74	17.2	17.3	733604
7/26/2007	17	17.05	16.19	16.87	1071588
7/27/2007	16.61	17.99	16.6	17.1	1035097
7/30/2007	17.39	17.65	17.02	17.1	1836386
7/31/2007	17.3	17.63	16.85	16.85	1440454
8/1/2007	16.52	16.72	15.9	16.12	1143209
8/2/2007	16.21	16.33	15.94	16.3	755852
8/3/2007	16.36	16.48	16	16.01	353638
8/7/2007	16.04	16.04	13.01	15.96	753435
8/8/2007	15.96	16.48	15.36	16.45	1285834
8/9/2007	16.11	16.18	15.37	15.6	998882
8/10/2007	15.08	15.38	14.58	14.91	1253247
8/13/2007	15.15	15.68	15	15.26	1239129
8/14/2007	15.45	16.22	15.05	15.23	1175049
8/15/2007	14.78	15.2	14.59	14.84	1165029
8/16/2007	13.67	14.5	13.22	14.25	1499760
8/17/2007	14.44	14.72	13.5	13.97	2087019
8/20/2007	14	14.15	13.9	14.01	1438139
8/21/2007	14.01	14.08	13.87	13.99	1155283
8/22/2007	14.15	17.32	14.14	17.19	2474474
8/23/2007	17.3	17.75	15.95	16.15	1347493
8/24/2007	16.2	17.2	16.2	17.08	1032846
8/27/2007	17.1	17.82	16.83	17.26	583680
8/28/2007	17.02	17.65	17.02	17.28	1282354
8/29/2007	17.45	17.79	17.13	17.46	927473
8/30/2007	17.3	17.8	17.18	17.64	357580
8/31/2007	17.7	18.15	17.7	18	1180243
9/4/2007	17.98	18.63	17.8	18.33	634300
9/5/2007	18.25	19.24	18.25	18.96	2465761
9/6/2007	18.94	19.02	18.75	18.9	1533645
9/7/2007	18.65	19.04	18.62	19.02	1206794
9/10/2007	19	19.41	18.7	19.08	2528689
9/11/2007	19	19.56	18.84	19.56	1475147
9/12/2007	19.5	19.86	19.29	19.4	1077179
9/13/2007	19.41	19.9	19.41	19.81	1714753
9/14/2007	19.85	20.28	19.56	20.28	1525080
9/17/2007	20.27	20.35	20.02	20.21	1920248

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
9/18/2007	20.21	21.09	20.21	21.01	2669671
9/19/2007	21.05	22.18	21	22.15	1641660
9/20/2007	22.26	23.24	22.11	22.86	2458999
9/21/2007	22.81	23.05	22.17	22.17	4031455
9/24/2007	22.08	23	21.55	22.86	1135176
9/25/2007	22.86	22.86	22.01	22.26	2731147
9/26/2007	22.23	22.55	22.11	22.18	663318
9/27/2007	22.38	22.38	21.52	21.81	1351098
9/28/2007	21.8	22.85	21.77	22.48	1174679
10/1/2007	22.48	23.62	22.21	23.47	1319624
10/2/2007	23.94	24.31	23.15	23.59	1927209
10/3/2007	23.55	23.55	22.87	22.87	1851619
10/4/2007	22.85	23.55	22.85	23.19	2304464
10/5/2007	23.4	23.82	23.29	23.66	698383
10/9/2007	23.75	23.8	23.47	23.68	1580204
10/10/2007	24.23	24.48	23.77	24.1	2063826
10/11/2007	24.11	25.07	24.11	24.55	3862540
10/12/2007	24.8	24.99	24.71	24.92	1349601
10/15/2007	25	25.38	24.04	24.13	1646181
10/16/2007	24.15	24.17	23.25	23.58	2214620
10/17/2007	23.51	23.82	22.77	23.1	1567650
10/18/2007	23.12	23.54	22.95	23.54	6689343
10/19/2007	22.25	23.42	22.25	23.17	4038101
10/22/2007	22.71	23.17	22.46	22.76	2173863
10/23/2007	22.6	22.74	22.34	22.51	2775683
10/24/2007	22.54	22.89	22	22.89	1606434
10/25/2007	23.38	23.6	22.51	22.88	2411844
10/26/2007	22.88	24.1	22.88	23.84	1019039
10/29/2007	24	24.85	23.86	24.72	1183662
10/30/2007	24.72	24.94	24.09	24.94	1550968
10/31/2007	24.7	26.15	24.55	25.12	2165685
11/1/2007	24.92	24.92	23.59	23.81	3008124
11/2/2007	23.74	23.99	23.06	23.24	1360223
11/5/2007	23	23.18	22.74	23.18	2458418
11/6/2007	23.47	24.5	23.47	24.06	2456578
11/7/2007	24	24.5	23.4	23.48	1434393
11/8/2007	23.93	24.11	22.5	23.15	1700874
11/9/2007	23.15	23.19	22.2	23	968658
11/12/2007	22.75	22.8	20.48	20.48	2529395
11/13/2007	20.55	21.5	20.5	20.9	2397276
11/14/2007	21.5	22.17	21.42	22	1009978
11/15/2007	21.5	21.78	21.13	21.39	762810
11/16/2007	21.5	21.59	20.07	20.51	1730387
11/19/2007	20.3	20.45	18.23	18.63	2705904
11/20/2007	18.75	19.5	18.71	19.5	2138149

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
11/21/2007	18.86	19.94	18.5	19.5	2505251
11/22/2007	19.2	19.37	18.88	19	479097
11/23/2007	19.24	20.5	19.24	20.38	883421
11/26/2007	20.49	20.5	18.76	19.13	1548586
11/27/2007	19.14	19.98	19.14	19.94	1742012
11/28/2007	20	21.77	20	20.79	1892748
11/29/2007	21	21.25	19.83	21	1749873
11/30/2007	21.2	22.34	21.19	22	4705844
12/3/2007	21.81	21.82	20.84	21.07	1021675
12/4/2007	21.15	21.15	20.49	20.7	885950
12/5/2007	21	21.25	20.75	20.97	1310064
12/6/2007	20.8	20.97	20.2	20.56	805733
12/7/2007	20.6	20.6	19.81	20.15	698496
12/10/2007	20.53	21.32	20.44	20.95	1313170
12/11/2007	21.19	21.7	20.8	20.99	1631898
12/12/2007	21.1	21.1	20.05	20.6	642900
12/13/2007	20.25	20.59	19.8	20	772805
12/14/2007	19.89	19.9	19.05	19.28	1146949
12/17/2007	19.1	19.26	18.2	18.3	1739613
12/18/2007	18.61	19.07	18.06	19	1990718
12/19/2007	19.09	19.09	18.4	18.5	1183859
12/20/2007	18.75	18.99	18.22	18.64	1123120
12/21/2007	18.72	20.09	18.68	20.04	917884
12/24/2007	20.01	20.35	19.63	20.01	232483
12/27/2007	20	20.95	19.82	20.53	646664
12/28/2007	20.59	21.43	20.44	20.79	1203141
12/31/2007	21.02	21.5	20.53	21.44	582114
1/2/2008	21.48	21.76	21.18	21.52	1378331
1/3/2008	21.67	22.23	21.5	21.69	1395886
1/4/2008	21.74	21.74	21.36	21.36	519516
1/7/2008	21.36	21.55	20.38	20.71	630199
1/8/2008	20.45	21.24	20.44	20.82	844339
1/9/2008	21	21.48	20.78	21.18	2382017
1/10/2008	20.9	21.25	20.71	21.01	587719
1/11/2008	20.8	21.42	20.77	20.99	564007
1/14/2008	21.25	22.2	21.07	21.92	1352813
1/15/2008	21.36	21.6	19.87	20.4	1223308
1/16/2008	19.94	20.22	18.16	18.94	1438365
1/17/2008	19.19	19.43	18.76	19.08	888385
1/18/2008	19	19.4	18.51	18.67	1025437
1/21/2008	17.98	17.98	15.65	16.59	593822
1/22/2008	15.11	17.11	15.11	17.09	2827529
1/23/2008	16.75	17.95	16.5	17.74	1010280
1/24/2008	18	18.76	17.76	18.5	587952
1/25/2008	19	19.71	18.21	18.39	506321

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/28/2008	18.39	18.39	17.4	17.83	675000
1/29/2008	17.8	18	17.55	17.74	1073173
1/30/2008	17.51	18.3	17.45	18.07	1768418
1/31/2008	18.07	18.52	17.26	18.44	915198
2/1/2008	18.5	19.82	18.5	19.35	4241986
2/4/2008	19.4	20.93	19.01	19.92	960820
2/5/2008	19.06	19.77	18.86	19.13	1405151
2/6/2008	19.52	19.7	18.96	19.14	527936
2/7/2008	18.51	19.25	18.45	19.2	619193
2/8/2008	19.39	19.8	18.95	19.47	333339
2/11/2008	19.32	19.4	18.77	19.2	411435
2/12/2008	19.35	19.59	18.54	18.76	1154120
2/13/2008	18.7	19	18.43	19	740328
2/14/2008	18.87	19	18.76	18.91	1106931
2/15/2008	18.98	19.17	18.72	19.09	463816
2/19/2008	19.12	19.25	18.74	18.94	571789
2/20/2008	18.78	19	18.39	18.5	722284
2/21/2008	18.54	19.51	18.45	19.35	574316
2/22/2008	19.65	19.65	18.51	18.71	1063397
2/25/2008	18.41	19.24	18.41	19.15	429244
2/26/2008	18.99	19.5	18.94	19.1	558207
2/27/2008	19.1	19.25	18.85	19.25	351624
2/28/2008	19.3	19.3	18.93	18.98	277886
2/29/2008	19.05	19.05	18.51	18.98	409839
3/3/2008	19.14	19.17	18.8	19.14	1790468
3/4/2008	19.16	19.22	18.75	19.06	1031041
3/5/2008	19	19.85	18.94	19.65	1505733
3/6/2008	19.92	20.33	18.46	18.6	1029339
3/7/2008	18.3	18.38	17.4	17.94	1551609
3/10/2008	17.98	18	16.81	17.11	1050933
3/11/2008	17.25	18.15	17.2	18.11	722458
3/12/2008	18.05	18.1	17.41	17.72	457411
3/13/2008	17.38	18	16.7	17.75	1301300
3/14/2008	17.75	18.08	16.73	17	912668
3/17/2008	16.57	16.87	16.19	16.87	711970
3/18/2008	16.36	16.85	15.7	16.83	2097833
3/19/2008	16.3	16.73	14.48	15	8278645
3/20/2008	15	15.08	14.01	14.92	1185542
3/24/2008	15	15.76	14.93	15.74	810095
3/25/2008	15.89	15.93	15.51	15.82	1264928
3/26/2008	15.9	16.73	15.59	16.31	604772
3/27/2008	16.47	16.6	15.9	15.97	1140738
3/28/2008	15.98	15.98	15.4	15.75	585211
3/31/2008	15.75	16.1	15.67	16	1072100
4/1/2008	16	16.75	16	16.66	1220197

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/2/2008	17	17.25	16.85	17.23	1746596
4/3/2008	17.15	18.2	17.09	17.74	2484136
4/4/2008	17.7	17.75	17.43	17.62	500928
4/7/2008	17.62	18.3	17.62	17.9	444404
4/8/2008	17.36	18.05	17.31	17.35	1192416
4/9/2008	17.5	17.5	16.58	16.7	5699720
4/10/2008	16.8	16.88	16.4	16.48	353596
4/11/2008	16.53	16.53	15.8	16.09	611191
4/14/2008	16.41	16.45	15.77	16.02	712388
4/15/2008	16.33	16.33	15.55	15.63	191676
4/16/2008	15.65	15.69	15.49	15.61	409259
4/17/2008	15.64	15.64	14.9	15.25	2107835
4/18/2008	15.3	16.03	15.1	15.89	560357
4/21/2008	15.86	16.39	15.21	15.21	574701
4/22/2008	15.38	15.5	15.1	15.35	182005
4/23/2008	15.41	15.47	15.05	15.1	366443
4/24/2008	15	15.45	15	15.27	1105330
4/25/2008	15.38	15.59	15.21	15.45	737885
4/28/2008	15.45	15.64	15.45	15.59	673503
4/29/2008	15.59	16.04	15.52	15.52	875091
4/30/2008	15.86	15.86	15.19	15.25	1002811
5/1/2008	15.12	15.32	15.1	15.28	891006
5/2/2008	15.43	16.66	15.25	16	500069
5/5/2008	16.22	16.56	16.01	16.27	549802
5/6/2008	16.3	17.19	16.18	17.07	631357
5/7/2008	17.08	17.72	17.08	17.4	1059323
5/8/2008	17.5	17.55	16.59	17.42	837990
5/9/2008	17.6	17.6	16.6	17	393896
5/12/2008	17.08	17.31	16.11	16.24	708377
5/13/2008	16.24	17.23	16.11	16.96	1971334
5/14/2008	17.02	17.02	16.76	16.83	658648
5/15/2008	17.05	18.92	17.05	18.72	1588168
5/16/2008	19.04	19.71	18.5	18.55	662317
5/20/2008	18.75	18.75	17.48	17.83	5641564
5/21/2008	17.85	18.67	17.85	18.03	358132
5/22/2008	18.25	18.3	17.73	18.3	557468
5/23/2008	18.3	18.4	17.86	18.13	566330
5/26/2008	18.15	18.46	18.15	18.38	91617
5/27/2008	18.45	19.5	18.45	19.23	1218775
5/28/2008	19.31	20.38	18.82	19.91	939734
5/29/2008	19.65	20.11	19.55	20.01	1309322
5/30/2008	20	21.2	20	20.8	2434277
6/2/2008	20.8	21.23	19.62	19.99	2097855
6/3/2008	20.3	20.3	19.43	19.51	1063498
6/4/2008	19.38	20	19.38	19.8	2161185

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
6/5/2008	19.71	20.05	19.71	19.97	2144479
6/6/2008	19.95	20.05	19.8	19.9	1387894
6/9/2008	19.9	20	18.95	19.18	1085714
6/10/2008	19.17	19.25	18.55	18.8	491858
6/11/2008	18.8	18.82	18.13	18.16	1959056
6/12/2008	18	18.9	17.96	18.35	371441
6/13/2008	18.2	18.75	18.2	18.68	334902
6/16/2008	18.99	19.21	18.62	19	209587
6/17/2008	19	19.27	18.9	19.04	973128
6/18/2008	19	19.17	18.72	19.04	275910
6/19/2008	18.77	18.99	18.43	18.7	353865
6/20/2008	18.7	19.1	18.33	18.33	330354
6/23/2008	19.05	19.15	18.51	18.69	718732
6/24/2008	18.76	18.77	18.08	18.48	447013
6/25/2008	18.61	19.04	18.33	18.83	655305
6/26/2008	18.83	18.95	17.8	17.9	850345
6/27/2008	17.79	18.19	17.74	17.86	434347
6/30/2008	17.95	18.24	17.02	17.86	758663
7/2/2008	18.25	18.72	16.54	16.97	857291
7/3/2008	16.97	17.47	15.27	16.3	780488
7/4/2008	16.35	16.51	16	16.34	255973
7/7/2008	16.38	16.69	15.88	16.39	639912
7/8/2008	16.5	16.51	16.07	16.3	981292
7/9/2008	16.4	16.65	16.23	16.3	1454161
7/10/2008	16.41	16.63	16	16.34	277822
7/11/2008	16.21	16.5	15.85	15.89	1184762
7/14/2008	15.85	16.48	15.85	16.12	363875
7/15/2008	15.89	16	15.23	15.41	378579
7/16/2008	15.5	15.5	14.9	15.45	1555816
7/17/2008	15.36	15.62	15.03	15.05	2721803
7/18/2008	15.19	15.19	14.76	14.8	2127881
7/21/2008	15.02	15.06	14.5	14.5	521165
7/22/2008	14.52	14.66	14.38	14.52	654919
7/23/2008	14.65	14.65	14.49	14.56	535756
7/24/2008	14.62	14.66	14.45	14.45	581430
7/25/2008	14.6	14.6	14.5	14.55	464020
7/28/2008	14.62	14.68	14.41	14.56	510604
7/29/2008	14.55	15.17	14.51	15.17	1157988
7/30/2008	15.4	16.92	15.06	15.98	1305854
7/31/2008	16.24	16.44	15.62	16.3	726213
8/1/2008	16	16.08	15.84	15.84	1267459
8/5/2008	15.5	15.85	15.5	15.85	1121875
8/6/2008	15.86	16.1	15.23	15.31	381544
8/7/2008	15.4	15.7	15.23	15.69	619273
8/8/2008	15.87	15.87	15.16	15.6	162696

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
8/11/2008	15.51	15.65	14.81	15	425702
8/12/2008	16	17.5	16	17.5	1633520
8/13/2008	17.65	17.8	17.11	17.7	824581
8/14/2008	17.88	18.92	17.51	18.75	453476
8/15/2008	18.5	18.84	18.5	18.79	363688
8/18/2008	18.71	19.04	18.71	18.87	355280
8/19/2008	18.86	19.05	18.4	18.5	725221
8/20/2008	18.49	18.98	18.33	18.89	441199
8/21/2008	18.83	19.57	18.75	19.07	769000
8/22/2008	19	20.72	19	19.49	622020
8/25/2008	19.49	19.62	18.84	18.95	640475
8/26/2008	18.8	19.1	18.72	18.8	667397
8/27/2008	18.8	19.59	18.8	19.32	286856
8/28/2008	19.46	19.9	19.2	19.84	357205
8/29/2008	19.94	20	19.7	20	307575
9/2/2008	19.99	19.99	19.31	19.5	291060
9/3/2008	19.57	19.98	19.5	19.69	865804
9/4/2008	20.03	20.03	18.59	18.82	1488756
9/5/2008	18.74	18.74	17.39	17.7	443712
9/8/2008	17.86	18.22	17.22	17.31	267707
9/9/2008	17.02	17.25	16.25	16.6	459704
9/10/2008	17.31	18.4	16.7	18	432872
9/11/2008	18.29	18.29	17.21	17.95	223551
9/12/2008	18.04	19	18.03	18.5	373189
9/15/2008	17.5	18.58	17.5	18	401365
9/16/2008	17.4	18	16.53	17.02	303595
9/17/2008	17.01	17.13	15.66	15.93	637674
9/18/2008	15.65	16.8	14.08	16.8	1709727
9/19/2008	17.12	17.41	16.62	17.04	1543918
9/22/2008	17.47	17.47	16	16.26	274994
9/23/2008	16.05	16.76	15.5	16	1111512
9/24/2008	15.51	15.92	15.23	15.92	619505
9/25/2008	15.52	15.96	15.52	15.69	877440
9/26/2008	15.34	15.53	14.87	15	2000550
9/29/2008	14.8	14.99	12.9	13	2637119
9/30/2008	13.1	14.2	13.1	13.41	1546514
10/1/2008	13.41	14	13.05	13.05	676207
10/2/2008	13.04	13.04	11.58	12.1	777827
10/3/2008	12.27	13.19	12.27	12.59	1703301
10/6/2008	10.8	11.23	9.34	10.6	1876050
10/7/2008	10.8	11.3	9.87	10.01	1377887
10/8/2008	9.69	10.89	9.4	10.67	1345459
10/9/2008	11.5	11.5	9.92	9.97	1965086
10/10/2008	9.22	9.69	8.61	9.1	1587637
10/14/2008	10.99	11.17	9.76	10.08	795065

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
10/15/2008	10.08	10.49	9.39	9.6	1799759
10/16/2008	9.7	9.78	8.99	9.56	1523164
10/17/2008	9.61	9.98	9.57	9.85	1163572
10/20/2008	10.2	10.2	9.25	9.75	1439257
10/21/2008	9.65	9.77	9.36	9.39	1023716
10/22/2008	9.39	9.45	9.05	9.14	1673550
10/23/2008	9.15	9.7	9.12	9.7	1696063
10/24/2008	9.14	9.35	8.35	9.35	1685586
10/27/2008	9.26	9.69	8.7	8.85	945252
10/28/2008	9.1	9.45	8.85	9.3	1023039
10/29/2008	9.68	10.98	9.4	10.35	2427704
10/30/2008	10.56	11.14	10.32	11.14	1635710
10/31/2008	11.24	12.99	10.86	11.28	1490027
11/3/2008	11.25	11.25	10.2	10.65	1463444
11/4/2008	11	11.08	10.25	10.5	811665
11/5/2008	10.5	11.36	10.16	10.38	981118
11/6/2008	10.59	10.79	9.8	10.2	5095911
11/7/2008	10.31	10.48	9.62	9.71	640919
11/10/2008	10.34	10.44	9.12	9.34	851706
11/11/2008	9.26	9.31	8.8	8.9	725337
11/12/2008	8.84	8.85	7.49	7.68	3757156
11/13/2008	7.9	8.13	6.5	6.62	1253775
11/14/2008	6.67	7.3	6.67	7.08	3100167
11/17/2008	7.12	7.19	6.61	6.86	1214150
11/18/2008	6.9	6.9	6.5	6.65	2174091
11/19/2008	6.72	6.84	6.42	6.55	1285283
11/20/2008	6.49	6.49	5.51	6.05	1798087
11/21/2008	6.44	6.44	5.5	5.78	1444958
11/24/2008	5.85	6.05	5.71	5.81	1188455
11/25/2008	5.84	5.93	5.25	5.53	1726050
11/26/2008	5.41	5.73	5.25	5.62	3710301
11/27/2008	5.62	6.33	5.45	6.27	602075
11/28/2008	6.31	7.24	6.25	7.24	834293
12/1/2008	6.76	7	6.15	6.43	1034662
12/2/2008	6.46	6.95	6.25	6.9	2493099
12/3/2008	6.56	6.9	6.52	6.71	1092342
12/4/2008	6.72	7.45	6.59	6.88	762715
12/5/2008	6.88	7.18	6.51	7.11	607502
12/8/2008	7.51	8.34	7.29	8.34	671168
12/9/2008	8.38	8.87	8.02	8.25	653427
12/10/2008	8.68	9.89	8.47	9.68	1356179
12/11/2008	9.68	10.25	9.3	9.55	601453
12/12/2008	8.65	9.48	8.65	9.4	570658
12/15/2008	9.4	9.41	8.92	8.92	1005124
12/16/2008	8.9	9.26	8.88	9.2	857720



## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
12/17/2008	8.96	9.05	8.96	9.05	15398
12/18/2008	9	9.44	8.86	9.44	896914
12/19/2008	9.01	10.6	9.01	10.6	879627
12/22/2008	10.6	10.6	9.3	9.3	419972
12/23/2008	9.49	9.96	9.15	9.35	493490
12/24/2008	9.1	9.39	9.05	9.05	1908180
12/29/2008	9.72	9.74	9.46	9.64	285016
12/30/2008	9.84	10.11	9.62	10.07	577930
12/31/2008	10.25	10.25	9.61	9.87	2652040
1/2/2009	9.86	10.2	9.77	10.12	274441
1/5/2009	10.23	10.25	9.43	9.95	298217
1/6/2009	10.24	10.9	10.07	10.74	315547
1/7/2009	10.74	10.79	9.8	9.93	820661
1/8/2009	9.91	10.3	9.75	10.25	983402
1/9/2009	10.18	10.26	9.8	10	545252
1/12/2009	9.99	9.99	9.05	9.3	391801
1/13/2009	9.35	9.74	9.2	9.35	337910
1/14/2009	9.34	9.34	8.98	8.98	175933
1/15/2009	9	9.22	8.81	9	396977
1/16/2009	9.27	9.5	8.81	9.38	439716
1/19/2009	9.55	9.57	9.03	9.08	67076
1/20/2009	9.1	9.14	8.54	8.76	162620
1/21/2009	8.97	9	8.59	9	298729
1/22/2009	8.8	9.17	8.46	9	201730
1/23/2009	8.84	8.99	8.75	8.8	172999
1/26/2009	8.8	9.04	8.71	8.9	63558
1/27/2009	8.95	9.02	8.87	8.92	86810
1/28/2009	9.24	9.24	8.88	9.01	137827
1/29/2009	9.01	9.01	8.71	8.77	149682
1/30/2009	9.05	9.37	9	9.2	665740
2/2/2009	9	9.01	8.52	8.69	290620
2/3/2009	8.6	9.24	8.55	9.13	238582
2/4/2009	9.25	10.04	9	9.5	513989
2/5/2009	9.61	9.88	9.5	9.82	186669
2/6/2009	9.72	11.21	9.72	11.14	518608
2/9/2009	11.38	11.38	10.75	10.77	767444
2/10/2009	10.5	11.15	10.46	10.54	388818
2/11/2009	10.54	10.95	10.28	10.68	439787
2/12/2009	10.67	11.02	10.35	11	956465
2/13/2009	10.65	11.02	10.65	10.99	146946
2/17/2009	10.73	11.08	10.37	11	213022
2/18/2009	10.71	10.94	10.11	10.15	589531
2/19/2009	10.49	10.49	10	10.14	120736
2/20/2009	9.86	10.3	9.39	10	406754
2/23/2009	10.15	10.15	9.21	9.35	240905

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
2/24/2009	9.26	9.35	8.45	8.5	1598074
2/25/2009	8.85	9.05	8.65	8.78	475053
2/26/2009	8.99	9.25	8.26	8.6	346392
2/27/2009	8.6	8.6	8.28	8.5	305694
3/2/2009	8.42	8.5	7.32	7.53	594150
3/3/2009	7.6	7.75	6.52	6.99	640742
3/4/2009	7.5	8.15	7.46	7.8	1322630
3/5/2009	7.8	8.72	7.63	8.32	1257410
3/6/2009	8.3	8.55	8.25	8.29	406267
3/9/2009	8.3	8.44	8.1	8.2	486460
3/10/2009	8.35	8.98	8.35	8.8	517593
3/11/2009	8.9	9.05	8.52	8.65	547145
3/12/2009	8.8	8.86	8.3	8.85	196063
3/13/2009	8.85	8.98	8.5	8.58	495465
3/16/2009	8.83	8.89	7.95	8.02	313542
3/17/2009	8.47	8.47	7.9	7.95	617236
3/18/2009	8	8.04	7.46	7.99	476062
3/19/2009	8.2	8.29	7.82	7.87	288933
3/20/2009	8	8	7.4	7.47	387958
3/23/2009	7.76	8	7.69	7.98	587220
3/24/2009	8	8	7.85	7.9	207696
3/25/2009	7.95	8.04	7.86	7.87	539084
3/26/2009	8.19	8.51	7.99	8.25	1174210
3/27/2009	8.19	8.51	8.1	8.29	607766
3/30/2009	8.27	8.27	7.93	8.01	476933
3/31/2009	8.12	8.79	8.12	8.79	1518494
4/1/2009	8.91	8.92	8.6	8.87	526392
4/2/2009	9.23	10.86	9.23	10.15	1649332
4/3/2009	9.79	10	9.2	9.46	607576
4/6/2009	9.44	9.78	9.2	9.78	621875
4/7/2009	9.5	9.6	9.05	9.18	1166164
4/8/2009	9.12	9.18	8.73	8.84	317751
4/9/2009	9.1	9.38	9.05	9.31	210544
4/13/2009	9.25	9.7	9.21	9.55	230887
4/14/2009	9.55	10.25	9.55	10.2	505301
4/15/2009	10.21	10.25	9.73	10	475540
4/16/2009	10.3	10.5	9.94	9.99	647585
4/17/2009	10.22	10.48	10.09	10.3	564957
4/20/2009	10.29	10.29	9.75	9.92	486568
4/21/2009	9.75	10.02	9.53	9.78	413224
4/22/2009	9.76	10.1	9.76	9.93	372018
4/23/2009	9.94	10.13	9.9	10	1067636
4/24/2009	10.24	10.37	10	10.2	621324
4/27/2009	10	10.2	9.83	10.19	261266
4/28/2009	10.2	10.5	10	10.5	261275

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/29/2009	10.5	11.06	10.5	10.62	332629
4/30/2009	10.84	11.25	10.44	10.44	523042
5/1/2009	10.7	11.36	10.39	11.32	350647
5/4/2009	11.5	11.72	11.22	11.49	455949
5/5/2009	11.5	11.61	11.4	11.5	712674
5/6/2009	11.65	12.94	11.65	12.8	1233485
5/7/2009	12.79	13.08	11.41	12.16	1574142
5/8/2009	12.39	12.83	12.1	12.83	666455
5/11/2009	12.83	12.83	11.56	11.96	423588
5/12/2009	12.19	12.22	11.6	11.95	1578440
5/13/2009	11.85	11.88	11.25	11.63	692200
5/14/2009	11.51	12.55	11.51	12.27	3292739
5/15/2009	12.49	12.59	12	12.4	273616
5/19/2009	12.65	12.69	12.44	12.66	349882
5/20/2009	12.68	13.1	12.67	13.01	668084
5/21/2009	12.75	13.01	12.31	12.81	769989
5/22/2009	11.37	11.67	11.11	11.3	3875449
5/25/2009	11.15	11.58	11.15	11.49	1371333
5/26/2009	11.5	12.27	11.41	11.85	1735975
5/27/2009	11.9	12	11.65	11.65	1329021
5/28/2009	11.56	12.06	11.56	12.06	968710
5/29/2009	12.2	12.88	12.11	12.7	1625860
6/1/2009	12.98	13.5	12.9	13.4	669558
6/2/2009	13.49	13.71	13.03	13.52	1072139
6/3/2009	13.45	13.45	12.66	13	570733
6/4/2009	13.3	13.6	12.85	13.6	554141
6/5/2009	13.83	14.86	13.73	14.86	2048109
6/8/2009	14.86	14.86	13.85	14.43	854323
6/9/2009	14.15	14.37	13.75	13.88	934807
6/10/2009	13.96	14.25	13.39	13.41	1375548
6/11/2009	13.5	14.03	13.02	14.01	1747686
6/12/2009	14.14	14.14	13.71	13.8	554200
6/15/2009	13.8	14.01	13.4	13.72	813768
6/16/2009	13.95	14.2	13.89	14.11	1278207
6/17/2009	14.11	14.15	13.4	13.76	765245
6/18/2009	13.56	13.85	13.06	13.36	733555
6/19/2009	13.52	14.32	13.31	13.76	3401803
6/22/2009	13.69	13.69	12.85	13.23	1198483
6/23/2009	13.06	13.43	12.57	12.92	833157
6/24/2009	13	13.3	12.99	13.1	782813
6/25/2009	13.19	13.28	12.85	13.24	861365
6/26/2009	13.17	13.25	12.91	13.14	472162
6/29/2009	13.24	13.25	12.81	12.88	425505
6/30/2009	12.72	12.85	12.02	12.4	899279
7/2/2009	12.4	12.59	11.04	12.5	746968

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/3/2009	12.2	12.85	12.2	12.64	165307
7/6/2009	12.26	12.43	12	12.17	850019
7/7/2009	12.05	12.24	11.88	12.16	1308581
7/8/2009	12.1	12.28	11.2	11.4	1838503
7/9/2009	11.4	12.22	11.35	12.1	721728
7/10/2009	12.21	12.5	12.1	12.3	497782
7/13/2009	12.44	12.68	12.15	12.58	5533371
7/14/2009	12.98	13.3	12.56	13.25	1695220
7/15/2009	13.27	13.62	13.11	13.56	1553675
7/16/2009	13.7	13.78	13.5	13.55	262826
7/17/2009	13.94	13.94	13.49	13.75	956809
7/20/2009	13.73	13.9	13.63	13.8	472727
7/21/2009	13.85	13.9	13.38	13.74	499377
7/22/2009	13.72	13.73	13.6	13.73	328190
7/23/2009	13.74	13.74	13.4	13.7	385424
7/24/2009	13.7	13.7	13.16	13.39	508882
7/27/2009	13.49	14.2	13.48	14.01	1078272
7/28/2009	13.98	14	13.65	13.8	416078
7/29/2009	13.6	13.78	13.25	13.47	405537
7/30/2009	13.6	14.15	13.59	14.05	333277
7/31/2009	14.05	15.08	13.93	14.7	646120
8/4/2009	14.95	15.38	14.86	15.26	876075
8/5/2009	15.3	15.6	15.11	15.59	664021
8/6/2009	15.72	16.28	15.72	16.01	1453588
8/7/2009	15.9	16.4	15.83	16.19	527999
8/10/2009	16.4	16.45	15.9	15.92	371030
8/11/2009	15.75	16.05	15.42	15.42	703031
8/12/2009	15.58	16.08	15.52	15.9	483661
8/13/2009	15.86	16.08	15.17	16.05	840275
8/14/2009	16.08	16.16	15.67	16.16	420641
8/17/2009	15.5	15.83	15.06	15.37	1063208
8/18/2009	15.4	15.5	15.2	15.4	419623
8/19/2009	15.25	15.39	14.93	15.15	567503
8/20/2009	15.15	15.15	14.61	14.8	633449
8/21/2009	14.98	15.4	14.86	15.25	531057
8/24/2009	15.27	15.43	14.97	15	298160
8/25/2009	15.38	15.39	14.92	15.24	350942
8/26/2009	15.4	15.4	14.82	14.85	586471
8/27/2009	14.85	15.28	14.65	15.21	398629
8/28/2009	15.21	15.3	14.65	14.7	627269
8/31/2009	14.7	14.77	13.14	13.6	1449536
9/1/2009	13.58	14.14	13.44	13.48	1355383
9/2/2009	13.5	14	13.38	13.69	252729
9/3/2009	13.94	14.31	13.77	14.15	286941
9/4/2009	14.14	14.45	13.85	14.45	432455

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
9/8/2009	15	15.9	14.96	15.55	1360678
9/9/2009	15.55	16.24	15.5	16.17	1035582
9/10/2009	16.1	17.18	16	17.16	977699
9/11/2009	17.16	17.47	17.13	17.38	785678
9/14/2009	17.29	17.38	17.14	17.31	479432
9/15/2009	17.31	17.5	17.12	17.42	648864
9/16/2009	17.4	17.76	17.2	17.35	867581
9/17/2009	17.2	17.35	17.06	17.35	507498
9/18/2009	17.39	18.25	17.35	18.21	828053
9/21/2009	17.83	18.05	17.83	17.9	737289
9/22/2009	18.05	18.53	17.87	18.41	471091
9/23/2009	18.35	18.97	18.35	18.45	720921
9/24/2009	18.4	18.46	16.77	16.86	598147
9/25/2009	17	17	15.8	16	1471990
9/28/2009	16.45	17.09	16.01	16.7	607986
9/29/2009	16.71	17.18	16.55	16.85	1611893
9/30/2009	17.24	17.25	16.35	16.91	742189
10/1/2009	17.17	17.2	15.81	15.95	883094
10/2/2009	15.5	16.58	15.44	16.49	1118186
10/5/2009	16.59	16.6	16.15	16.45	339023
10/6/2009	16.65	16.85	16.28	16.35	574360
10/7/2009	16.5	17.16	16.37	16.95	322052
10/8/2009	17.05	17.09	16.37	16.59	574605
10/9/2009	16.64	16.97	16.55	16.8	289976
10/13/2009	16.9	16.91	16.61	16.84	1457306
10/14/2009	16.95	17.17	16.91	16.92	448771
10/15/2009	16.96	17.39	16.61	16.64	324337
10/16/2009	16.66	17.03	16.66	16.9	253136
10/19/2009	16.9	16.98	16.6	16.65	213742
10/20/2009	16.85	16.89	16.51	16.65	368007
10/21/2009	16.75	17.63	16.63	17.08	1066779
10/22/2009	17.22	17.22	16.5	16.6	610305
10/23/2009	16.6	16.87	16.27	16.34	525279
10/26/2009	16.65	16.75	16.45	16.6	441086
10/27/2009	16.64	16.71	16.11	16.11	458775
10/28/2009	16	16	15.01	15.1	718185
10/29/2009	15.3	15.96	15.23	15.65	408565
10/30/2009	15.55	15.61	14.5	15.23	864355
11/2/2009	15.25	16.68	15.25	16.4	666367
11/3/2009	15.87	16.18	15.78	16	834014
11/4/2009	16	17.62	15.99	17.52	1074568
11/5/2009	17.5	17.75	17.25	17.64	496952
11/6/2009	17.6	17.65	17.24	17.62	333786
11/9/2009	17.79	18.61	17.79	18.39	666385
11/10/2009	18.38	18.38	17.53	17.65	566644

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
11/11/2009	17.8	18	17.13	17.55	386892
11/12/2009	17.99	18.48	17.58	17.71	819673
11/13/2009	17.83	18.12	17.73	18.08	418364
11/16/2009	18.35	18.44	17.92	18.37	878639
11/17/2009	18.25	19.7	18.07	19.56	1126524
11/18/2009	19.7	19.7	18.61	18.68	1088005
11/19/2009	18.53	18.87	18.33	18.78	621451
11/20/2009	18.55	18.81	18.55	18.64	350315
11/23/2009	18.85	18.99	18.55	18.95	326681
11/24/2009	19.01	19.19	18.47	18.6	397379
11/25/2009	18.8	18.9	18.55	18.69	677061
11/26/2009	18.5	18.69	18.48	18.6	75734
11/27/2009	18.1	18.6	18.01	18.55	329552
11/30/2009	18.41	18.7	18.2	18.47	663625
12/1/2009	18.86	20.03	18.84	19.84	1372027
12/2/2009	19.34	19.34	18.53	19	1413176
12/3/2009	18.97	18.98	18.56	18.85	692411
12/4/2009	18.95	19.09	18.38	18.71	1078758
12/7/2009	18.7	18.78	18.39	18.42	523522
12/8/2009	18.27	18.27	17.9	18.04	515959
12/9/2009	18.05	18.05	17.44	17.7	1003551
12/10/2009	17.7	17.7	16.14	16.8	5174018
12/11/2009	16.8	17.7	16.8	17.54	8019701
12/14/2009	17.51	17.77	17.32	17.65	1913019
12/15/2009	17.7	17.7	17.5	17.58	918405
12/16/2009	17.6	17.75	17.41	17.53	1316244
12/17/2009	17.39	17.52	17.21	17.52	2388635
12/18/2009	17.5	17.5	17.18	17.32	1598424
12/21/2009	17.4	18.04	17.37	17.92	708472
12/22/2009	18.05	18.89	17.97	18.75	1847518
12/23/2009	18.89	19.47	18.88	19.3	1265583
12/24/2009	19.39	19.6	19.29	19.6	267752
12/29/2009	19.6	19.79	19.45	19.65	747352
12/30/2009	19.5	19.52	19.07	19.33	341785
12/31/2009	19.34	19.57	19.08	19.38	186937
1/4/2010	19.58	19.74	19.51	19.65	1050719
1/5/2010	19.65	20.38	19.65	20.24	1428106
1/6/2010	20.38	21.04	20.31	20.55	1385961
1/7/2010	20.65	20.97	19.69	20.03	1638235
1/8/2010	19.95	20.53	19.68	20.23	1203873
1/11/2010	20.4	21.2	20.4	20.49	1485005
1/12/2010	20.5	21.53	20.4	20.98	1401923
1/13/2010	21.2	21.35	20.52	20.86	1164723
1/14/2010	20.9	20.9	20.11	20.3	732625
1/15/2010	20.11	20.21	19.4	19.83	918335

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/18/2010	19.85	20.3	19.74	20	210843
1/19/2010	20.14	20.14	19.51	19.57	720501
1/20/2010	19.3	19.69	18.62	19.61	2115321
1/21/2010	19.34	20.2	19.11	19.17	1444248
1/22/2010	19.19	19.54	18.71	19.15	1497112
1/25/2010	19.12	19.25	18.51	18.85	1243644
1/26/2010	18.61	18.83	18.51	18.7	1395589
1/27/2010	18.52	18.52	17.51	18.15	1517941
1/28/2010	18.48	18.69	18.31	18.43	1070741
1/29/2010	18.61	18.9	18.21	18.57	1234716
2/1/2010	18.74	19.31	18.43	19.2	1613000
2/2/2010	19.49	20.1	19.4	19.99	800742
2/3/2010	19.75	20.22	19.41	19.58	913464
2/4/2010	19.5	19.5	18.59	18.65	891971
2/5/2010	18.75	18.9	18.19	18.39	946108
2/8/2010	18.42	18.78	18.32	18.4	913997
2/9/2010	18.7	19.25	18.42	19.18	800992
2/10/2010	19.1	19.56	19.04	19.29	799170
2/11/2010	19.26	19.67	19.15	19.65	479992
2/12/2010	19.46	19.49	19.16	19.39	487303
2/16/2010	19.45	19.7	19.39	19.54	543794
2/17/2010	19.75	20.2	19.71	19.75	902003
2/18/2010	19.84	20.47	19.81	20.27	770680
2/19/2010	20.27	20.27	19.86	19.97	679995
2/22/2010	20	20.18	19.71	19.89	231845
2/23/2010	19.75	19.82	19.51	19.52	368751
2/24/2010	19.61	19.83	19.56	19.75	543856
2/25/2010	19.75	19.84	19.51	19.82	469083
2/26/2010	19.82	20.47	19.76	20.47	1090161
3/1/2010	20.5	21.04	20.5	20.6	611938
3/2/2010	20.6	20.75	20.4	20.5	609493
3/3/2010	20.69	21.1	20.59	21.05	949530
3/4/2010	21.32	21.5	21.09	21.4	818891
3/5/2010	21.4	21.74	21.4	21.59	927100
3/8/2010	21.6	21.64	21.37	21.53	283509
3/9/2010	21.5	21.5	20.63	20.66	542386
3/10/2010	20.94	21.04	20.57	20.8	659398
3/11/2010	20.7	20.74	20.35	20.55	941275
3/12/2010	20.55	21.44	20.55	21.44	1351608
3/15/2010	21.56	21.58	21.17	21.31	1444346
3/16/2010	21.19	21.24	20.6	20.68	1097256
3/17/2010	20.7	20.7	20.03	20.14	1726217
3/18/2010	19.95	20.18	19.38	20.02	2435864
3/19/2010	20.02	20.02	19.71	19.88	2357271
3/22/2010	19.91	20.54	19.57	20.49	6226296

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
3/23/2010	20.62	21.04	20.56	20.68	1573567
3/24/2010	20.68	20.73	19.91	19.91	1416254
3/25/2010	20.2	20.37	19.59	19.63	3176898
3/26/2010	19.7	19.9	19.27	19.3	1975747
3/29/2010	19.4	19.45	18.89	19.05	4372490
3/30/2010	19	19.63	18.93	19.56	1724882
3/31/2010	19.55	20.03	19.51	19.9	1885218
4/1/2010	20.18	20.35	19.77	20.16	1628100
4/5/2010	20.23	20.55	20.09	20.2	559062
4/6/2010	20.09	20.43	20.04	20.13	760063
4/7/2010	20.13	20.13	19.65	19.84	801822
4/8/2010	19.7	20.23	19.7	20.05	708247
4/9/2010	20.2	20.28	19.9	20.26	393055
4/12/2010	20.27	20.93	20.25	20.75	1543520
4/13/2010	20.75	20.77	20.5	20.59	916617
4/14/2010	20.84	20.98	20.56	20.57	969914
4/15/2010	20.75	20.92	20.4	20.4	958062
4/16/2010	20.4	20.4	19.35	19.8	1367773
4/19/2010	19.75	19.82	19.28	19.75	2729015
4/20/2010	19.84	19.84	19.41	19.54	1470477
4/21/2010	19.51	19.7	19.5	19.7	1138551
4/22/2010	19.7	19.94	19.57	19.8	1038746
4/23/2010	19.65	19.81	19.39	19.49	1314124
4/26/2010	19.55	19.64	19.28	19.4	816560
4/27/2010	19.4	19.4	18.55	18.62	2073469
4/28/2010	18.66	18.75	18.31	18.4	675689
4/29/2010	18.41	18.5	17.71	17.86	2522762
4/30/2010	17.9	18.22	17.51	18.06	3413337
5/3/2010	18.06	18.67	18.06	18.1	1869922
5/4/2010	18.1	18.1	17.67	17.85	1160352
5/5/2010	17.6	18.52	17.31	18.17	1652109
5/6/2010	18.17	18.34	16.52	17.56	1437579
5/7/2010	17.6	17.9	16.84	17.06	1373637
5/10/2010	17.7	17.97	17.51	17.81	1310438
5/11/2010	17.77	17.78	17.22	17.4	937840
5/12/2010	17.83	18.45	17.67	18.22	1257743
5/13/2010	18.43	18.68	17.68	17.85	1480798
5/14/2010	17.55	17.73	16.89	17.64	1005628
5/17/2010	17.83	17.96	17.26	17.62	1569090
5/18/2010	17.86	18.23	17.46	17.63	1714437
5/19/2010	17.61	17.74	16.83	16.91	1518973
5/20/2010	16.52	16.68	16.21	16.29	1670063
5/21/2010	16.39	16.96	16.01	16.77	1548177
5/25/2010	15.27	17.09	15.25	16.99	2541218
5/26/2010	17.5	17.68	16.76	17.01	1062397



## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
5/27/2010	17.38	18.04	17.37	17.66	895821
5/28/2010	17.7	18.19	17.64	18.04	2241584
5/31/2010	18.25	18.28	18.03	18.19	193589
6/1/2010	18.15	18.15	16.86	16.95	1722527
6/2/2010	17.01	17.14	16.2	16.67	1207251
6/3/2010	16.75	16.98	16.02	16.37	1185270
6/4/2010	16.3	16.9	16.3	16.34	980707
6/7/2010	16.42	16.69	15.96	15.99	1190677
6/8/2010	16.11	16.6	15.95	16.45	677453
6/9/2010	16.55	16.61	16.2	16.57	1237632
6/10/2010	16.65	16.73	16.36	16.58	487663
6/11/2010	16.55	16.85	16.47	16.85	507048
6/14/2010	16.94	17.08	16.94	17.03	551793
6/15/2010	17.09	17.48	16.96	17.1	1471622
6/16/2010	16.99	17.07	16.76	16.99	564654
6/17/2010	16.97	17.17	16.92	17.06	335837
6/18/2010	17.04	17.58	17.04	17.41	1076434
6/21/2010	17.55	17.94	17.5	17.8	995951
6/22/2010	17.41	17.93	17.34	17.34	704686
6/23/2010	17.19	17.55	17.12	17.54	387746
6/24/2010	17.54	17.78	17.21	17.28	1007524
6/25/2010	17.3	17.3	16.88	16.88	578697
6/28/2010	16.88	17.08	16.42	16.58	456168
6/29/2010	16.31	16.41	15.29	15.29	1189273
6/30/2010	15.3	15.58	15.13	15.13	1301744
7/2/2010	15.3	15.52	15.1	15.1	1493850
7/5/2010	15.41	15.49	15.16	15.19	359749
7/6/2010	15.4	15.47	15.12	15.33	1294424
7/7/2010	15.39	15.45	15.3	15.41	1832915
7/8/2010	15.59	15.9	15.49	15.75	2010785
7/9/2010	15.79	16.23	15.73	16.15	832053
7/12/2010	16.25	16.39	15.84	15.98	637176
7/13/2010	16.29	16.44	15.92	16.3	1211240
7/14/2010	16.4	16.4	15.85	15.9	659976
7/15/2010	15.9	15.9	15.53	15.84	1407952
7/16/2010	15.85	15.85	15.36	15.48	832104
7/19/2010	15.5	15.67	15.35	15.63	337765
7/20/2010	15.5	16.65	15.49	16.56	1115824
7/21/2010	16.7	16.83	16.25	16.37	978288
7/22/2010	16.51	17.26	16.43	17.26	1604851
7/23/2010	17	17.1	16.34	16.86	1127367
7/26/2010	16.7	17.1	16.7	16.98	519062
7/27/2010	16.99	17	16.01	16.26	910461
7/28/2010	16.13	16.24	16.01	16.09	351824
7/29/2010	16.28	16.37	15.92	16.09	631886

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/30/2010	15.99	16.18	15.83	15.83	697264
8/3/2010	15.83	17.01	15.83	16.46	2334678
8/4/2010	16.39	16.5	16.22	16.25	406715
8/5/2010	16.25	16.85	16.24	16.7	1043955
8/6/2010	16.36	17.01	16.36	16.85	1903186
8/9/2010	16.87	17.25	16.87	17.15	444526
8/10/2010	17	17.25	16.51	16.93	921918
8/11/2010	16.55	16.89	16.55	16.65	842328
8/12/2010	16.5	17.89	16.5	17.34	3581655
8/13/2010	17.4	17.75	17.34	17.6	1308629
8/16/2010	17.75	17.75	17.29	17.44	341203
8/17/2010	17.63	17.87	17.32	17.86	636612
8/18/2010	17.81	18.74	17.64	18.64	864710
8/19/2010	18.65	18.98	18.35	18.68	1160533
8/20/2010	18.79	18.99	18.27	18.52	481485
8/23/2010	18.67	18.67	18.45	18.54	252774
8/24/2010	18.07	18.34	17.58	17.58	743604
8/25/2010	17.42	17.57	17.13	17.45	800032
8/26/2010	17.7	18.03	17.61	17.99	692689
8/27/2010	18.14	18.34	17.76	18.24	348500
8/30/2010	18.25	18.25	17.65	17.99	689386
8/31/2010	17.84	18.39	17.84	18.37	819672
9/1/2010	18.37	19.12	18.37	19.03	940825
9/2/2010	18.9	19.17	18.84	19	944776
9/3/2010	19.19	19.38	18.92	19.02	675037
9/7/2010	19.08	19.25	18.61	18.77	1101870
9/8/2010	18.71	19.1	18.49	19	1075972
9/9/2010	19.01	19.25	18.13	18.31	804494
9/10/2010	18.35	18.45	18.13	18.2	765559
9/13/2010	18.31	18.9	18.31	18.55	976591
9/14/2010	18.55	18.84	18.45	18.48	637745
9/15/2010	18.31	18.46	17.76	17.76	991119
9/16/2010	17.96	17.99	17.38	17.47	1150632
9/17/2010	17.64	17.64	17.2	17.22	1570471
9/20/2010	17.22	17.79	17.2	17.78	1608649
9/21/2010	17.55	17.71	17.36	17.45	694893
9/22/2010	17.45	17.5	17.1	17.19	884651
9/23/2010	17.03	17.03	16.7	16.82	1527560
9/24/2010	16.95	17.19	16.79	17	1006015
9/27/2010	17.11	17.14	16.75	16.9	857683
9/28/2010	16.85	16.98	16.7	16.81	1879545
9/29/2010	16.96	17.75	16.78	17.61	2015382
9/30/2010	17.79	17.98	16.91	17.14	2002619
10/1/2010	17.15	17.38	17.05	17.05	1213835
10/4/2010	17.05	17.39	16.97	17.31	1708292

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
10/5/2010	17.56	18.28	17.36	18.01	1745442
10/6/2010	18.09	18.1	17.58	17.72	838072
10/7/2010	17.83	17.84	17.21	17.42	1156877
10/8/2010	17.5	18.16	17.31	18.04	3535919
10/12/2010	18.32	18.99	18.09	18.99	1751643
10/13/2010	19	19.65	19	19.24	5214108
10/14/2010	19.22	19.65	19.12	19.53	1377538
10/15/2010	19.5	19.6	19.34	19.46	1450862
10/18/2010	19.5	20.25	19.47	20.1	2168242
10/19/2010	19.71	20.05	19.56	19.76	1083754
10/20/2010	19.81	20	19.76	19.9	650301
10/21/2010	20.01	20.79	20	20.41	2395660
10/22/2010	20.44	21.51	20.2	21.17	1834277
10/25/2010	21.35	21.68	21.2	21.32	1610446
10/26/2010	21.32	21.52	20.39	20.51	1221112
10/27/2010	20.25	20.42	19.86	20.11	1385995
10/28/2010	20.11	20.24	19.86	19.93	327435
10/29/2010	19.85	20.4	19.85	20.16	774093
11/1/2010	20.17	20.95	20.17	20.6	833376
11/2/2010	20.7	20.83	20.26	20.42	917180
11/3/2010	20.25	20.95	20.25	20.82	850741
11/4/2010	21	21.7	20.84	21.03	1217465
11/5/2010	21.15	21.7	21.09	21.24	4929997
11/8/2010	21.4	22.5	21.18	22.39	1330997
11/9/2010	22.4	22.48	21.13	21.24	1153761
11/10/2010	22.11	22.2	21.78	21.83	2187169
11/11/2010	22.14	22.74	21.85	22.59	1578055
11/12/2010	22.48	22.55	21.55	21.55	3162838
11/15/2010	21.56	22	21.47	21.67	655167
11/16/2010	21.5	21.92	21.38	21.92	861508
11/17/2010	21.72	21.84	21.5	21.5	542669
11/18/2010	21.9	22.41	21.8	22.26	793573
11/19/2010	22.4	22.58	22.02	22.46	813119
11/22/2010	22.46	22.65	21.97	22.55	957618
11/23/2010	22.55	22.55	22.2	22.34	2830849
11/24/2010	22.37	22.51	22.04	22.51	1603985
11/25/2010	22.51	22.53	22.39	22.5	88444
11/26/2010	22.25	22.52	22.25	22.42	563472
11/29/2010	22.26	22.43	21.96	22.12	564024
11/30/2010	21.9	22.34	21.85	22.24	584488
12/1/2010	22.5	22.68	22.35	22.65	1131134
12/2/2010	22.41	23.77	22.41	23.69	1608992
12/3/2010	23.68	23.68	23.11	23.32	843317
12/6/2010	23.27	23.58	23.21	23.46	617713
12/7/2010	23.55	23.66	23.02	23.4	1554901

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
12/8/2010	23.15	23.57	23.15	23.39	1317273
12/9/2010	23.4	23.55	23.35	23.46	629463
12/10/2010	23.5	23.87	23.45	23.58	752111
12/13/2010	23.88	24.16	23.56	24.02	1016703
12/14/2010	24.19	24.69	24.07	24.43	717229
12/15/2010	24.28	24.3	23.17	23.88	1228474
12/16/2010	23.63	23.854	23.22	23.83	387550
12/17/2010	23.68	23.79	23.5	23.61	1544377
12/20/2010	23.45	23.54	23.23	23.32	916306
12/21/2010	23.58	23.99	23.43	23.65	934583
12/22/2010	23.7	23.75	23.24	23.42	619063
12/23/2010	23.42	23.68	23.26	23.29	315111
12/24/2010	23.13	23.39	23.1	23.1	30783
12/29/2010	23.27	23.46	23.22	23.29	680922
12/30/2010	23.4	23.45	23.22	23.26	284505
12/31/2010	23.37	23.55	23.2	23.29	475192
1/4/2011	23.76	23.83	23.44	23.5	2114564
1/5/2011	23.5	23.76	23.29	23.65	5757157
1/6/2011	23.8	23.8	23.28	23.32	794588
1/7/2011	23.3	23.42	22.85	23	516908
1/10/2011	23	23	22.18	22.44	1712300
1/11/2011	22.67	22.67	22.21	22.58	827516
1/12/2011	22.7	23.2	22.66	22.86	1007823
1/13/2011	22.7	23.11	22.7	22.89	1118064
1/14/2011	23	23	22.31	22.62	1049587
1/17/2011	22.63	22.73	22.37	22.64	169155
1/18/2011	22.69	22.7	22.22	22.37	781402
1/19/2011	22.5	22.5	21.81	22	645891
1/20/2011	21.95	21.95	21.02	21.5	2618838
1/21/2011	21.7	22.05	20.98	21.1	2108528
1/24/2011	21.21	21.75	21.16	21.48	1277338
1/25/2011	21.33	21.52	20.81	21.08	1122335
1/26/2011	21.16	21.7	21.15	21.49	1604143
1/27/2011	21.4	22.04	21.37	21.84	1755894
1/28/2011	21.97	22	21.71	21.8	1470841
1/31/2011	22	22	21.76	21.78	846725
2/1/2011	21.99	22.71	21.8	22.59	2946082
2/2/2011	22.65	22.985	22.455	22.85	1078406
2/3/2011	22.89	22.96	22.7	22.74	734511
2/4/2011	22.8	23.6	22.8	23.41	1232960
2/7/2011	23.5	24.24	23.48	24.2	4635710
2/8/2011	24.05	24.78	23.9	24.1	1817173
2/9/2011	24.1	24.1	23	23.03	1019026
2/10/2011	22.76	22.88	22.44	22.59	2061042
2/11/2011	22.72	23	22.62	22.85	2183282

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
2/14/2011	23.04	23.28	22.75	22.76	886619
2/15/2011	22.9	22.9	22.52	22.72	499167
2/16/2011	22.8	22.84	22.48	22.56	1026532
2/17/2011	22.68	22.7	21.99	22.57	1092615
2/18/2011	22.72	22.75	22.156	22.23	3388224
2/22/2011	22.04	22.24	21.1	21.26	1626107
2/23/2011	21.03	21.49	20.96	21.28	2218901
2/24/2011	21.29	21.39	21.07	21.15	687108
2/25/2011	21.45	21.65	21.27	21.51	1569946
2/28/2011	21.64	22.05	21.53	21.71	1342760
3/1/2011	22.5	22.65	22.22	22.31	3480154
3/2/2011	22.29	22.29	21.77	22	1221966
3/3/2011	22.09	22.84	21.98	22.29	1747398
3/4/2011	22.34	22.45	21.65	21.73	1323852
3/7/2011	21.81	21.9	21.228	21.4	665620
3/8/2011	21.7	21.7	21.16	21.25	949186
3/9/2011	21.32	21.434	20.97	21.05	1708804
3/10/2011	21.03	21.03	20.49	20.49	1135227
3/11/2011	20.25	20.92	20.2	20.78	904733
3/14/2011	21.4	21.71	21.08	21.32	1424634
3/15/2011	21.5	22.01	21.01	21.77	3120094
3/16/2011	22.09	22.42	21.6	21.67	1373282
3/17/2011	22.04	23.22	21.67	23.21	2128939
3/18/2011	23.65	23.71	22.89	23.28	1957016
3/21/2011	23.6	23.61	22.6	22.84	1271272
3/22/2011	22.92	22.92	22.19	22.75	1256962
3/23/2011	22.8	23.02	22.36	22.77	1963014
3/24/2011	22.85	23.27	22.72	22.95	970107
3/25/2011	22.97	23.49	22.86	23.25	1306573
3/28/2011	23.65	23.65	23.25	23.52	938969
3/29/2011	23.58	24.28	23.58	24.17	1170627
3/30/2011	24.3	25.12	24.3	25.01	2167564
3/31/2011	25.19	25.85	25.11	25.3	1848580
4/1/2011	25.7	25.7	24.81	24.99	1660075
4/4/2011	25.23	25.31	24.99	25	679952
4/5/2011	25	25.16	24.73	24.75	674926
4/6/2011	24.7	24.98	24.51	24.7	1645617
4/7/2011	24.75	24.75	23.9	23.97	1229229
4/8/2011	24.27	24.27	23.9	23.99	913828
4/11/2011	24.02	24.16	23.91	24.04	386293
4/12/2011	24.03	24.03	23.3	23.91	1055099
4/13/2011	23.9	24.22	23.65	24.04	4269345
4/14/2011	23.94	24.38	23.84	24.3	2868527
4/15/2011	24.22	24.28	23.605	23.84	1187366
4/18/2011	23.84	23.89	23.45	23.46	842058

## TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/19/2011	23.48	24.26	23.4	24.21	775315
4/20/2011	24.59	24.77	24.2	24.5	1126449
4/21/2011	24.72	24.73	24.21	24.28	548917
4/25/2011	24.37	24.42	23.79	23.94	543307
4/26/2011	23.83	24.09	23.64	24	487218
4/27/2011	24.1	24.1	23.508	23.79	723786
4/28/2011	23.79	24.03	23.78	23.91	1164725
4/29/2011	23.97	23.98	23.4	23.51	849037
5/2/2011	23.63	23.69	23.16	23.21	1216136
5/3/2011	23.12	23.15	21.92	22.28	1676690
5/4/2011	22.38	22.42	21.14	21.58	1931972
5/5/2011	21.57	21.57	20.62	20.88	3227054
5/6/2011	21.03	21.67	20.9	21.11	2766738
5/9/2011	21.27	21.79	21.05	21.75	1434668
5/10/2011	21.8	21.8	21.37	21.49	1167073
5/11/2011	21.57	21.97	21.1	21.47	1559331
5/12/2011	21.47	21.47	20.35	20.5	2506664
5/13/2011	20.5	20.61	18.78	19.2	7210402
5/16/2011	19.51	20.45	19.4	20.27	5555981
5/17/2011	20.36	21	20.288	20.83	2156437
5/18/2011	21	21	20.64	20.8	1842481
5/19/2011	20.97	21.48	20.82	21.25	3241319
5/20/2011	21.29	21.37	20.08	20.33	4143814
5/24/2011	20.3	20.3	18.77	18.88	4918017
5/25/2011	19.18	19.61	18.58	18.64	5789878
5/26/2011	18.89	18.95	17.55	18.14	11105962
5/27/2011	18.15	18.44	17.43	18.39	6277024
5/30/2011	18.57	19.5	18.46	18.87	2214983
5/31/2011	19.2	19.85	18.8	19.27	4715786
6/1/2011	19.32	19.4	18.048	18.21	5408739
6/2/2011	18.21	18.21	13.57	14.46	14068831
6/3/2011	5	6.2	4.81	5.23	57680805
6/6/2011	6.2	8.53	5.8	6.16	42846422
6/7/2011	6.5	6.57	3.67	4.05	47205615
6/8/2011	4.43	5.49	3.87	4.92	51311442
6/9/2011	5.4	5.92	5.03	5.15	28578472
6/10/2011	5.18	5.51	4.35	4.5	31206159
6/13/2011	4.9	5.02	4.49	4.98	13444716
6/14/2011	5.1	5.21	3.35	3.36	27101352
6/15/2011	3.4	3.66	2.85	3.22	51744172
6/16/2011	3.34	3.45	3.24	3.34	12670196
6/17/2011	3.4	3.42	2.89	3.19	20901404
6/20/2011	2.76	3	2.32	2.73	28934954
6/21/2011	2.25	2.46	1.29	1.99	92367253
6/22/2011	2.09	3	2.07	3	36914490

## TRE CN Equity

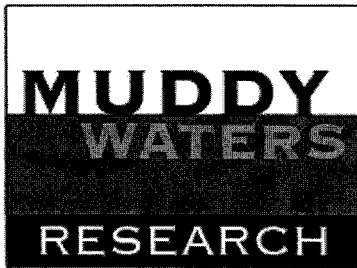
Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
6/23/2011	3	3.22	2.74	2.91	21902912
6/24/2011	2.9	2.98	2.45	2.6	12463053
6/27/2011	2.6	2.86	2.22	2.3	10374234
6/28/2011	2.47	2.72	2.28	2.6	9898445
6/29/2011	2.67	2.86	2.55	2.67	9316486
6/30/2011	2.62	3.2	2.56	3.2	13676205
7/4/2011	3.27	4.99	3.27	4.15	45497222
7/5/2011	4.68	5.3	4.26	5.29	50980712
7/6/2011	4.8	5.27	4.16	4.75	52772417
7/7/2011	4.7	5.12	4.69	4.75	16034741
7/8/2011	4.75	4.93	4.7	4.71	6033473
7/11/2011	4.5	4.6	4.2	4.31	7382742
7/12/2011	4.2	4.46	4.03	4.28	9385301
7/13/2011	4.28	4.5	4.25	4.27	4886471
7/14/2011	4.25	4.35	4.06	4.13	4097032
7/15/2011	4.16	4.21	4.07	4.08	2488834
7/18/2011	4.04	4.04	3.42	3.53	7522647
7/19/2011	3.36	4.42	3.36	4.28	15757034
7/20/2011	4.31	4.99	4.31	4.59	17469502
7/21/2011	4.8	4.99	4.58	4.68	9225872
7/22/2011	4.83	5.2	4.75	5.19	15604903
7/25/2011	5.32	6.41	5.32	6.36	25034304
7/26/2011	6.5	7.75	6.47	7.12	31461356
7/27/2011	7.35	7.94	7.26	7.69	23162534
7/28/2011	7.99	8.29	7.1	7.43	19179825
7/29/2011	6.88	7.74	6.56	7.3	16564325
8/2/2011	7.45	7.77	6.79	6.83	14414674
8/3/2011	7.13	7.15	5.88	6.3	11827192
8/4/2011	6.06	6.35	5.71	6	12926548
8/5/2011	6.35	6.39	5.62	5.97	8559931
8/8/2011	5.08	5.6	5.05	5.42	7228671
8/9/2011	5.67	6.89	5.59	6.83	14218738
8/10/2011	6.74	6.88	6.38	6.38	8349252
8/11/2011	6.68	6.75	6.16	6.58	8547379
8/12/2011	6.76	6.83	6.56	6.65	4091153
8/15/2011	7.25	7.38	6.06	6.09	10993103
8/16/2011	5.66	5.96	5.19	5.34	11397309
8/17/2011	5.53	5.74	5.28	5.36	4448426
8/18/2011	5	5.29	4.91	5.12	5530265
8/19/2011	5	5.45	5	5.29	3009129
8/22/2011	5.6	5.64	5.01	5.01	3704670
8/23/2011	4.85	5	4.22	4.53	9019106
8/24/2011	4.5	5.15	4.15	5.1	9818976
8/25/2011	5.1	5.24	4.75	4.81	5340744

This is Exhibit "C" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



\_\_\_\_\_  
A Commissioner, etc.





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**Company:**

Sino-Forest Corporation  
 (TRE.TO, OTC: SNOFF)

**Industry:**

Forestry

**Recommendation:**

Strong Sell

**Estimated Value:**

< \$1.00

**Report Date:**

June 2, 2011

**Price:**

\$18.21

**Market Cap:**

4.2 billion

**Float:**

4 billion

**Avg Volume:**

1.4 million

- Like Madoff, TRE is one of the rare frauds that is committed by an established institution. In TRE's case, its early start as an RTO fraud, luck, and deft navigation enabled it to grow into an institution whose "quality management" consistently delivered on earnings growth.
- TRE, which was probably conceived as another short-lived Canadian-listed resources pump and dump, was aggressively committing fraud since its RTO in 1995.
- The foundation of TRE's fraud is its convoluted structure whereby it runs most of its revenues through "authorized intermediaries" ("AI"). AIs supposedly process TRE's tax payments, which ensures that TRE leaves its auditors far less of a paper trail.
- On the other side of its books, TRE massively exaggerates its assets. We present smoking gun evidence that TRE overstated its Yunnan timber investments by approximately \$900 million.
- TRE relies on Jakko Poyry to produce reports that give it legitimacy. TRE provides fraudulent data to Poyry, which produces reports that do nothing to ensure that TRE is legitimate.
- TRE's capital raising is a multi-billion dollar ponzi scheme, and accompanied by substantial theft.

## Introduction

As Bernard Madoff reminds us, when an established institution commits fraud, the fraud can become stratospheric in size. Sino-Forest Corp. (“TRE”) is such an established institutional fraud, becoming massive due to its early start, luck, and deft navigation. At nearly seven billion dollars in enterprise value, it will now end.

TRE started humbly – as a fraudulent company going public on the Toronto Venture Exchange via reverse takeover (“RTO”). Sixteen years later, Muddy Waters would be exposing its US-listed imitators – companies such as RINO, DGW, ONP, and CCME. It seems impossible that a Chinese RTO coming public in 2010 could ever get to where TRE did. But for many years, TRE sat barely noticed on the Toronto exchange. It was committing fraud from the very beginning; but, there were not enough similar frauds to raise investors’ awareness.

Then in 2003, it changed its business model – moving to a level beyond standard capex schemes that most China frauds run. Its new model, purchasing trees, gave it limitless room for growing its fraudulent balance sheet and vacuuming up money from the capital markets. At the same time, China was becoming a major investment theme. TRE became more sophisticated – engaging Jakko Poyry to write valuation reports, all the while giving Poyry manipulated data and restricting its scope of work. Thus more and more investors are drawn into TRE’s fraud every year as it falsifies timber investments and manipulates Poyry further. At some point, TRE became an institution – a seasoned stock with “quality management” that consistently grew earnings over more than a decade.

Were Muddy Waters not to have come along, it is likely that this fraud could have continued for a few more years and billions of dollars more. Solving this fraud was not easy. In order to conduct our research, we utilized a team of 10 persons who dedicated most to all of their time over two months to analyzing TRE. The team included professionals who focus on China from the disciplines of accounting, law, finance, and manufacturing. Our team read over 10,000 pages of documents in Chinese pertaining to the company. We deployed professional investigators to five cities. We retained four law firms as outside counsel to assist with our analysis. We are confident that we have brought more expertise, time, and money to bear in analyzing TRE than has any investor or bank – by a substantial margin.

## Executive Summary

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE’s default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE’s fraud is a convoluted structure whereby it claims to run most of its revenues through “authorized intermediaries” (“AI”). AIs are supposedly timber trader customers who purportedly pay much of TRE’s value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees. The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

TRE avoids disclosing the identities of all but one of its AIs “for competitive reasons.” The one AI we know it has disclosed (at a credit analyst event in April 2011) is actually a connected party – to both TRE and one of its agents. Despite TRE’s opacity on the revenue side, we have overwhelming evidence that the \$231.1 million in Yunnan province timber TRE claimed to sell is largely fabricated. Such amount exceeds TRE’s real timber holdings in Yunnan province. It exceeds the applicable harvesting quotas by six times. Transporting the harvested logs would have required over 50,000 trucks driving on two-lane roads winding through the mountains from this remote region, which is far beyond belief (and likely road capacity).

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006. We have smoking gun evidence from Yunnan province that it overstated its purchases there by over \$800 million. Of the five agents we have been able to identify (TRE does not provide Chinese names), Yunnan appears to have the only legitimate agent. The other agents have histories and connections to TRE that make it obvious they did not purchase billions of dollars in timber for TRE. Further, the other agents appear to be laundering money for TRE – moving large amounts of money to an undisclosed subsidiary of TRE and a trading company that TRE does business with. We also see clear evidence that TRE has falsified its books – Chinese government records make clear that TRE would have had a capital hole of \$377 million to \$922 million if it were making the investments it claims.

TRE then feeds the fraudulent data to Poyry, while allowing Poyry access to only 0.3% of its purported timber holdings. TRE touts the valuation reports as evidence of its credibility. One fresh example occurred at TRE’s annual general meeting on May 30, 2011. At the meeting, CFO David Horsley emphasized to the shareholders in attendance that Poyry teams spend “six personal weeks” in the field for the valuations. On a June 1, 2011 telephone call with analysts to discuss the Poyry report, Poyry clarified that four men spent six days in the field, which the Company calculates is approximately six man-weeks.<sup>1</sup> Fortunately, it appears that in 2011 Poyry is becoming somewhat cautious about TRE using its name to bilk investors out of billions of dollars, and it has accordingly restricted how TRE may use the report.

TRE’s claims to be “transparent” are interesting. Its offshore structure, which utilizes at least 20 British Virgin Island entities, is an unjustifiable black hole.

Auditors are far less effective in detecting fraud than most investors assume they are. The problem is that fraudsters are willing to forge documents. We show a suspicious letter from HSBC that was written on behalf of one of TRE’s main subsidiaries, Sino-Wood Partners. We submitted this document to HSBC’s department of fraud risk.

Another issue with auditors detecting fraud is that when the auditors are based in Canada, and the fraud is in China, the auditors are far less versed in the games fraudsters can play in China. As CCME and LFT show, even China offices of “Big Four” auditors have a number of issues detecting fraud. For most of its time as a public company, TRE’s auditors have been Ernst & Young out of Canada. In TRE’s case, the auditor problem morphs into another significant issue – that of TRE’s poor corporate governance. TRE’s board of directors appears to be the retirement plan for former Ernst & Young partners, and its audit committee members all fail PRC political,

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<sup>1</sup> Muddy Waters is proud to say that by this methodology, we spent two man-years researching TRE and preparing this report.

industry, and cultural knowledge tests.<sup>2</sup> A favorite trick of Chinese RTO frauds is to gain credibility by putting Westerners without Chinese skills or background into management or onto the board. TRE probably pioneered the practice.

No fraud is complete without the payoff. Its constant capital raising is a multi-billion dollar ponzi scheme. We see some evidence of how TRE is stealing the hundreds of millions of dollars that have entered the PRC. Its financial tunnels include an undisclosed subsidiary that seems to act as a magnet for payments from many of TRE's disclosed PRC subsidiaries and the agents that purportedly purchase timber for TRE.

### Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

#### Sino Forest Equity and Debt Estimated Values

Sino-Forest has raised a total \$3.05 billion from the capital markets. The capital structure consists of \$1.892 Billion of bonds outstanding<sup>3</sup>, Senior Secured Bank Loans of \$207 million (\$154.0 million from the Dec 31, 2010 financials and a new CNY 350 mil term facility. This makes debt outstanding \$2.100 Billion.

In addition, it has raised \$989 million of equity in shares sales going back to May 2004. Due to the SAIC filings, we know that a maximum of \$1.2 Billion of cash has been injected onshore.

The Company also has a 63% stake in its listed subsidiary Greenheart Group, however, because we have concerns about this company, we do not factor it into our valuation.

The equity/credit analysis valuation analysis is very difficult as a result of the inability to rely on the audited financials and our belief that the company has far fewer assets than it reports. In order to value the equity and the credit, one has to assume one of two scenarios, both of which assume an injection amount of \$1.2 Billion into China:

<sup>2</sup> TRE Management Information Circular, May 11, 2011, pp. 32-33

<sup>3</sup>

Issuer	Cpn	Maturity	Amt Out(M)	Curr	Mty Type
Sino-Forest Corp	9.125	08/17/11	87,670	USD	BULLET
Sino-Forest Corp	5	08/01/13	345,000	USD	CONVERTIBLE
Sino-Forest Corp	10.25	07/28/14	399,517	USD	BULLET
Sino-Forest Corp	4.25	12/15/16	460,000	USD	CONVERTIBLE
Sino-Forest Corp	6.25	10/21/17	600,000	USD	CALLABLE

### Scenario 1: Assets in China are accessible to creditors and shareholders

If the assets in China were accessible, the first thing that creditors would have to do would be sell the small forestry assets that the company has and attempt to recover any cash balances. Given the propensity for theft, we will be liberal and assume that the recovery from asset sales and cash seizures is 50% of the amount injected – roughly \$600 million. \$50 million would be used to pay back the onshore RMB denominated debt. The rest would then need to be repatriated via a capital reduction process with SAFE, the Chinese capital account regulator. At an absolute minimum, the cost of offshoring this money would be around 15%, giving us a total recovery bull case of \$467 million.

The offshore cash is not simply calculated by subtracted cash raised from cash moved into China. Management has been liberal with cash compensation. As well, they have spent \$54 million on their Greenheart stake, \$30 million in a consent payment for a bond exchange, and \$7 million paying off Ms. Chen on the Homix purchase. If the convoluted BVI structure has yet to be used for theft, then the offshore cash balance could be as high as \$1.5 Billion (Non-injected cash minus management compensation minus offshore acquisitions).

This gives us an asset base of \$1.967 Billion in the best case, which we believe to be unlikely. Versus the current outstanding offshore debt of \$1.893 Billion, the “real” best case net asset value is around \$92 million. Divided by the current number of shares outstanding – 245 million - that leaves a share value of approximately C\$0.38 at current exchange rates.

### Scenario 2: Onshore Recovery of Zero.

Due to the time involved to actually change the legal representatives and liquidate collateral onshore, all the while chasing the cash balances and coordinating with authorities, historical precedent should show that there is little that can be done with onshore assets.

Using the above bull case of offshore assets, we estimate recovery for bondholders would be approximately 80 cents on the dollar, with a value of zero for the stock. Assuming that distressed investors target a 15% IRR (again, this would be extremely generous for a distressed Chinese credit), the absolute maximum an investor should be willing to pay for the credit is around 69 cents on the dollar. The recovery could be higher if less money was put into China.

Our belief is that the true recovery would be far lower, but without the aid of law enforcement, we will never really know how much money is there or where it went.

### **I. TRE Was Always a Fraud.<sup>4</sup>**

TRE was engaged in aggressive fraud from the time it went public. Between 1994 and 1996, it generated between 65% to 77% of its reported revenues from an equity joint venture<sup>5</sup> with the Leizhou Forestry Bureau. All of these numbers were fabricated. In reality, TRE breached its commitment to contribute equity capital to the EJV. TRE's conduct so incensed the Leizhou

<sup>4</sup> Appendix A5 – Chinese and English translations available.

<sup>5</sup> China has two classifications of Sino-Foreign joint ventures: equity joint ventures (“EJV”) and cooperating joint ventures (“CJV”). The main difference is that in an EJV, profits and assets (upon winding up) are distributed in proportion to the parties’ equity holdings. In a CJV, the parties may contract to divide the economics disproportionately to their equity interests.

Forestry Bureau that it filed with the Zhanjiang City Foreign and Economic Relations and Trade Commission (“COFTEC”) a letter containing numerous grievances. We show this letter and a translation in Appendix A5. This letter and the rest of the EJV’s SAIC file make clear that the EJV never achieved the any operation remotely close to that envisioned by the partners or described by TRE in its annual reports. Moreover, the Forestry Bureau accuses TRE of misappropriating cash through improper transactions.

In its 1997 annual report, TRE claims that its Heyuan and Guangxi CJV partners took over the (fictitious) wood chip business from the Leizhou EJV – even growing it by 193% that year. Considering the base year (1996) revenue was zero, we believe investors should assume that 1997 results from the CJVs were shy of \$16.1 million TRE reported.<sup>6</sup>

TRE’s penultimate fraudulent act in Leizhou was to claim that the Leizhou Forestry Bureau reimbursed TRE \$12.43 million between 1999 and 2003 through a series of payments consisting of logs. This claim that the Forestry Bureau owed TRE in excess of \$10 million dollars was a gross exaggeration of the facts and contradicts the EJV’s SAIC file, improperly adding \$12.43 to TRE’s shareholders’ equity. This type of phantom transaction would become the blueprint for TRE’s massive fraud.

There was another critical outgrowth from the Leizhou EJV. Upon termination, TRE converted the company to a wholly foreign-owned enterprise (“WFOE”). The WFOE’s business scope<sup>7</sup> included “producing and selling wood products.” TRE wound this company down in December 2003. This is the same year it began telling investors that it used AIs to handle its sales because it was not licensed to sell woodchips and wood based products domestically.<sup>8</sup> In other words, TRE wound down a business that was licensed to sell wood chips; yet, at the same time was stating that it was forced to use AIs because none of its companies were licensed to sell woodchips in the domestic market. At that time, the Leizhou WFOE could have utilized this business to take over and carry out the proprietary sales of the wood chip and processed wood business. Essentially because TRE learned that it could successfully lie about operating a factory with a party known to shareholders, it went two steps further – lying about operating a trading business with a party unknown to shareholders.

#### Leizhou EJV – The Ghost of Ventures Past

The Leizhou EJV, the Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd., came into being on January 29<sup>th</sup>, 1994. TRE subscribed to 53% of the equity, which was to total \$10 million, and the total investment was established at \$25 million. TRE’s obligation was straightforward; it would contribute 53% of the investment in cash (\$5.3 million) in phases. It was to inject 15% of the registered capital within three months of incorporation, and its portion of the balance of the registered capital within two years. It paid in one million dollars, which left a balance of \$4.3 million. The Forestry Bureau was to contribute forest assets of 3,533 ha (note that this greatly contradicts TRE’s Canadian filings, which state 20,000 ha), and other assets.<sup>9</sup> The articles of association show that the newly formed entity was created for the specific purposes of:

<sup>6</sup> Annual Reports 1997 p. 21, 1998 p. 25

<sup>7</sup> Leizhou WFOE business certificate April 12, 2000 See Appendix A10

<sup>8</sup> 2003 Annual Information, p. 22

<sup>9</sup> Leizhou EJV, Articles of Association, 1993 See Appendix A2

“Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m<sup>3</sup> of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m<sup>3</sup>.”<sup>10</sup>

The application included a detailed feasibility study for the MDF board production factory including financial analysis, market studies, and production plans totaling over sixty pages. Leizhou Forestry Bureau’s expectation was that the factory would generate profit, provide value-added manufacturing jobs, and introduce new technology and management knowhow. The articles also reveal a plan for the Leizhou Forest Bureau to make additional land available for harvesting and replanting that would total 8,000 ha (including the original 3,533 ha). This concept formed the basis of TRE’s “phasing-in” program and was also utilized to inflate TRE’s forest rights claims. However, the EJV never achieved “normal operations”, and neither the plans for the manufacturing facility, nor any additional land utilization or forest acquisitions were executed. The signature of TRE’s president, K.K. Poon on the amended articles evidences this fact.<sup>11</sup>

The EJV’s 1995 PRC Capital Verification Report (contained in the SAIC file) showed that the JV lost \$1.1 million (RMB 8,709,107).<sup>12</sup> The audit report also shows inventory of only \$1,100 (RMB 9,000), which is hardly the level required to support an operation making weekly shipments of woodchips of approximately \$400,000, as claimed by TRE.<sup>13</sup> By mid-1995, TRE had still not injected the balance of investment. The Forestry Bureau solicited the local COFTEC<sup>14</sup> to send a formal notification reminding TRE of its obligation. By the time the contribution deadline arrived in January 1996, the TRE management team was incommunicado.<sup>15</sup> After the Jan 29, 1996 deadline lapsed, Allen Chan and Chan Shixing failed to respond to formal letters. They also skipped a Board meeting called to resolve the issues.<sup>16</sup>

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<sup>10</sup> Id.

<sup>11</sup> Leizhou WFOE Amended Articles of Association, Appendix A3.

<sup>12</sup> 1995 Annual Audit Report

<sup>13</sup> In 1995, p. 13 of TRE’s annual report claimed that TRE shipped out 204.2 BDMT of wood chips at an average price of \$103/BDMT. This equals \$21,032,600 USD, or approximately \$420,652 per week based on a fifty week year.

<sup>14</sup> Zhanjiang City Foreign and Economic Relations and Trade Commission.

<sup>15</sup> Leizhou Forestry Bureau, Letter Requesting Termination of the EJV See Appendix A5.

<sup>16</sup> Leizhou Forestry Bureau, Letter Requesting Termination of the EJV See Appendix A5.

However, in Canadian filings, the Leizhou EJV was white hot. TRE disclosed the following information regarding the EJV.

<b>Calculated Leizhou EJV Annual Sales According to Avg. Price and Qty in BDMT Reported by TRE</b>			
Year	BDMT (Thousands)	Average price (USD/m <sup>3</sup> )	Amount (Thousands USD)
1994	156.3	85	\$ 13,286
1995	204.2	103	\$ 21,033
1996	212.5	102	\$ 21,675
1997	45	98	\$ 4,410
Total	618		\$ 60,403

Source: 1994 ~ 1997 Annual Reports

TRE took a bit of a victory lap in its 1996 Annual Report, when it congratulated itself on the Leizhou EJV completing three years of profitable operations.<sup>17</sup> Moreover, the Company even claimed that the Leizhou EJV carried out \$412,000 of research and development that year.<sup>18</sup> According to TRE, it was floating its partner (rather than the other way around) for \$15.0 million:

“The \$14,992,000 due from the LFB [Leizhou Forestry Bureau] represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB.”<sup>19</sup>

In 1998, the Leizhou Forestry Bureau finally lost its patience and submitted a letter to COFTEC containing numerous grievances, and requesting that the EJV be terminated.<sup>20</sup> In addition to grievances related to the failure to inject capital and develop the MDF board factory as planned, the Forestry Bureau accused TRE of improperly removing money and making payments to a third party with which the EJV had not done business:

“After paying one million dollars, the foreign party not only failed to fully fund the company, but also approved in its own name the gradual withdrawal of funds in the amount of RMB 4,141,045.02 RMB [approximately \$500,000], from the paid in capital provided by the company for the Joint Venture, among which \$270,000 USD was paid out to the Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has had no business relationship with the joint venture at all. This amount of money equals 47.6% of the money [TRE's] paid in capital. Although our side has almost entirely paid in the capital to which we subscribed (all but 0.9% of the subscription total), because of the limited contribution from the foreign party, and its withdrawal of a huge amount of money from among those funds it contributed, it is impossible to put into practice the project that the joint venture aimed to construct or set up and the intended production and business operation activities. This is because the funding has been insufficient and the

<sup>17</sup> 1996 Annual Report, p.22

<sup>18</sup> 1996 Annual Information, p. 8

<sup>19</sup> 1996 Annual Report, p. 20

<sup>20</sup> Leizhou Forestry Bureau, Letter Requesting Termination of the EJV, Appendix A5.



foreign party did not contribute the majority of the equity to which it subscribed. The joint venture therefore is merely a shell, existing in name only.”<sup>21</sup>

In addition to phenomenally inflating the sales of woodchips from the EJV, TRE planted the seeds for a new mechanism that would propel its near infinite NAV growth, and enable it to create billion dollar forest accounts out of thin air. In the 1996 Annual Information Form, and that of previous years, TRE claims that the Leizhou JV had already “phased in” 20,000 ha of plantation lands from the Forestry Bureau.<sup>22</sup>

However, the Articles of Association clearly stipulate that if the project requires capitalization beyond \$25 million USD total investment, then the foreign partner would contribute additional cash, and the Chinese partner would make additional in-kind contributions in the form of land use rights and forest assets.<sup>23</sup> Since the project was never fully capitalized, there was no need for the Chinese partner to make additional in-kind contributions, and therefore no new forest assets would have been added to the venture. Additionally, the 8,000 ha, were discussed in the Articles only in the section pertaining to the long range planning for the company. Those sections of the Articles defining the parties’ respective capital contributions specifically state 3,533 ha (53,000 mu) as the Leizhou Forest Bureau’s contribution.<sup>24</sup> In short, no additional contribution under a “phase –in” plan took place.

In addition to deducing that a scorned government EJV partner would not unilaterally contribute additional forest assets to support a manufacturing facility that had never been constructed, there is documentary proof that since inception, no significant increases in assets occurred. The EJV’s PRC audit reports from 1995 and 1997 show no change in the intangible assets, under which heading forest assets are classified.<sup>25</sup> Had an additional 16,500 Ha been phased into the EJV, intangible assets would have increased by approximately RMB 86 million.<sup>26</sup>

In 1998, the two parties agreed to wind up the EJV. In the separation agreement, the parties agreed that the Forestry Bureau would receive all of the assets the Forestry Bureau originally contributed, and TRE would keep the entity and look for a new partner.<sup>27</sup>

Interestingly, in its 1997 annual report TRE described the agreement to terminate the EJV as entitling it to \$12.4 million worth of assets from the LFB. TRE stated that it would in lieu receive payment over three years in the form of 730,440 m3 of standing timber the Forestry Bureau owned.<sup>28</sup>

Four years later, the 2003 Annual Report includes a claim that the Company completed its recovery of open receivables from the Leizhou Forest Bureau with a final collection in the amount of \$10.2 million in the form of standing timber.<sup>29</sup> It is hard enough to collect on a debt

<sup>21</sup> Id.

<sup>22</sup> 1996 Annual Information, p. 5

<sup>23</sup> Leizhou EJV, Articles of Incorporation, 1993, p. 3 Appendix A2.

<sup>24</sup> Leizhou EJV, Articles of Incorporation, 1993, p. 2 Appendix A2.

<sup>25</sup> The 1997 audit report breaks out the forest rights as being valued at RMB 18,454,766. Appendix A9.

<sup>26</sup> The 1997 audit report itemizes the forest assets at a value of RMB 18,454,766, which equates to a total of 5,223 Rmb/Ha. A net increase of 16,467 Ha therefore should result in a net increase of 86,016,029 rmb. Appendix A9.

<sup>27</sup> Board Resolution, Leizhou Resources Development Company, June 3, 1998 See Appendix A6.

<sup>28</sup> 1997 Annual Report

<sup>29</sup> 2003 Annual Report, p. 34, 40

when the debtor really owes you money. It is substantially harder when you are really the debtor, and the counterparty is a government agency.

Leizhou WFOE A/R Collections from Leizhou FB	
Year	Amount ('000 USD)
1999	\$ 1,125.00
2000	\$ 1,063.00
2001	\$ -
2002	\$ -
2003	\$ 10,242.00

Source: TRE Annual Reports

After the exit of the Leizhou Forest Bureau, the Company did not locate a new joint venture partner. In May of 1999, TRE converted the EJV into a Wholly Foreign-Owned Enterprise (“WFOE”). In April of 2000, the WFOE’s new scope of business, which included producing and selling wood products, was formally approved.<sup>30</sup>

However, after receiving approval to reduce the size WFOE’s remaining required capital contribution to only \$1.4 million,<sup>31</sup> TRE still failed to do so for another three years.<sup>32</sup> In October of 2003, TRE finally wound down the Leizhou WFOE (without having contributed the additional capital). The application for deregistration was made on Oct 28, 2003 and approved by the Guangdong Zhanjiang COFTEC on November 4, 2003.<sup>33</sup> The key point to note is that in the 2003 Annual Report, TRE began disclosing that it needed to conduct business through authorized intermediaries due to lack of proper licensing, while failing to disclose that in the fourth quarter of the year, it was winding down an existing WFOE that had the business scope to do the business.<sup>34</sup>

#### How to Succeed in Business Without Really Trying (by Finding AIs)

TRE’s initial AI model was that it purported to buy logs, turn them into woodchips, and then sell them to customers. TRE disclosed in 2003 that it had been engaging in this model via its Heyuan and Guangxi CJVs. (TRE makes shameless use of the corporate memory hole.)

This model appears to be a tortured attempt to create an accounting event for TRE even though it risked no capital and moved no physical goods. (TRE would later make this look less tortured by creating a third party to the transactions, the agent, which probably made its auditors feel better.)

<sup>30</sup> Board Resolution, Dec 1, 1999; Wholly Foreign Owner Enterprise Change of Registration Approval, April 12, 2000. Appendix A10.

<sup>31</sup> Leizhou WFOE Application for Deregistration, Oct 28, 2003 Appendix A8; Zhanjiang COFTEC Approval for Reduction in Registered Capital, Dec 28, 1999. See Appendix A7

<sup>32</sup> 2000 Annual Information, p. 26

<sup>33</sup> Application for Deregistration of a Foreign Invested Enterprise, Guangdong State Administration for Industry and Commerce, Oct. 28, 2003 See Appendix A8.

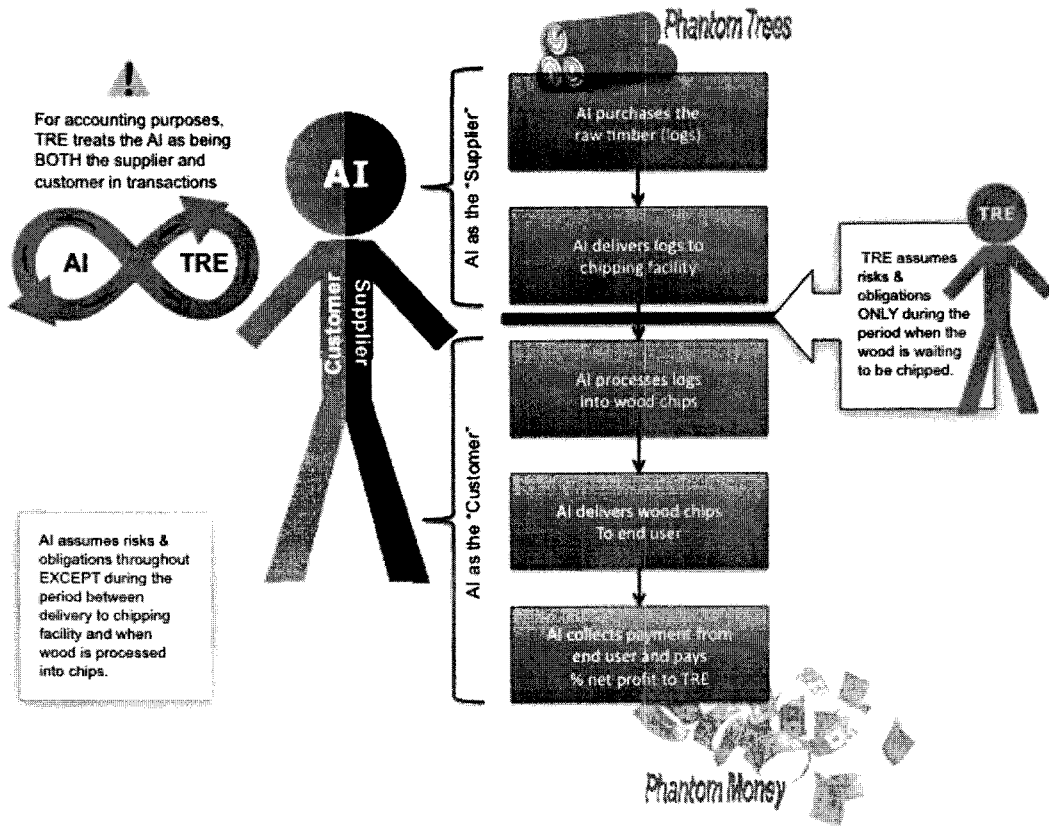
<sup>34</sup> 2003 Annual Information, p. 22

According to the description in its 2006 annual information of how these transactions worked, TRE (through the magic of AIs) booked revenue and profit, but

- did not commit capital to purchase the logs,
- did not enter into contracts to purchase the logs from suppliers,
- did not take title to the logs,
- did not at any time store (let alone view) the logs,
- did not commit capital to process the logs into wood chips,
- did not contract to process the logs into wood chips,
- did not market the wood chips,
- did not enter into contracts to sell the wood chips, and
- did not receive cash from the parties purchasing the wood chips.

Instead it “agreed to reimburse the costs of the AI, including the cost of the purchase of raw timber, and to pay both a processing fee and management fee& ” However, “& all of [the aforementioned fees] are deducted from the sales proceeds of the wood chips.” In other words, TRE would not pay any money because the AI would be “reimbursed” when it sold the chips.

In order to make these transactions into accounting quasi-reality, TRE assumed “all risks and obligations relating to the raw timber once it arrives at the premises of the AI until it is processed into wood chips, except for any loss arising as a result of the AI’s default.” As the same filing specifies, the AI assumed the risks and obligations of the timber at all other times – from the time it is purchased until title passed to the customer. The below diagram illustrates the purported transactions:



Essentially, TRE’s assumed risk was that a meteor would destroy the wood while at the AI’s facility (assuming that the contracts lacked force majeure clauses). For this invaluable service, the AI paid TRE a fee on a “net basis after withholding of applicable taxes by the AI.” In other words, there was no tax documentation that can be used to confirm whether TRE actually received any money in this way.

Believing that TRE actually generated substantial revenue this way strikes us as akin to believing in the power of diving rods to find precious metals. However, TRE was able to apply the same principles to a model that allowed it to raise billions of dollars more. The model is dealing in standing timber.

## II. “AI” Really Means “Artificial Intermediary”

The structure of using anonymous parties that purportedly purchase from TRE without requiring TRE to generate VAT invoices allows TRE to invent sales figures without fear of being exposed by tax bureau records. Given that TRE has mostly been audited by accountants based in Canada, using this structure to commit fraud takes more audacity than skill. If TRE really is using an AI structure, shareholders should demand management be replaced immediately because TRE is running substantial and unnecessary legal risks. We are convinced that this model does not really exist though, so no board meeting to discuss the illegalities of the AI structure is yet necessary. As far as we are aware, TRE has disclosed the identity of only one AI, which happened at a recent credit analyst event in China. However, this purported AI’s general manager, Lei Guangyu, is part of a web of shadow players spanning the AI, an agent, TRE, and Greenheart. He and the AI are closely related to TRE.

TRE May be a Great Supplier, but How Much Prison Time Would the AIs be Willing to do for TRE?

In a legitimate public company, management would be summarily dismissed for using TRE's AI structure, if it had not already been arrested. This model would violate fiduciary duties, and because it is so blatantly illegal in the PRC, would probably be beyond the scope of D&O coverage. Furthermore, it would be difficult for TRE to find a counterparty willing to work with it in this model in size. The size of the transactions is so large that the AI management would possibly be committing offenses that could land them lifetime prison sentences.

On the other hand, the cure for the problems is simple. TRE, which already has over 60 wholly-owned companies in the PRC, could buy and sell timber through new or existing WFOEs (wholly foreign-owned enterprises). It could pay its own VAT and enterprise income tax ("EIT"). This is what practically every other foreign investor with at least \$100,000 in its pocket does.

It is illegal for foreign companies to engage in domestic (i.e., non-import / export) business in the PRC without having incorporated a local subsidiary to carry out the business. The PRC deems profits generated by foreign companies doing domestic business without a domestic subsidiary to be illegal. The prior two years of illegal profits are subject to confiscation. Therefore, if TRE were really using this structure for its BVI subsidiaries, they would be risking confiscation of the prior two years of their profits.

As foreign enterprises conducting domestic business in China, TRE's BVI entities would still be subject to the PRC corporate income tax. TRE's failure to pay corporate income tax for its profits generated in China would subject TRE to penalties more severe than those disclosed. The penalties (on top of the unpaid tax) would be 50% to 500% of the unpaid tax. There is no statute of limitations that would prevent the tax bureau from recovering all of TRE's unpaid taxes with per day surcharges and penalties.

Because of TRE's disclosed contingent tax liability of \$156.9 million, it is clear that TRE's entities conducting a sizable portion of its business (whether foreign or domestic) are not paying taxes themselves under their own tax registration. Nor are the AI acting in a legal manner merely as tax payment agents that pay tax to the tax bureau in TRE's name. While such a situation would be critical for any company with sizable China operations, because TRE is free cash flow negative, such penalty would endanger TRE's solvency. Regardless, this is not what TRE is really doing. It is lying about selling such large volumes of timber to the AIs.

TRE would have numerous problems with the AIs trying to pay TRE's value added tax ("VAT"). Entering names other than the seller of the good on a VAT invoice is a tax crime. The penalty for VAT invoice-related crimes on large VAT amounts can be a lifetime prison sentence for managers of companies engaged in this behavior. We assume that many of these VAT payments would be in excess of the threshold to trigger such penalty; therefore, the managements of the AI would be risking the sentences in these transactions. It is difficult to understand how TRE generates a 55% gross margin from the AI on standing timber sales all the while risking their lives. TRE does not appear to add that much value.

TRE and the AIs' chances of getting away with the scheme would be low. The PRC banking system has controls in place for anti-money laundering purposes. The tax bureau is part of this platform. We consulted an attorney who is an expert in tax, foreign exchange, and banking matters. The attorney advised us that it is highly unlikely that TRE could have such large

amounts of RMB sloshing around the banking system without corresponding VAT documentation. Note also as discussed *infra* in The Capital Hole, TRE's BVI companies would be unable to open up RMB bank accounts.

Because the AIs are not importing this timber, they would not have customs invoices, and would not be able to convert RMB into foreign currency and pay TRE offshore. While it is possible that the AIs could pay TRE offshore from the AIs' existing offshore accounts, with over one billion dollars in payments being made annually, the AIs would likely be left with unmanageable foreign currency / RMB imbalances. Therefore, the banking system and foreign exchange controls would likely have long ago ended TRE's AI business – in an unpleasant way.

*Everybody's All-Intermediary: Lei Guangyu*

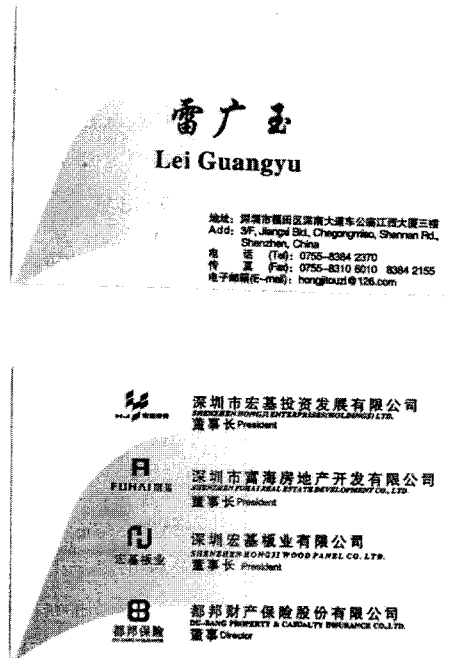
To our knowledge, TRE has only unveiled one AI to investors. In April 2011, TRE introduced credit analysts to Lei Guangyu, who is the president of Shenzhen Hongji Enterprises (Holdings) Ltd. ("Hongji"). Both Lei and Hongji are related to TRE. At the time that TRE sold its 12.73% stake in Greenheart Resources Holdings Ltd. to Omnicorp, Lei Guangyu was the signatory for two BVI entities, Fortune Universe Ltd. and Spirit Land Ltd., which held a combined 7.41% of Greenheart. The 2007 audit report from one of TRE's subsidiaries, Heyuan Jiahe Forestry Development Co. Ltd. ("Jiahe"), lists an account payable to Hongji for approximately \$400,000 (RMB 2.7 million) as a related party transaction. According to the audit report, Hongji's relationship to Jiahe is that they are both subsidiaries of the same parent. See Appendix BB1.

Hongji is engaged in irregular transactions with TRE. One of TRE's key PRC subsidiaries, Sino-Forest (China) Investments Co. Ltd. had an account payable of \$4.2 million (RMB 35 million) to Hongji at the end of 2005. This is a large amount of money in the context of TRE's onshore transactions that we have been able to see. Further, it shows a flow of funds opposite of what should occur (i.e., AI to TRE).

We sent a field agent to Hongji's headquarters in Shenzhen. It has a subsidiary called Gaoyao Hongji Panel Co. Ltd.. The legal representative of this company Wang You Wang is the signatory on a lease contract for the factory belonging to Guangdong Jiayao Wood Development Co., Ltd., one of TRE's key subsidiaries. Gaoyao Hongji also appears to be the "arms length" purchaser of \$30 million in machinery from TRE's Guangdong Jiayao on March 31, 2009. However, the owner of the company that leased the factory from TRE is a TRE and agent executive, Lam Hon Chiu. (We discuss more about Mr. Lam in TRE's Dodgy Timber Agents.) We are not sure what to make of this transaction, but it does not appear to be arms length to us.

As an aside, it appears that Hongji does not buy domestic timber from TRE. According to the person with whom we met at headquarters, Hongji primarily deals in timber imported from Russia and South America.

Below is Lei Guangyu's business card.



### III. Gengma, Yunnan: Illegal Logging or Fraud? Timber Sales are Beyond PRC Quota

According to TRE's 2010 Management's Discussion and Analysis, the Company sold \$507.9 million of Standing Timber, of which 45.5% (\$231.1 million) of the sales were derived from broadleaf trees in Yunnan at an average price of 102 RMB/m<sup>3</sup>. This equates to 2,265,000 m<sup>3</sup> of broad leaf timber in the form of "large logs".<sup>35</sup> In TRE's 2010 Annual Information Form, its claimed yield for broad leaf is between 105 to 210 cubic meters per hectare, which means that approximately between 10,800 ha (hectares) and 21,600 ha would be required for this sale. However, the 2009 Poyry report noted a regulation prohibiting clear cutting of these forests and revised the yield downwards by 50%.<sup>36</sup>

Poyry has this year become aware that, under current regulations, this crop type cannot be clear-felled, but must be selectively logged, with only up to 50% of the volume allowed to be removed. Poyry has consequently adjusted the yield table for the broadleaf crop type, from 181 m<sup>3</sup>/ha to 90 m<sup>3</sup>/ha to reflect this constraint.<sup>37</sup>

At a maximum of 90 cubic meters per hectare, at least 25,000 ha would be required for this sale. That is the equivalent of approximately 96 square miles, or one and one half the total area of

<sup>35</sup> In the June 2, 2011 Poyry/Sino-Forest joint conference call, the Poyry consultant further specified that the high price for the Yunnan broad leaf of \$102/m<sup>3</sup> was for "large logs"

<sup>36</sup> Sino-Forest Corporation, Valuation of China Forest Crop Assets As at 31 December 2009, Final Report, pp. 15 and A5-3. <http://www.sinoforest.com/filings.asp>

<sup>37</sup> Sino-Forest Corporation, Valuation of China Forest Crop Assets As at 31 December 2009, Final Report, pp. 15 and A5-3. <http://www.sinoforest.com/filings.asp>

Washington D.C. The volume required under either yield calculation is enormous and in excess of both TRE's contracted holdings as well as the Lincang region's local quota.

First, as described in detail in section IV of this report, TRE's contracted holdings in Yunnan are in Lincang City and amount to only 20,000 ha (300,000 mu, 15 mu = 1 ha), not the 200,000 ha claimed by the Company.<sup>38</sup> The 25,000 ha equates to 375,000 mu of forest land.<sup>39</sup> This 375,000 mu needed for the transaction is 75,000 mu in excess of its total contracted holdings and also ignores any previous depletions made in the years 2009 or 2008.

Second, the forest area required for harvest exceeds the total area available in the Lincang region under the annual quota of both 2010 and 2011 combined. In China, forest harvests have been strictly controlled through a quota system since 2001, with quotas established in the Five-Year Plans. The Provincial Forestry Bureaus proposes the quotas to the National Forestry Bureau and the State Council, which have approval responsibility. The Provincial Forestry Bureau then allocates quotas to the local forestry bureaus. Using the maximum yield estimated by Poyry of 90m<sup>3</sup>/ha, the minimum harvest area of 25,000 ha required to complete this sale by far exceeds the permitted logging quota for the Lincang City (which includes Gengma county) where the Company's operations and land holdings are located.<sup>40</sup> Our local field work in Lincang and Gengma, our calls to the Lincang and Gengma Forestry Bureaus, and open source research all confirm that this alleged sale of 2,265,000 m<sup>3</sup> of Yunnan broadleaf exceed the full available quota for natural forest (the classification for hardwood broadleaf) of not just the year 2010, or the two years of 2010 and 2011 combined, but all of 2010, 2011, 2012, 2013, 2014, and all of 2015! Our field agents contact the Lincang Forestry Bureau for re-confirmation of this fact, and the section chief there confirmed that the full years quota for each of 2009, 2010, and 2011 was 376,000 m<sup>3</sup>.<sup>41</sup>

Yunnan Lincang City Region Annual Quota for Natural Forest ('10 & '11)	376,000 m <sup>3</sup>
Years of Quota Req'd to Meet 2010 Harvest From 2,265,664 (m <sup>3</sup> )	6.02 years

#### How Much Forest Did Sino-Forest Forest if Sino-Forest Could Forest Forest?

Even if TRE's was able to simultaneously arrange unite a network of provincial traders in five surrounding regions, including from major competitors with both forests and local mills and plants, such as Yunnan Jinggu, Taixing Forestry, and Shanshui Forestry, around the common goal of filling TRE's order, there remain enormous bureaucratic and logistical obstacles. All of which could only be achieved through an miracle of political, labor, and logistics worthy of the last Great Chairman, Chairman Mao.

Assuming for a second, that all of the requisite plantation rights, logging permits, and transportation permits were properly secured, the actual task of logging still would need to be completed. The 2009 Poyry report explained that the typical harvesting practice in China as labor-intensive. This is especially so because of the required selective logging required for Yunnan broad leaf. Poyry states that, "Trees are typically felled by axe or handsaw, cut to length

<sup>38</sup> See Lincang City, Reply Regarding the Request for Approval D3 (English)

<sup>39</sup> Chinese land is typically measured in Mu (亩). 1 hectare (ha) = 15 mu.

<sup>40</sup> Muddy Waters field research, and Lincang City Forestry Dept., Lincang Quota, See Appendix C1

<sup>41</sup> Muddy Waters field research, and Lincang City Forestry Dept., Lincang Quota, See Appendix C1



in the forest and then carried to the roadside by hand.”<sup>42</sup> Additionally, Poyry found that logging broadleaf in Yunnan would be more expensive than any other region in China because of the mountainous terrain and the distances required for carriage of logs to a truckable road.<sup>43</sup> In the few of the Company’s plots that Poyry visited in Yunnan in 2009, its forest description notes frequently indicate that the plots which had the best trees with “good form” or “higher stocking and standing volume” were either in places that were “remote”, “several km from the nearest navigable road,” or with “slopes [that are] steep up to 35 degrees” making the harvest all the more arduous.<sup>44</sup>

To understand the sheer magnitude of the task involved, it is important to understand that Yunnan is a remote, rugged, mountain province that rises from the mountainous border areas of Burma and Laos all the way into the Tibetan Himalayas. Lincang itself is 92% mountainous, with two peaks over 3,000 meters (9,000 ft.), Lincang Snow Mountain and Yongde Snow Mountain, and its southern border drops down to the banks of the Lancang river (headwaters of the Mekong) in a progressive sequence of mountains and valleys.<sup>45</sup> In this rugged geography even the less mountainous, or “hilly” areas, would make for a difficult harvest. The prospect of harvesting any sizeable quantity of logs by hand would be daunting, magnifying the inefficiency exponentially. This brings us to another major hard constraint in this supply chain: logistics.

If by some miraculous feat of human labor, the Company’s army of farmers was able to selectively harvest the 2.2 million cubic meters of logs, there is the issue of actually transporting all of the wood. The roads through the mountains are dangerous, with switchbacks, steep precipices, and even no guard rails in the more remote mountain sections; roads leading into the agricultural areas are of a lower quality and often unpaved.<sup>46</sup> During the rainy season, which lasts from May to October, travel by road is further complicated by mud and occasional landslides. According to a local wood trader in Gengma city, Yunnan, the typical load for a small truck is about 20m<sup>3</sup> and a large truck is 30 m<sup>3</sup>. Even if TRE was able to load up all of its trucks with 25 m<sup>3</sup> and 35 m<sup>3</sup> of logs per load, somewhere between 65,000 to 90,000 truckloads would have been required to make the journey to nearest rail station 200 km (120 miles) away, assuming no losses of trucks or logs while navigating the precipices and hairpin turns.<sup>47</sup>

In short, unless this sale of 2.2 million cubic meters of broad leaf timber from Yunnan was fulfilled illegally (in excess of quota and without all of the requisite permits) and accomplished with an army of Chinese farmers and shipped out via a secret under-ground train tunnel running below the mountains, it either never happened or was grossly over-inflated.

#### **IV. TRE’s \$800 Million Yunnan Scam Shows Timber Holdings are Forged**

TRE claims to have purchased, under various master purchase agreements since 2006, timber costing \$2.891 billion. Smoking gun evidence shows that TRE overstated purchases from the

<sup>42</sup> 2009 Poyry report, p. 21 <http://www.sinoforest.com/filings.asp>

<sup>43</sup> 2009 Poyry report, p. 22 <http://www.sinoforest.com/filings.asp>

<sup>44</sup> 2009, Poyry report, pp. A3-3 to A3-7. <http://www.sinoforest.com/filings.asp>

<sup>45</sup> Muddy Waters Research field work in Lincang and Gengma. For more information on Lincang city and the surrounding regions see: <http://www.yunnanadventure.com/YunnanGuide/Lincang-Travel-Guide.html>, <http://www.seeyunnan.net/view.asp?id=224>

<sup>46</sup> Blog: [http://uselesstree.typepad.com/useless\\_tree/2011/04/dazhai-yunnan.html](http://uselesstree.typepad.com/useless_tree/2011/04/dazhai-yunnan.html)

<sup>47</sup> Muddy Waters Research Reports by FM and team.

Yunnan agent, Gengma Dai and Wa Tribes Autonomous Region Forestry Co. Ltd.<sup>48</sup> (also known as Gengma Forestry Co. Ltd. – see Appendix D1), which appears to be a legitimate agent, by approximately \$800 million.

The value of purchases made under Yunnan master agreement is overstated by approximately \$800 million. TRE announced in March 2007 that it had entered into a master agreement to purchase up to 200,000 hectares of plantation trees in Lincang City, Yunnan Province.<sup>49</sup> (Note that Gengma County is a sub-division of Lincang City.)

The SAIC file for TRE's Yunnan entity, Sino-Panel (Gengma) Co. Ltd. and the Lincang City Forest Bureau's 2008 – 2010 Work Completion Reports contain the following documents, which we used to understand the real terms of the Yunnan master agreement:

- 1) the Approval Letter by the Lincang City Commercial and Business Bureau (临商发《2007》68号) (Appendix D2)
- 2) the Approval Letter by Lincang City Development and Reform Commission (临发改经贸发《2007》234号) (Appendix D3)
- 3) the Lincang City's Forest Bureau 2008 Work Completion Report Summary and 2009 Work Leads (临林发 [2009] 1号) (Appendix D4)
- 4) the Lincang City's Forest Bureau 2009 Work Completion Report Summary and 2010 Work Leads (临林发 [2010] 1号) (Appendix D5)
- 5) the Lincang City Forest Bureau's 2010 Half Year Work Completion Report and Planning for the Second Half. (Appendix D6)

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<sup>48</sup> This is the agent that TRE refers to as the Gengma Dai and Wa Tribes Autonomous Region Forestry Company in its March 2007 announcement of the master agreement.

<sup>49</sup> See Sino-Forest website.

The approval letters state that TRE has entered into an agreement to acquire 6,667 ha (300,000 mu) of forest plantation in Lincang City. TRE acquired 75,000 mu in 2007 from Gengma Forestry Co. Ltd. The Yunnan agent told us that after TRE completed this purchase, it helped TRE acquire another 13,333 ha (200,000 mu) in the nearby Lincang counties of Mengding and Cangyuan. Below is a photo of the agent's office that our field agent took.



Lest there be any doubt that the approvals omitted the other 160,000 ha that TRE claims is covered under the agreement, information about the local economy and forest industry make it clear that TRE did not enter into agreements to acquire such a large amount of forest, and at such a high per unit price.

The 2008 Work Completion Report states that Lincang City's forest industry output was approximately \$380 million (RMB 2.6 billion). The report also states that the forestry business received only \$32 million in foreign investment in 2008. TRE would have represented 80% of the forestry GDP for the entire city – let alone county. It would have invested approximately substantially more than the city reports in foreign investment in the industry. (Again, their main operation is in Gengma county, which is a sub-division of the city.) In the 2009 Report, the industry output reached approximately \$440 million for the entire city. More interestingly, the report states that the city only issued forest rights concessions of 267 ha (4,000 mu) for the year. The 2010 semi-annual report states that as of 2010, Lincang City had issued forest rights concessions of 45,526 ha, valued at approximately \$50 million. From these numbers, we can see that TRE is overstating the per hectare cost by about four times. Below is the calculation based on Lincang City's numbers:

\$50 million / 45,526 ha = \$1,098 per ha

vs.

TRE's claimed purchase price of \$4,865 per ha.

The sheer scale of TRE's claims regarding its Lincang City, Yunnan transaction contradict reality. The Bureau of Statistics of Lincang stated the GDP of Lincang City was \$3.1 billion in 2010 (Appendix D7). This contract alone would have caused local GDP to grow to four billion dollars, making Lincang the next Shenzhen in terms of growth rate.

From our fieldwork, we were told that Gengma County's 2010 total GDP was only \$475 million. If TRE were to be believed, it would have been the vast majority of the entire economy of the county.

Further, we made calls to a local wood product manufacturer that appears to be one of the larger such companies in the area. He is familiar with TRE, and stated that he believes TRE purchased about 150,000 mu of plantation forest, which is in line with the documents we obtained. We spoke with a local official at the Gengma County Forestry Bureau who stated that TRE purchased 50,000 to 60,000 mu of forest. This range is a decent bit lower than the amount stated in the documents. The constant throughout is that the measurement unit is mu (again 6.7% of a hectare).

By all indications, the Yunnan agent is a legitimate agent. At least it is the only agent with a relevant scope of business. Its scope of business includes "wood and wood product purchasing, processing, and sales; forestry and forestry-related product planting, purchasing, processing, and sales; specialized economic forestry and wood project development and construction&" ("木材及木材制品收购、加工、销售; 林业及林下产品种植、收购、加工、销售; 特种经济林木及制品基地建设 and 项目开发&")

#### V. TRE's Dodgy Timber Agents

*Four Other Agents are Highly Unlikely to Have Sold the \$2.9 Billion TRE Claims to Have Bought*

Four other agents are highly unlikely to have sold anything close to TRE's claim of a combined \$2.9 billion. These agents, which would be among the largest private businesses in their locales, generally operated out of apartments while purportedly each doing annual revenue in the hundreds of millions from TRE alone. Two of these agents are managed by a senior TRE executive, Lam Hon Chiu.

TRE does not disclose the Chinese translations of its agents' names. We obtained the Chinese names from PRC audit reports (contained in the SAIC files) of various TRE subsidiaries. We show the various audit report pages with the agents' names in Appendix E1. We did not obtain the Hunan agent's SAIC file in time for this report, and we did not find the Chinese name for the Guizhou agent.

Guangxi agent: Zhanjiang Bo Hu Wood Co. Ltd. (湛江博虎木业有限公司)

TRE claims to have entered into a master agreement in December 2007 under which (as of December 31, 2010) it has purchased 150,000 ha of plantation for \$646.6 million. We are skeptical for the following reasons:

- Bo Hu was incorporated only one month before TRE entered into this massive contract. See the business license in Appendix E2.
- Bo Hu was thinly capitalized at the time of entering into the agreement – its registered capital was only \$135,000 (RMB one million) at the time. Obviously Bo Hu was not extending any credit to TRE for the tens of millions of dollars in timber purchases it was likely making at a given time.
- Bo Hu's scope of business does not include anything related to forest agency (unlike the Yunnan agent supra). Its scope of business at the time of purportedly entering into the agreement was "wood products, plywood, glues, paper products, and decoration material (木制品, 胶合板, 胶水, 纸制品, 装饰材料). Bo Hu did not add attempt to anything relevant to forest agency until September 23, 2008. See the application to change the scope of business in Appendix E2.
- Bo Hu is incorporated in Guangdong province, and would likely have substantial tax issues operating in Guangxi province (due to incessant competition among tax authorities in China). Further, all companies dealing with wood products must have a wood product permit issued by the forestry bureaus within the provincial jurisdiction. Bo Hu's license is for Guangdong – not Guangxi. See Appendix E3.
- While purportedly generating hundreds of millions of dollars in annual revenue, Bo Hu's office was in an apartment building in this apartment complex from August 2008 through sometime in 2009:



*How many \$200 million companies are in this apartment complex?*

Bo Hu's current office is now in a proper office building, but the high level of security is unusual. On the ground floor, our researcher was stopped by security guards who seemed very cautious and alert. They questioned our researcher regarding why he was there. He was only permitted to enter the building after convincing the guards he had an appointment with Bo Hu's vice president of sales, Mr. Xu. There was yet another security guard stationed outside Bo Hu's office door on the second floor. This type of security around an office of this size is highly irregular in China.

- We spoke with a Mr. Xu, who is the vice president of sales for Bo Hu. He is certain that Bo Hu does not deal in Guangxi plantations. Mr. Xu did say however that Bo Hu is a customer of Sino-Panel (one of TRE's subsidiaries), and has been buying plywood from it since summer 2010 in volumes less than \$1.5 million annually.
- Bo Hu's audit report shows that it has made substantial payments to TRE entities, including an undisclosed subsidiary. (See Appendix E4 & E5.) As we discuss *infra* in *Glimpses of How TRE Steals the Money*, we believe that some of these entities may be tunnels through which TRE steals investor funds.
- Bo Hu's 2008 audit report shows revenue of approximately \$37,000 (RMB 250,189) – for the sake of clarity, that is thirty-seven thousand dollars. See Appendix E6. It is inconceivable to us that Bo Hu would be able to understate its revenue by over \$200 million (or 99.9%) – at over \$200 million in annual revenue, Bo Hu would be one of the larger privately-owned businesses in Zhanjiang. It would not be able to avoid booking so much revenue, in which case the revenue in the audit report would reflect much larger amounts.

#### **Fujian Agent**

- Zhangzhou Lu Sheng Forestry Development Company Limited (漳州绿盛林业发展有限公司) was incorporated on Nov. 19, 2007 (Appendix E7), just nine months before TRE entered an approximately one billion dollar (RMB seven billion) master contract with it.
- The registered capital was only \$78,000 (RMB 550,000) (Appendix E7).
- The registered address was at Floor 1, No. 7 Xibian Hongyang New Village (Orchid Garden), Shan Cheng Village, Nanjing County (南靖县山城镇溪边宏洋新村 (兰花园) 7号1层) until November 29, 2010 (Appendix E10). This address is the personal residential address of Mr. Wang Rui Mei (Appendix E8), who is also listed on the SAIC filings to be the legal representative, executive director, supervisor, and manager of the company (Appendix E11).

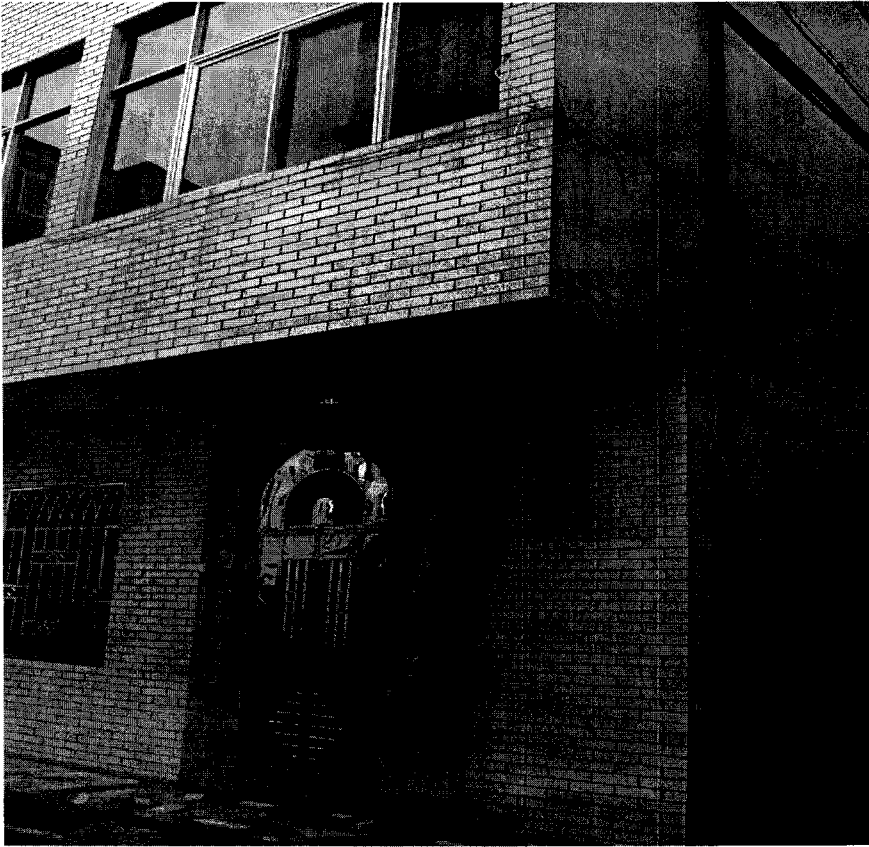
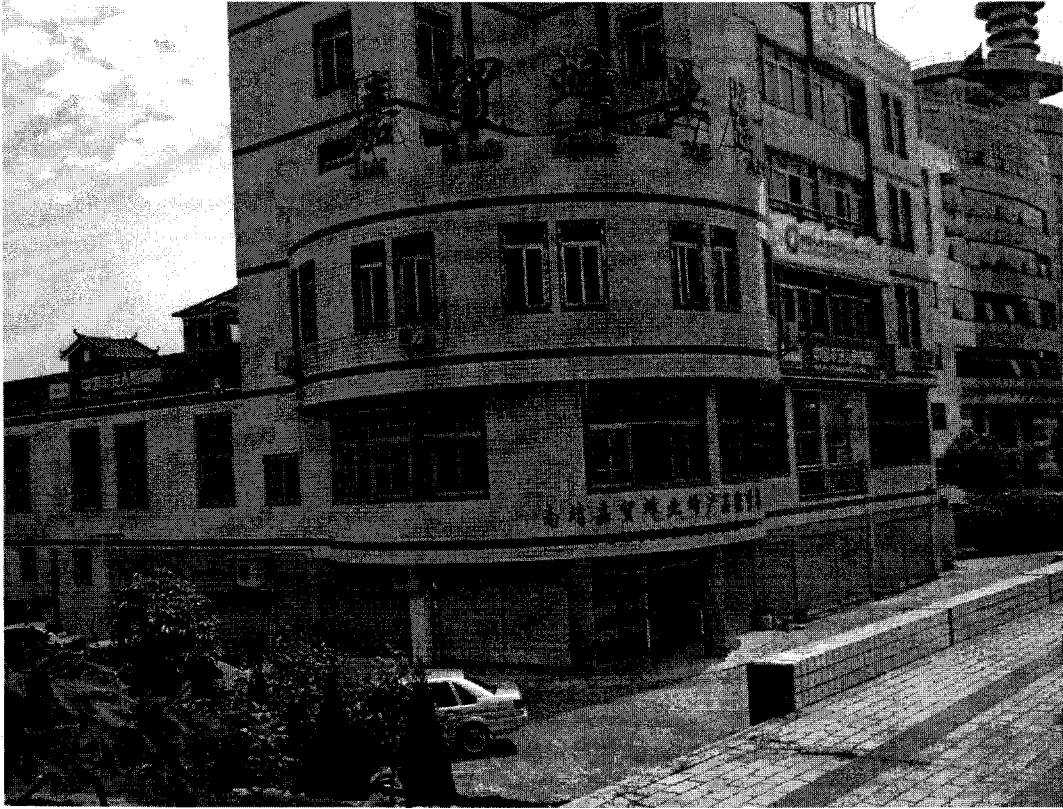


Image 10 No 7 Orchid Garden

- A copy of the master agreement signed by TRE and Zhangzhou Lusheng was found in the Sino-Panel (Fujian)'s SAIC files (Appendix E9a-E9g). It is a contract with a total of seven pages with no terms regarding liability – it seems to be an unlikely billion dollar contract. Interestingly, the contract stated that as of the time signing the contract Lusheng has already been authorized by the owners of 200,000 Ha of the forests in Fujian to act on their behalf. However, Lusheng did not have any wood or forestry related license at the time it entered into the contract.
- We sent a team of field agents to visit Zhangzhou Lusheng in Fujian. Our agents located the new registered address at 5<sup>th</sup> Floor, Jiamao Honey Industry, No 362 Construction Road, Shancheng Town, Nanjing County (南靖县山城建设路 362 号嘉贸峰业大厦 5 楼)。







Field enquiries confirmed that Zhangzhou Lusheng operates at the address on the 5th floor. There are four desks in Zhangzhou Lusheng's office, which appeared to be approximately 180 m2 with 5-6 employees in the office at the time of visit. This implies that Lusheng has an extremely efficient computer system (given that it processes so much money and so many payments with a small staff).

- Our researcher paid a visit to the Nanjing County Forestry Bureau and spoke with the Unit Head Mr. Ma there. Mr. Ma claimed that he has not heard about Zhangzhou Lusheng nor has he heard of Wang Rui Mei.

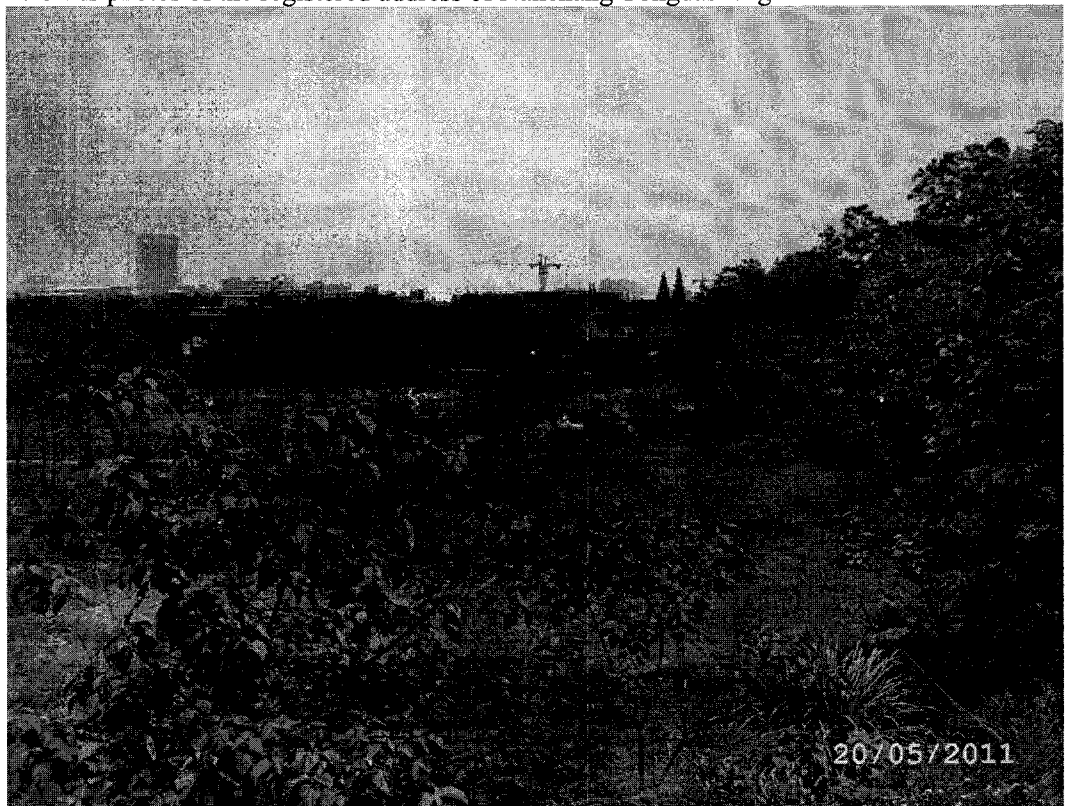
#### Jiangxi Zhonggan

- This agent is a related party. The legal representative and President of this company is TRE executive vice president, Lam Hong Chiu.
- Jiangxi Zhonggan Industrial Development Company Ltd (“Zhonggan”)江西中赣实业发展有限公司 was incorporated on January 28, 2009 just five months before TRE entered into an approximately \$700 million contract on June 16, 2009. See the business license in Appendix BB2.
  - Yun County Electronic Paper (云县电子报), an online newspaper operated by the Yun County local government (中共云县委云县人民政府主办), published an article naming Lam Hon Chiu as the general manager of Hong Kong Sino-Panel Company who has visited Yun County with government officials on July 23rd, 2010. <http://61.166.10.99:8011/Qnews.asp?ID=5340&QID=1837> (Appendix E12)
  - Dongkou County Hunan, an online article published on Dongkou County government website stated that on February 5, 2007, the county government met with the top management of Canadian Sino-Forest Group including Chairman Allen Chan (陈德源), VP Ye Han Xiang (叶翰祥) and VP Lam Hon Chiu (林汉钊) at Changsha discussing the possibility of investment in Dongkou County. <http://dongkou.mofcom.gov.cn/column/print.shtml?zhongyaozt/200707/20070704898019> (Appendix E13)
  - Qiqihaer City Heilongjiang, an online article published on June 20, 2006 on the Qiqihaer city's government website stated that the Qiqihaer government official met with the VP of Sino-wood (Asia) Limited Lam Hon Chiu (林汉钊) on their trip to Hong Kong to discuss investment in Qiqihaer City. [http://www.qqhrmofcom.gov.cn/index.php3?file=detail.php3&kdir=2200134&no\\_wdir=2030157&id=830707&detail=1](http://www.qqhrmofcom.gov.cn/index.php3?file=detail.php3&kdir=2200134&no_wdir=2030157&id=830707&detail=1) (Appendix E14)
  - On one of the company listing website <http://www.bldg-materials.com.hk/master.php?keyword=1854> listed Lam Hon Chiu as the Senior Manager of Sino-Panel (Asia) Limited. (Appendix E15)

Jiangxi Zhonggan is clearly a related party related party.

- Jiangxi Zhonggan is a joint-venture incorporated by Hong Kong China Square Industrial Ltd. 香港中国坊实业有限公司 (China Square) and Nanchang Tongdasheng Industrial Company Ltd. 南昌市通达盛实业有限公司 (Tongdasheng) with a total register capital of USD 5 million with USD 4 million by China Square and USD 1 million by Tongdasheng.

- China Square is a company registered in both Hong Kong and BVI with Lam Hon Chiu as its legal representative, it seems to be a shadow actor on TRE's behalf to setup undisclosed but related subsidiaries in China.
- By looking at the SAIC file of Jiangxi Zhonggan's Chinese partner Nanchang Tongdasheng, we don't see any reason for its existence except that TRE needs a Chinese name to legally register a joint venture as its agent in Jiangxi. Tongdasheng was incorporated November 3rd, 2006, with a registered capital of 500,000 RMB. The registered address is a fishing village near Nanchang city 南昌市西湖区桃花镇渔业村. The business scope is Domestic Trading 国内贸易 (Appendix E16). According to the 2009 Annual Check Report in the SAIC files that the revenue of Tongdasheng for 2009 is USD 14,909.84 (RMB 104,368.93) with a net profit of USD 326.58 (RMB 2,286.07). It is nearly impossible for such a company to invest on its own with USD 1 million to setup Jiangxi Zhonggan with China Square unless someone else is "funding" the amount.
- Below is photos of the registered address of Nanchang Tongdasheng.





The 2008 and 2009 Jiangxi Zhonggang's audit report shows numerous large transactions between the Company, TRE, and other parties. However, none of these transaction is forestry related.

#### **VI. The Capital Hole**

Chinese government records show a capital hole that makes claimed timber purchases impossible.

China imposes capital controls that ensure there are records of significant movements of foreign currency into China. From TRE's PRC company SAIC files, it is clear that TRE's cash needs in China outstrip the capital it has contributed to its China operations by at least \$377 million, and possibly quite more. China's capital controls prevent TRE from funding its operations from outside of the PRC by purchasing trees through payment of foreign currency.

When an existing PRC company wants to bring foreign currency into China as investment in the business, it applies to the Ministry of Commerce, the State Administration of Foreign Exchange, and the State Administration of Industry and Commerce ("SAIC"). Once the authorities approve the application, the company may bring in the approved amount of foreign currency. When an investor forms a new foreign-owned company, it must specify foreign currency it will invest.

The authorities will review the entire establishment application, including the portion requesting the right to bring foreign currency into China.<sup>50</sup>

A given company's SAIC file shows records current within a few months of all applications for injecting equity capital. Further, PRC law requires equity capital injections to be verified by PRC licensed accountants. The amount of debt a company can borrow is limited by law, and SAIC records reflect the amount of money that a company is approved to borrow from offshore. However, debt injections are not recorded in SAIC files. We totaled up all of TRE's actual equity injections and approved debt injections (again, the debt capital is not verified, but we gave TRE the benefit of the doubt), and the amount of capital that went into TRE's PRC operations is only \$1.213 billion since 1994. Its investments were \$1.7 billion larger than its operating cash flow during this period. (Note that these figures also exclude the need for operating cash.) Therefore, TRE has a capital hole of \$377 million to \$922 million. It could not have purchased the trees it claims to have.

<b>(USD millions)</b>	
OCF	3,308
CapEx - Disposals	5,058
Total ST Borrowings incl. Repayments	160
Onshore Capital Need	1,590
Capital Contributed - High	1,213
Capital Contributed - Low	668
<b>Onshore Cash Hole - Low</b>	<b>377</b>
<b>Onshore Cash Hole - High</b>	<b>922</b>

*Cash flow numbers from Bloomberg. To be conservative, we assumed that all short-term borrowings were onshore.*

TRE could not have funded its business with foreign currency. If TRE were going to pay the supplier in foreign currency, it would be illegal unless the goods sold were for export. Because the investments are not for export out of the PRC, the sellers would not be able to obtain customs declarations. Large amounts of foreign currency hitting the sellers' bank accounts without accompanying customs declarations would be quite risky for the sellers just on a one-time basis – such a transaction could lead to inability to convert the currency, and issues with the customs and tax bureaus. We do not believe that TRE found suppliers willing to engage in transactions with such large risks throughout its 16-year reporting history. Therefore TRE could not have made these investments by paying the sellers in foreign currency in the PRC.

TRE's agents under the master purchase agreements are thinly capitalized (see *infra* TRE's Dodge Timber Agents). They could not have each funded hundreds of millions of dollars in undocumented currency swaps done through offshore bank accounts.

<sup>50</sup> For more on how China's currency controls work, see Collins, Robert and Block, Carson "Doing Business in China for Dummies" (Wiley 2007), chapter 9.

TRE's only means of funding these investments would have been by injecting investment capital into its own PRC companies, which it did not do in sufficient amounts. Therefore, TRE's claimed investments and revenues are fraudulent.

### VII. TRE's Manipulation of Poyry Reports

TRE's abuse of Poyry's name is well-illustrated by a recent statement that TRE CFO David Horsley made at the annual shareholders' meeting on May 30, 2011 that Poyry teams spend "four to six personal weeks" in the field evaluating TRE's holdings. On a June 1, 2011 call the statement was clarified to mean that a team of four people each spends six days in the field, so that the total approximates six man-weeks of work. (Amusingly reminiscent of Bill Clinton's "I did not have sexual relations" comment.)

Since 2003 Poyry (Beijing) and its Shanghai branch have been engaged to conduct reviews of TRE's operations and value its assets; however, Poyry's purpose is only to estimate the market value of the forest assets based on information provided by TRE, and not to perform due diligence or confirm the ownership of the forest areas.<sup>51</sup> In numerous locations throughout the reports, Poyry adds disclaimers, stating:

- Poyry has not viewed any of the contracts relating to forest land-use rights, cutting rights, or forest asset purchases<sup>52</sup>
- It is important to understand that this is not a confirmation of forest ownership, but rather a verification of the mapped and recorded areas of stocker forest.<sup>53</sup>

However, despite a generally favorable report, Poyry nevertheless cannot hold back a degree of astonishment at TRE's unusual trading practices, describing in the reports opening paragraphs that TRE's forest holdings are "dynamic" (emphasis provided by Poyry).<sup>54</sup> Poyry states, "Unlike most forest owners and managers, Sino-Forest actively trades in forests. Each year the company both sells and buys forests, and accordingly the composition of the forest estate changes much more than for a business that is simply managing and harvesting a more static resource."<sup>55</sup> This fact greatly complicates its inspection and valuation process as "the composition of Sino-Forest's estate can change quite significantly from one year to the next."<sup>56</sup>

Certainly such dynamic trading complicates inspection and verification activities, as it is tantamount to a giant shell game. With a maximum of only 53% of existing 2008 forest being carried over into 2009,<sup>57</sup> it is easy to disclaim any specific accusation of lack of forest rights ownership in any given plot or region.

<sup>51</sup> Conference call, June 1, 2011, Poyry valuation discussion.

<sup>52</sup> 2009 Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. iv <http://www.sinoforest.com/filings.asp>

<sup>53</sup> 2009 Poyry, p. 12

<sup>54</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. vi & 8

<sup>55</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. vi & 8

<sup>56</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 8

<sup>57</sup> 2009 Poyry report, Valuation of China Forest Crop Assets As at 31 December 2009, 23 April 2010, Rev 03, [www.sinoforest.com/filing.asp](http://www.sinoforest.com/filing.asp), p. 8

In introducing its methodology for assessing risk into the discount rate calculation, 2009 Poyry explains that the valuation of forest crop assets faces challenges, including:

- The reliability of forest descriptions
- The accuracy of yield prediction
- Achieving high growth rates in a consistent manner<sup>58</sup>

The Poyry report explains that its review of forest land holdings consisted of selecting 66 cluster maps that represented only 1,611 ha of forest, or only about 0.3% of TRE's claimed 491,000 ha.<sup>59</sup> During the June 1, 2011 conference call, Poyry revealed that the figure for the 2010 assessment was only 0.1% of estate holdings due to the substantial increases in newly acquired plantations. Poyry further reveals that current yield tables for these forests have not been properly established.<sup>60</sup> Poyry has performed some field studies and collected sample data from various plots, but its statistical analysis comes with the caveat that "in comparison with most other forests, the large Sino-Forest estate is significantly under-sampled for growth and yield purposes."<sup>61</sup> In short, due to the poor quality of data and documentation on the forest plot, until there is an opportunity to both verify the forest's physical characteristics and use satellite imagery on all forest claims, that the sample sizes are too small to establish significance. Poyry and all investors then can only take TRE at its word that the remaining 99.9% of its purported holdings are accurate in terms of their size, yield, and composition.

#### Do You Think a 2.5% Risk Premium on TRE's Discount Rate for WACC Seems a Little Low?

Poyry's 2009 report includes an appendix detailing the calculation method for the discount rate, WACC, and CAPM; wherein the consultant, Dr. Mardsen, from the University of Auckland's Dept. of Accounting and Finance of the School of Business, provides details on formulas used to value a generic forest asset in the China. Dr. Mardsen repeatedly emphasizes the need to keep in mind the additional risk associated with developing markets, such as capital controls, political instability, corruption, poor accounting and managerial controls, an uncertain legal framework and lack of protection of investor property rights; and factor a premium onto the discount rate of the cost of capital, stating:<sup>62</sup>

In China and in emerging markets the level of corporate governance may vary significantly between companies. Corporate governance is important as it provides mechanisms whereby outside investors can protect themselves against expropriation by insiders. Corporate governance can impact on the risks that outside investors may face in respect of any expropriation of assets. These factors together with the size and other market frictions may warrant an adjustment to the cash flow expectations and/or an

<sup>58</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 55

<sup>59</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 11

<sup>60</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 17

<sup>61</sup> Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 17

<sup>62</sup> 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 5



increment to the cost of capital for the forest if investors' property rights are not clearly defined. Where control is not obtained a minority discount and / or illiquidity discount many apply.<sup>63</sup>

Dr. Marsden calculates the real pre-corporate tax WACC range of between 7.1% to 12.8%. Poyry then selected the current 8.5% to 9.0% discount rates in New Zealand and adds a 2.5% to 3.0% resulting in a discount rate of 11.5%, providing for the 2006 pre-tax cash flow valuation of TRE's assets at \$2,297.5 million USD as of December 31, 2010.<sup>64</sup> But, Dr. Marsden closes with a note and a warning:

If significant corporate governance and agency cost issues between insides and outside investors arise (e.g. from lack of transparency, possible risk of expropriation of assets, restrictions of remittance of profits, or exchange rate control), the use of cost of capital at the upper end of our range may be warranted.<sup>65</sup>

It begs the question; if evidence of systemic and comprehensive fraud and illegal activity is discovered in the Company from inception, throughout its operating history, and into the present, by how much would the discount rate need to be adjusted?

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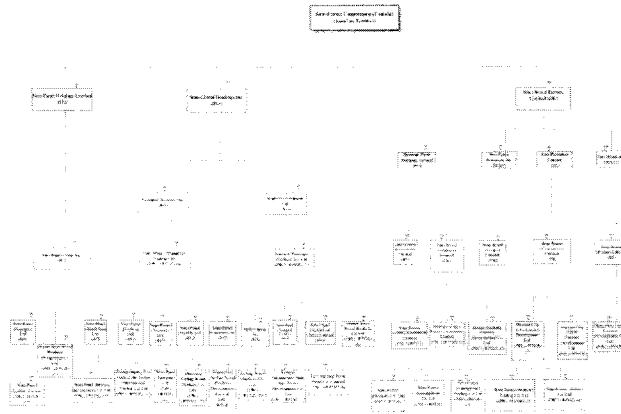
<sup>63</sup> 2009 Poyry, P. 4, 5

<sup>64</sup> 2009 Poyry, p. vi; 58; 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 23.

<sup>65</sup> 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 23

### VIII. Egregiously Complex and Opaque Offshore Structure

In TRE's 2010 annual information form, it discloses that it has at least 20 British Virgin Island ("BVI") entities. As a recent South China Morning Post article points out, BVI is the favorite domicile of Chinese seeking opacity. There is no public shareholder registry, and there are no requirements to file tax returns. TRE no longer discloses its organizational chart, but the last one it made available in an annual information statement is from 2007 – see below. This structure is highly opaque, and in our view, unnecessary for legitimate business purposes. It is not a tax-optimized structure either due to direct ownership of PRC entities by BVI subsidiaries. (Dividends remitted to Hong Kong holding companies are taxed at a lower rate than dividends to BVI owners.) We therefore pose the following question to TRE's management (given its emphasis on its transparency): "Why have you structured the business in this way?"



## **IX. Suspicious Bank Document**

### Suspicious Bank Document.

The following bank letter appears to be written on behalf of Sino-Wood Partners, Ltd. We found it in incorporation applications in the SAIC files for four of Mandra's entities. TRE, which now owns 100% of Mandra, was a founding shareholder of Mandra with a 15% stake. Sino-Wood was the entity that was reverse merged into the public shell to make TRE a public company. It had been expected to IPO in 2003, but the IPO was unexpectedly canceled.



PRIVATE & CONFIDENTIAL

Ref

CMB TSD Division B

Relevant Approval Authorities and Administration  
Authorities for Industry & Commerce

1 February 2005

Dear Sirs

Re:MANDRA FORESTRY ANHUI LIMITED

At the request of Sino-Wood Partners,Limited(the "Company"),we have pleasure in advising that the Company has maintained an active and satisfactorily conducted current account with us.General banking facilities to the extent of HKD medium eight figures have been granted to the Company on an unsecured basis. For the past twelve months, we have handled their import/export bills business with satisfactory results.We consider the Company is good for normal business engagement.

The aforesaidinformationis given in strict confidence and without any responsibility,howsoever arising,on the part of the Bank or any of its officers.

Yours faithfully

A handwritten signature, appearing to be a stylized letter 'A' or a similar mark, written in black ink.

## **X. Shoddy Corporate Governance**

Internally, TREs fraud was enabled by poor corporate governance. The corporate governance issues include the following:

- TRE's board appears to be the retirement plan for partners of its auditor, Ernst & Young. It currently has five directors on its board from E&Y. We believe that such a clubby atmosphere can dull the auditors' ability to perceive problems.
- We are bothered by senior management's practice of paying its salary via fees to a consulting firm – this is inappropriate for a public company with a multi-billion dollar market capitalization. More disturbing is senior management's C\$12 million buyout of its own shares in subsidiary with investor funds. (The subsidiary's planned 2003 IPO was unexpectedly canceled.)
- TRE failed to disclose a 2003 petition to wind it up at the listed company level.
- TRE has failed its internal control test. The 2010 failure is due to senior management personally handling settlement of accounts receivable and accounts payable. This is particularly troublesome because the notes to TRE's financial statements appear to state that the majority of TRE's receivables from its accounts receivable are paid by TRE's AIs to TREs agents to pay off timber purchases. If our reading is accurate, then a substantial portion of TRE's purported revenue would not even be expected to hit its bank account, thereby making the fraud substantially easier to carry out.

## **XI. Glimpses of How TRE Steals the Money**

- From reviewing TRE and the "Agent's'" annual inspection and audit reports from the SAIC files, it seems that the agents mainly serve as a tunnel to move money for TRE.
- These agents generally report little to no revenue or profit, and pay little to no tax. However, they have balance sheets orders of magnitude the sizes of their revenues. The balance sheets mainly consist of receivables from TRE entities, and disturbingly, payables to TRE entities.
- Both Yunnan and Guangxi agents are sending a large amount of money to TRE's

2009	Zhanjiang Bohu 湛江博虎	Jiangxi Zhonggan 江西中赣	Gengma Forestry 耿马林业
Revenue		¥58,516,200.00	¥455,400.00
Tax Paid		¥0.00	¥122,757.00
Profit	Not Available	¥42,528,626.48	(¥1,199,609.00)
Total Assets (Year End)		¥619,731,395.86	¥121,465,482.00
Total Debts (Year End)		¥543,260,074.78	¥120,338,833.00

Bohu's 2008 Transactions (TRE entities are highlighted) (Appendix E4 and E5)

### Bohu 2008

#### Prepayments Made

Shaoyang Jiading (TRE)	邵阳嘉鼎	¥49,871,398.63
Hunan Jiayu (TRE)	湖南嘉裕	¥24,202,808.06
Xiangxi Jiayi (TRE)	湘西嘉熙	¥30,925,793.41
		<b>¥105,000,000.10</b>

#### Other Account Receivable

Sino-Panel (TRE)	嘉汉板业	¥38,661,000.00
Guangxi Dacheng	广西大成	¥15,000,000.00
Xuwen Hengdong	徐闻恒东	¥7,610,000.00
Guangxi Bohu	广西博虎	¥3,200,000.00
Beihai Real Estate	北海房地产	¥27,813,100.00
Zhanjiang Tianxiang	湛江天翔	¥25,450,000.00
Zhanjiang Tianlun	湛江天伦	¥19,000,000.00
Leizhou Bangsheng	雷州邦盛	¥40,000,000.00
Leizhou Hengfu	雷州恒福	¥1,897,777.11
Other	其它	¥1,009,563.51

Bohu has an account payable of RMB 327.8 million to six companies. Four of the six companies are Sino-Panel Subsidiaries. The fifth company Huaihua Yuda is an undisclosed TRE subsidiary that has been receiving massive amounts of money from TRE's subsidiaries. The last company listed is Guangxi Bobai Forestry, which is supposed to be a partner forestry company in Guangxi; however, but the amount owed RMB 2.09 (\$0.30) pales in comparison.

Jiangxi Zhonggan (an undisclosed related party) plays the same games. Its 2009 audit report shows that it had received a prepayment of RMB 448.6 million from Sino Panel China (Investment) Company Ltd. In the same year, it made a prepayment of RMB 212.0 million to Harbin Oubangde Economic and Trading Co. Ltd., a trading company in Harbin, whose business has nothing to do with acquiring forests in Jiangxi Province. According to the audit report, Jiangxi Zhonggang has dealt with more trading companies than forestry companies. (Appendix K3 and K4)

The same is true for Gengma Forestry (a mostly legitimate agent). Its revenue has been declining since it entered into the master agreement with TRE. The revenue was RMB 3.6 million in 2007, and declined to RMB 160,000 RMB in 2008 and RMB 455,400 in 2009. The assets and debts are 787 times 2008 revenue, and 266 times 2009 revenue. Although it really does broker forests, it appears to be helping TRE in some way beside acquiring forest.

TRE has a significant undisclosed subsidiary, Huaihua Yuda Wood Company Ltd. (怀化裕达木业有限公司). Huaihua Yuda has taken massive amount from TRE's subsidiaries, but its existence was never disclosed. In 2007, Huaihua Yuda received a prepayment of RMB 92.0 million from Sino Panel (Hezhou) and another payment of RMB 81.0 million from Sino Panel (Gengma). (Appendix K5 and K6) According to our research from two government websites, Huaihua Yuda is a subsidiary of TRE.

## **XII. The Multi-Billion Dollar Ponzi Scheme**

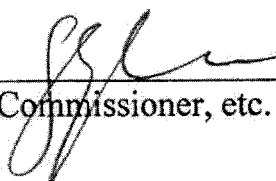
Sino Forest to date has raised over \$3.05 billion from the capital markets and has not paid a cent back from free cash flow, nor has it paid a dividend.

an acquisition pipeline, TRE cannot justify raising capital from new investors. Without new investors, it cannot repay old investors, and would fall apart.

As expected, TRE is still talking about a large acquisition pipeline for 2011.



This is Exhibit "D" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.

  
A Commissioner, etc.

## PLAINTIFFS' LITIGATION PLAN

### CLASS COUNSEL

1. The plaintiffs have retained Siskinds LLP and Koskie Minsky LLP ("Class Counsel") to prosecute this class action. Class Counsel has the requisite knowledge, skill, experience, and resources to prosecute the action to resolution.
2. The U.S. law firm of Kessler Topaz Meltzer & Check, LLP ("Kessler Topaz") has also been retained to assist in this matter. Kessler Topaz, by virtue of its extensive experience and accomplishments in securities class actions, can assist on a wide arrange of issues including the selection of appropriate consulting or testifying experts, an assessment of class damages, the review and analysis of documentary evidence produced in the litigation and the preparation of witnesses or counsel for cross-examinations or examinations for discovery. Kessler Topaz will also provide assistance with any U.S. law that may apply to the claims of some or all U.S. resident class members. Kessler Topaz will not provide advice as to Canadian law or procedure, nor will they be conducting cross-examinations or making Court appearances in this action.

### THE COMPOSITION OF THE CLASS

3. The plaintiffs seek to represent the Class, consisting of:

All persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the *Securities Act*, R.S.O. 1990, c. S.5 ("OSA"), during the period from and including March 19, 2007 to and including June 2, 2011:

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter; or

(b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada,

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

#### **REPORTING AND COMMUNICATION**

4. Class Counsel has posted information about the nature and status of this action on their websites.<sup>1</sup> That information will be updated regularly. Copies of important, publicly available court documents, court decisions, notices, documentation and other information relating to the action are or will be accessible from the websites.
5. The websites also:
  - (a) contain a communication webpage, a feature that permits putative Class Members to submit inquiries to Class Counsel, who will promptly respond;
  - (b) list a toll-free telephone direct dial number, permitting putative Class Members to make inquiries to a live person.

#### **DOCUMENT MANAGEMENT**

6. Class Counsel will use data management systems to organize, code and manage the documents produced by the defendants and all relevant documents in the plaintiffs' possession. Class Counsel will seek the agreement of defendants' counsel to facilitate the electronic exchange of documents.

#### **LITIGATION SCHEDULE**

7. The plaintiffs have brought a motion seeking leave to amend the statement of claim to advance the cause of action available under Part XXIII.1 of the *OSA* and the equivalent securities legislation in other provinces of Canada.

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<sup>1</sup> <<http://www.kmlaw.ca/sinoforestclassaction>>

<<http://www.classaction.ca/classaction-ca/master-page/actions/Securities/Current-Actions/Sino-Forest-Corp-.aspx>>

8. The leave motion is scheduled for the same hearing date as the certification motion.
9. After disposition of the leave motion and the certification motion, absent agreement among counsel, the plaintiffs will ask the court to set a litigation schedule for the remaining steps in the action. The plaintiffs may ask from time to time that the litigation schedule be amended.

**NOTICE PURSUANT TO SECTION 138.9 OF THE *OSA***

10. In the event that leave is granted by the court under Part XXIII.1 of the *OSA*, then, pursuant to section 138.9 of the *OSA*, the plaintiffs will:
  - (a) promptly issue a news release disclosing that leave has been granted to commence an action under Part XXIII.1;
  - (b) send a written notice to the Ontario Securities Commission within seven days, together with a copy of the news release; and
  - (c) send a copy of the statement of claim, as filed, to the Ontario Securities Commission.
11. The plaintiffs will also put a copy of the news release and leave decision of the court on the websites of Class Counsel.
12. Prior to the issuance of that notice, the plaintiffs will bring a motion for an order approving the form, content and manner of distribution of the section 138.9 notice, and requiring the defendants to pay the costs thereof. In the event that the court does not order the defendants to pay those costs, then the plaintiffs will issue that notice at their own expense, reserving their right to seek recovery of these costs from the defendants by order of the judge presiding at the trial of the common issues.

**NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE**

13. If the action is certified as a class proceeding, the plaintiffs propose that a notice advising of the certification be circulated to advise class members, among other things, that:
- (a) the court certified the action as a class proceeding;
  - (b) a person may only opt out of the class proceeding by sending a written election to opt out to the recipient designated by the court before a date fixed by the court;
  - (c) a person may not opt out of the class proceeding after the date fixed by the court; and
  - (d) if the common issues are resolved in favour of the class members, claimants may be required to file a claim and submit documentation to a designated person in order to be entitled to any compensation.
14. The plaintiffs propose that the notice advising of certification, in a form approved by the court, be distributed and published in the following manner:
- (a) posted by Class Counsel on their websites;
  - (b) provided by Class Counsel to any person who requests it;
  - (c) sent directly to the addresses of class members based on a list of names and addresses for security holders to be provided by the defendants;
  - (d) published once in the national edition of *The Globe and Mail*, Report on Business section;
  - (e) published once in the national edition of the *National Post*, Financial Post section;
  - (f) published once in *La Presse*;
  - (g) made available orally by recorded message at Class Counsel's toll-free line;
  - (h) sent to brokers in Canada asking them to bring the notice to the attention of their clients who acquired Sino-Forest securities during the class period; and
  - (j) posted by Sino-Forest in a prominent location on the main page of its website.

15. The plaintiffs may ask the court to order that the defendants pay the costs of disseminating the notice in the above manner. Alternatively, the plaintiffs will pay the costs in the first instance, reserving their right to seek recovery of these costs from the defendants by order of the judge presiding at the trial of the common issues.

**THE PLAINTIFFS' EXPERTS**

16. The plaintiffs have retained the following experts to date:
  - (a) Forensic Economics Inc., a firm of economists and damages experts, to provide assistance on the efficiency of the market for trading in the Sino's securities during the class period.
  - (b) Rosen & Associates Limited, a firm of chartered accountants that have provided an expert report evaluating Sino-Forest's financial reporting and the professional performance of Sino-Forest's auditors.
  - (c) Carol-Ann Tjon-Pian-Gi, a lawyer in Suriname, South America, who has provided advice and assistance as to Suriname law as they relate to allegations regarding Sino-Forest's operations in that jurisdiction.
  - (d) Dacheng Law Offices, a law firm in China, which was retained to provide advice and assistance as to law in the People's Republic of China as they relate to allegations regarding Sino-Forest's Chinese operations.
17. Class Counsel has the expertise and resources to identify and retain appropriate expert assistance as the matter proceeds.

**REFINEMENT OF COMMON ISSUES**

18. Following the filing of statements of defence and the completion of discovery, the parties may seek an amendment of the order certifying this proceeding to deal with any necessary refinement to the common issues arising from those processes.

**TRIAL OF THE COMMON ISSUES**

19. The plaintiffs will seek the early appointment of the common issues trial judge to address issues of trial management in advance of the trial to ensure the orderly and efficient determination of the common issues.
20. The plaintiffs will ask the court to hold the trial of the common issues twelve (12) months after the completion of the examinations for discovery and the production of the information required by the undertakings and any motions.
21. Part XXIII.1 of the *OSA* provides specific directions for the calculation of damages payable under those provisions. The plaintiffs will ask the court at the common issues trial to determine the formula by which the damages of class members are to be calculated.
22. To the extent possible, the plaintiffs will ask the trial judge to apply sections 23 and 24 of the *CPA* to the assessment of damages.
23. The plaintiffs will also seek an order under section 26 of the *CPA* that the defendants pay into court, or some other appropriate depository, the total amount of the defendants' liability to the class.

**NOTICE OF THE RESOLUTION OF THE COMMON ISSUES**

24. If the common issues, or some of them, are resolved in favour of the plaintiffs, the court will be asked to:
  - (a) settle the form and content of the notice of resolution of the common issues.
  - (b) order that the notice of the resolution of the common issues be distributed to those class members who did not validly opt out.

- (c) determine the most efficient method of distribution of the damages under sections 23, 24 and 26 of the CPA and, if required,
  - (i) prescribe the information required from class members in order to make a claim under Part XXIII.1 of the *OSA*; and
  - (ii) prescribe the information and procedure required in order for class members to make a claim at common law.
- (d) if necessary, set a date by which each class member may be required to file a claim.

25. The plaintiffs propose that the notice of resolution advise class members, among other things:

- (a) the plaintiffs were successful on the common issues, or some of them;
- (b) the amount of damages awarded, if any, and the method of distribution or claims procedure as determined by the court;
- (c) damages for each class member under Part XXIII.1 of the *OSA* will be calculated based on her/his/its trading particulars;
- (d) each class member will have the opportunity to review and, if necessary, provide information to correct the calculation of his damages under Part XXIII.1 of the *OSA* by accessing personal transaction particulars through the secure portion of the websites;
- (e) if the liability caps under Part XXIII.1 of the *OSA* are engaged and if any further facts require additional proof, each class member will have the opportunity to come forward and establish the defendants' liability at common law or equity by proving the facts prescribed by the court, should the claimant choose to do so; and
- (f) their rights against the defendants in relation to the misrepresentations alleged will be deemed to have been finally adjudicated whether they submit a claim or not.

26. The plaintiffs will ask the court to order that the notice of resolution of the common issues be distributed substantially in accordance with the procedure set out in paragraph 14 above. This notice, to the extent possible, should be sent directly to each class member.



**CLAIMS PROCESS IF AGGREGATE AWARD OF DAMAGES**

27. If the court at the common issues trial determines that damages can be determined on an aggregate basis and awards judgment accordingly, then the plaintiffs will ask the court to appoint a claims administrator, with such rights, powers and duties as the court directs, to receive and evaluate claims in writing and to distribute the monetary award in the most efficient and cost-effective manner in accordance with the protocols approved by the court pursuant to sections 24 and 26 of the *CPA*.
28. In order to simplify the claims process, the administrator will, wherever practical, utilize:
- (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the websites ("Database");
  - (b) standardized claims forms and filing procedures; and
  - (c) summary methods of introducing documentary evidence.
29. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Sino-Forest securities, and, if applicable, evidence confirming disposition of Sino-Forest securities.
30. The court will be asked to set a deadline by which class members must file their claims with the administrator.
31. Any person who does not file a claim with the administrator before the claims deadline will not be eligible to participate in the damages assessment procedure and will not be entitled to recover any damages without leave of the court.

32. If any claimant disagrees with the administrator's decision relating to eligibility or calculation of damages, he may elect to have the administrator reconsider its decision within a time period fixed by the court.
33. The administrator's decisions will be final. There shall be no right of appeal from the administrator's decisions.
34. If the total available for distribution to class members is not fully disbursed to the class members within a period of time fixed by the court, the unpaid amount shall be distributed by the administrator to designated recipients in such manner and on such terms as the court may direct.

**PROCESS IF INDIVIDUAL ISSUES REQUIRE DETERMINATION**

35. If the court at the common issues trial determines that damages cannot be determined on an aggregate basis, then the plaintiffs will ask the court to appoint a referee, with such rights, powers and duties as the court directs, to receive and evaluate claims (including submissions and evidence) with respect to any outstanding individual issues and the assessment of damages, pursuant to section 25 of the *CPA*.
36. In order to simplify these determinations, the referee will, wherever practical, utilize:
  - (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the websites ("Database");
  - (b) standardized the forms and filing procedures for evidence and submissions; and
  - (c) summary methods of introducing documentary evidence.
37. The types of evidence required for such determinations shall be specified in a protocol to be approved by the court and depend on the individual issues required for determination.

38. The court will be asked to set a deadline by which class members must file their submissions and evidence with the referee.
39. Any person who does not file a claim with the referee before the claims deadline will not be entitled to recover any damages without leave of the court.
40. If any claimant disagrees with the referee's decision relating to the determination of issues of liability and the claim is for an amount exceeding \$100,000, he may appeal to the Ontario Superior Court of Justice in respect of such liability issues only within a time period fixed by the court.
41. Except as provided in paragraph 40, the referee's decisions will be final and there shall be no right of appeal.

**Small Claims (Under \$25,000)**

42. The referee's determination of claims of less than \$25,000 requiring individual determination shall proceed in writing. The claimant will be required to file affidavit evidence setting out their evidence and any defendant may cross-examine an affiant on their affidavit by written interrogatories (in accordance with rule 35 of the *Rules of Civil Procedure*).

**Summary Claims (\$25,000-\$100,000)**

43. The determination of claims between \$25,000 and \$100,000 requiring individual determination shall proceed by analogy with the simplified procedure set out in rule 76 of the *Rules of Civil Procedure*.

44. The claimant will be required to file (a) an affidavit of documents prepared in accordance with rule 76.03; and (b) affidavit evidence relating to the individual issues remaining to be proven.
45. The referee may make decisions on the claims on the basis of the record, or may, in his discretion, conduct a summary trial of such claims in accordance with rule 76.12 of the *Rules of Civil Procedure*.

**Full Claims (Over \$100,000)**

46. The determination of claims over \$100,000 requiring individual determination shall require class members to:
  - (a) serve on the defendants an affidavit of documents prepared in accordance with rule 30.03 of the *Rules of Civil Procedure*; and
  - (b) attend for an oral examination for discovery (in accordance with rule 34), or provide answers to written interrogatories (in accordance with rule 35), as any defendant wishing to examine them may elect.
47. The referee may, in its discretion, make a decision on the individual issues based on the documentary and discovery evidence, or conduct a trial of such claims.

**ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION**

48. After the trial of the common issues, the plaintiffs will ask the court to approve an agreement respecting fees and disbursements with Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and GST are not completely paid by the costs recovered from the defendants, the unpaid balance shall be a first charge on the total recovery and paid before any distribution to the class members.
49. The plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of all notices associated with the process and the fees and

disbursements of the administrator and referee as these costs are incurred. Absent that court order, the plaintiffs will seek an order that these costs be paid out of the total recovery after payment of Class Counsel's fees and disbursements but before any distribution to the class members.

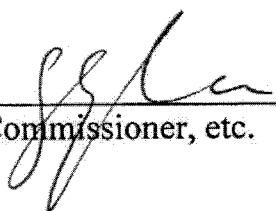
**FURTHER ORDERS CONCERNING THIS PLAN**

50. This litigation plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

**EFFECT OF THIS PLAN**

51. This litigation plan shall be binding on all class members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the litigation plan.

This is Exhibit "E-1" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.

  
A Commissioner, etc.

Court File No. CV-06-3257-00

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
 (Commenced at Brampton)

THE HONOURABLE JUSTICE            )    MONDAY, THE 14<sup>TH</sup> DAY  
   )    OF DECEMBER, 2009  
 K. van RENSBURG                    )

BETWEEN:

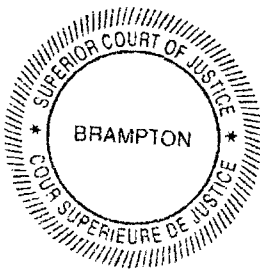
MARVIN NEIL SILVER and CLIFF COHEN

Plaintiffs

- and -

IMAX CORPORATION, RICHARD L. GELFOND,  
BRADLEY J. WECHSLER and FRANCIS T. JOYCE

Defendants

Proceeding under the *Class Proceedings Act, 1992*

- and -

NEIL S. BRAUN, KENNETH G. COPLAND, MICHAEL FUCHS,  
GARTH M. GIRVAN, DAVID W. LEEBRON, MARC A. UTAY  
and KATHRYN A. GAMBLE

Proposed Defendants

Proposed proceeding under the *Securities Act***ORDER**

THIS MOTION, made by the plaintiffs for certification of the action as a class proceeding was heard on December 15, 16, 17, 18 and 19, 2008 with additional written submissions thereafter and additional oral submissions on May 4, 2009 at Brampton, Ontario.

ON READING the motion records of the plaintiffs, and the motion records of the defendants and of the proposed defendants, and the transcription of and the productions arising from the cross-examinations of certain of the parties and affiants, as well as the draft fresh statement of claim as filed in December 2008; and

ON HEARING the submissions of counsel for the plaintiffs, and of counsel for the defendants and proposed defendants, and for Reasons for Decision dated December 14, 2009:

1. THIS COURT ORDERS that the following definitions apply for the purpose of this order:

- (a) "Class Period" means the period from and including the opening of trading on the TSX and NASDAQ on February 17, 2006 to and including the close of trading on the TSX and NASDAQ on August 9, 2006;
- (b) "Excluded Persons" means Imax's subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, and any member of the defendants' families and any entity in which any of them has or had during the Class Period and legal or de facto controlling interest;
- (c) "February Press Release" means Imax's press release dated February 17, 2006;
- (d) "Form 10-K" means Imax's Form 10-K for the fiscal year ending December 31, 2005, which was required to be filed with the U.S. Securities and Exchange commission under the *Exchange Act*, and which included Imax's annual report for fiscal 2005;
- (e) "Imax" means Imax Corporation;
- (f) "Individual Defendants" means Gelfond, Wechsler and Joyce;
- (g) "March Press Release" means Imax's two press releases dated March 9, 2006;
- (h) "OSA" means the *Securities Act*, R.S.O. 1990, c. S.5;



- (i) "Representation" means the statement explicitly and/or implicitly contained in the February Press Release and expressly repeated in the Form 10-K and Imax's annual report for fiscal 2005, that Imax's revenue for the 2005 fiscal year were prepared and reported in accordance with generally accepted accounting principles and that such revenues met or exceeded the earnings guidance previously issued by Imax; and
- (j) "TSX" means Toronto Stock Exchange.

2. THIS COURT ORDERS that this action be and is hereby certified as a class proceeding.

3. THIS COURT ORDERS that the class is defined as:

All persons, other than Excluded Persons, who acquired securities of Imax during the Class Period on the TSX and on the NASDAQ, and held some or all of those securities at the close of trading on August 9, 2006 (the "Class Members").

4. THIS COURT ORDERS that Marvin Neil Silver and Cliff Cohen be and are hereby appointed as the representative plaintiffs.

5. THIS COURT DECLARES that the causes of action asserted on behalf of the Class are conspiracy, negligent misrepresentation, reckless misrepresentation and statutory civil liability to secondary market purchasers for misrepresentation in continuous disclosure documents pursuant to Part XXIII.1 of the *OSA*.

6. THIS COURT DECLARES that the common issues are:

- 1. Did Imax or the Individual Defendants, or any of them, represent that Imax's revenues for the 2005 fiscal year were reported in accordance with generally accepted accounting principles and that such revenues met or exceeded earnings

- guidance previously issued by Imax? If so, who made the Representation, when, where and how?
- (a) Was the Representation false?
  - (b) Was the Representation publicly corrected? If so, when?
2. Did Imax or the Individual Defendants, or any of them, make the Representation negligently, or recklessly, caring not whether it was true or false? If so, who made the Representation, when and how?
    - (a) Did the Individual Defendants, or any of them, authorize, permit or acquiesce in the making of the Representation while knowing it to be a misrepresentation?
  3. Did Imax or the Individual Defendants, or any of them, make the Representation intending that the Class Members rely upon it and acquire Imax shares?
  4. Did some or all of Imax's February Press Release, Imax's annual report for fiscal 2005 or its March Press Releases contain a misrepresentation within the meaning of the OSA?
    - (a) Did the defendants Francis T. Joyce and Kathryn A. Gamble or either of them authorize, permit or acquiesce in the release of any or all such documents?
  5. If the answer to (4) is yes, have the defendants (including the proposed defendants), or some of them, established a reasonable investigation or expert reliance defence under the OSA?
  6. Did the traded price of Imax shares during the Class Period incorporate and reflect the Representation?
  7. If the answer to (6) is yes, did the acquisition of Imax shares by the Class Members, on the TSX and NASDAQ, during the Class Period, constitute reliance upon the Representation?
  8. Did Imax or the Individual Defendants, or some of them, conspire one with the other, and with persons unknown to deceive the Class Members for the purpose of maintaining and increasing the price of Imax securities? If so, who conspired with whom, when, where, why and for what purpose?
  9. If Imax or the Individual Defendants, or some of them, are liable to the class for conspiracy, negligent or fraudulent misrepresentation, what is the procedure for assessing damages?
  10. Can the court assess damages in the aggregate, in whole or in part, for the class? If so, what is the amount of the aggregate damage assessment and who should pay it to the class?
  11. Is Imax vicariously liable or otherwise responsible for the acts of the other defendants?
  12. Should one or more of the defendants pay punitive damages to the Class? If so, who, why, in what amount and to whom?
  13. Should the defendants, or any of them, pay the costs of administering and distributing any monetary judgment and/or the cost of determining eligibility

and/or the individual issues? If so, who should pay what costs, in what amount and to what extent?

14. If the court determines that the defendants are liable to the class, and if the court considers that the participation of individual Class Members is required to determine individual issues:
  - (a) are any directions necessary?
  - (b) should any special procedural steps be authorized?
  - (c) should any special rules relating to admission of evidence and means of proof be made?
  - (d) what directions, procedural steps or evidentiary rules ought to be given or authorized?
15. Should the defendants, or any of them, pay prejudgment and post-judgment interest, at what annual interest rate, and should the interest be compounded interest?

7. THIS COURT ORDERS that the plaintiffs' Amended Litigation Plan be and is hereby approved in the form attached as Schedule 1 to this order.

8. THIS COURT ORDERS the notice of certification of the action as a class proceeding, generally in the form attached as Schedule 1 to the Amended Litigation Plan, be and is hereby approved.

9. THIS COURT ORDERS that the Class Members shall be given notice of the certification of this action, on a date to be fixed by further order of this court, generally in accordance with the notice program particularized in paragraph 17 of the Amended Litigation Plan ("the Notice Program").

10. THIS COURT ORDERS that a Class Member may only opt out of this class action by sending a written election to opt out, signed by him or her, addressed to Howie & Partners, Chartered Accountants, by pre-paid mail or courier, at 3063 Walker Road, Windsor, Ontario, Canada, N8W 3R4, Attention: Imax Corporation Class Action; or by

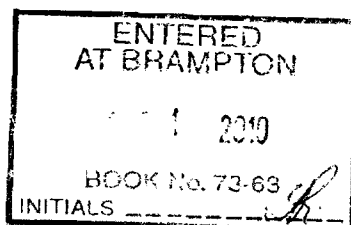
fax to 519.250.1929; or by email to [sisaac@howieandpartners.com](mailto:sisaac@howieandpartners.com), which election must be received by Howie & Partners before 5:00 p.m. ET, on a date to be fixed by further order of this court.

11. THIS COURT ORDERS that no person may cause a minor or a mentally incapable Class member to opt out of the Class without the permission of the court after notice to The Children's Lawyer and/or the Public Guardian and Trustee, as the case may be and to the parties.

12. THIS COURT ORDERS that forthwith after expiration of the Opt-out Period:

- (a) the defendants' counsel shall file with the court an affidavit confirming the defendants' compliance with their responsibilities in the Notice Program; and
- (b) plaintiffs' counsel shall file with the court an affidavit confirming their compliance with their responsibilities in the Notice Program; and
- (c) Sarkis Isaac of Howie & Partners shall report to the court and parties by affidavit to advise as to the names and addresses of those persons, if any, who have properly opted out of this class action.

13. THIS COURT ORDERS that it reserves the right to dispose of all issues relating to costs if the parties are unable to agree on costs of this motion.



*K. van Rensburg*  
JUSTICE K. van  
RENSBURG

**PLAINTIFFS' LITIGATION PLAN  
IN SILVER et al. v. IMAX CORPORATION et al.  
AS OF MARCH 25, 2010**

**DEFINED TERMS**

1. This Plan replaces the plaintiffs' litigation plan dated February 22, 2007.
  
2. Capitalized terms that are not defined in this Plan have the meanings as particularized in the most recent statement of claim and, in addition, the following defined terms apply to this Plan:
  - (a) "Administrator" means a person appointed by the court to carry out the functions described in the Plan;
  - (b) "CI Notice" means the notice of the resolution of the common issues;
  - (c) "Claims Deadline" means the date by which each Class Member must file a Claim Form;
  - (d) "Claim Form" means a claim form, the form of which is to be approved by the court, to be completed by the Class Members and submitted to the Administrator in order for the Class Members to participate in the procedure described herein;
  - (e) "Class Counsel" means Sutts, Strosberg LLP and Siskinds LLP;
  - (f) "December 14, 2009 Certification Order" means Justice van Rensburg's December 14, 2009 order certifying the action, subject to the condition that the plaintiffs provide a revised litigation plan, as a class proceeding pursuant to the CPA;
  - (g) "December 14, 2009 Leave Order" means Justice van Rensburg's December 14, 2009 order granting the plaintiffs leave to add the Proposed Defendants as defendants and authorizing the representative plaintiffs to plead the causes of action contained in Part XXIII.1 of the ~~Act~~ *Securities Act* against Imax, the Individual Defendants and the Proposed Defendants;
  - (h) "December 14, 2009 Rule 21 Order" means Justice van Rensburg's December 14, 2009 order dismissing, in part, the Rule 21 motion of the defendants to strike certain aspects of the draft fresh statement of claim dated December 2008 as disclosing no reasonable cause of action;

*KNR*

- (i) "Notice" means the notice attached to the Plan as Schedule 1;
- (j) "Notice Program" means the method of distributing the Notice described in paragraph 17 herein;
- (k) "Plan" means this litigation plan;
- (l) "Proposed Defendants" means Neil S. Braun, Kenneth G. Copland, Michael Fuchs, Garth M. Girvan, David W. Leebron, Mark A. Utay and Kathryn A. Gamble.
- (m) "Referee" means a person or persons appointed by the court to carry out the functions described in the Plan;
- (n) "*Securities Act*" means *Securities Act*, R.S.O. 1990, c. S.5; and
- (o) "Website" means the website located at [www.imax-classaction.com](http://www.imax-classaction.com).

#### CLASS COUNSEL

3. Class Counsel have the requisite knowledge, skill, experience, personnel and financial resources to prosecute this class action.

#### THE CLASS DEFINITION

4. On December 14, 2009, Justice van Rensburg certified, subject to the condition that the plaintiffs provide a revised litigation plan, a class described as:

all persons, other than Excluded Persons, who acquired securities of Imax during the Class Period on the TSX and on the NASDAQ and held some or all of those securities at the close of trading on August 9, 2006.

**REPORTING TO AND COMMUNICATION WITH THE CLASS MEMBERS**

5. Class Counsel will regularly report to the Class Members through the Website.  
Information on the status of the action will be posted on the Website and will be updated regularly. Copies of some of the publicly filed court documents, court decisions, notices, documentation and other information relating to the action will be posted on or accessible from the Website. This will allow the Class Members, wherever they reside, to be kept informed of the status of the action.
  
6. The Website will also:
  - (a) contain a communication webpage, a feature that will permit Class Members to submit inquiries to Class Counsel which will be sent directly to a designated member of Class Counsel who will respond;
  - (b) list a voice over internet protocol toll-free telephone number for Class Counsel which will contain a recorded message providing information regarding the status of the litigation which will be updated as required; and
  - (c) list the direct-dial telephone number for a designated person with Class Counsel, permitting Class Members to make inquiries to a live person.

**DOCUMENT MANAGEMENT**

7. Class Counsel will use data management systems to organize, code and manage the documents that will be produced by the defendants.

**LITIGATION SCHEDULE**

8. Justice van Rensburg certified the action as a class proceeding and granted leave to plead the causes of action in the *Securities Act*.
9. The defendants have sought leave to appeal the December 14, 2009 Certification Order and the December 14, 2009 Rule 21 Order.
10. The defendants have appealed the December 14, 2009 Leave Order to the Court of Appeal for Ontario. The plaintiffs assert that the December 14, 2009 Leave Order is interlocutory and the defendants are required to seek and obtain leave to appeal. Therefore, the plaintiffs have brought a motion to quash the defendants' appeal. If that motion succeeds, the defendants will also seek leave to appeal the December 14, 2009 Leave Order.
11. Assuming the defendants are not successful on their appeals, absent agreement among counsel, the plaintiffs will ask the court to set a schedule for the remaining steps in the action.
12. The plaintiffs will likely request that the litigation schedule be amended from time to time.



**THE PLAINTIFFS' EXPERTS**

13. The plaintiffs have retained:
  - (a) L. I. Rosen, an accountant, on the issue of whether Imax's financial statements were prepared in accordance with GAAP; and
  - (b) Robert Comment, an economist, on the issue of whether the markets for Imax securities during the Class Period were efficient and the calculation of damages.
  
14. Class Counsel may retain other experts as the action proceeds.

**MEDIATION**

15. The plaintiffs will participate in mediation if the defendants are prepared to do so.

**NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE**

16. The plaintiffs will not ask the court to authorize the dissemination of the Notice until the appeal process is finally determined.
  
17. The plaintiffs propose that the Notice be distributed and published in the following manner (the "Notice Program"):
  - (a) posted by Class Counsel, in English and in French, on the Website;
  - (b) provided by Class Counsel to any person who requests it;
  - (c) published once in the following publications:

- (i) the national edition of *The Globe and Mail*, Report on Business section, in English, in one quarter page size;
  - (ii) the national edition of the *National Post*, Financial Post section, in English, in one quarter page size;
  - (iii) published once in *La Presse*, in French, in one quarter page size;
  - (iv) the *Wall Street Journal*, in English, in one eighth page size;
- (d) available orally by recorded message at Class Counsel's voice over internet protocol toll-free telephone line;
- (e) sent electronically, in English and in French, by Class Counsel to the broker / dealers in Canada identified in Schedule 2 asking them to bring the Notice to the attention of their clients who purchased Imax securities during the Class Period;
- (f) sent electronically by Class Counsel to the broker / dealers in the U.S. identified in Schedule 3 asking them to bring the Notice to the attention of their clients who purchased Imax securities during the Class Period;
- (g) disseminated by Class Counsel in Canada through NewsWire and in the U.S. through Globe NewsWire; and
- (h) posted by Imax in a prominent location on its website at [www.imax.com](http://www.imax.com).
18. Because Imax's publicly released documents were available only in English and French, all notices and forms described in this Plan shall be disseminated only in English and French.
19. The plaintiffs propose that Sarkis Isaac, an accountant practicing in Windsor, receive the opt-out notices and report to the court the names and addresses of the persons who opt

out by the date fixed by the court. Mr. Isaac has previously been appointed by the court to fulfill these tasks.

20. The plaintiffs and defendants should each pay 50 percent of the costs of the Notice Program and the costs of Mr. Isaac. The successful parties at the trial of the common issues may seek to recover their share of these costs from the unsuccessful parties by order of the trial judge.

#### THE CLAIMS OF CLASS MEMBERS WHO RESIDE OUTSIDE OF ONTARIO

- KMUR* 21. The Class includes persons who reside outside of Ontario. Therefore, the defendants may raise, in their statement of defence, issues concerning conflict of laws. The ~~plaintiffs~~ <sup>plaintiff</sup> assert that the laws of the Province of Ontario apply to the claims of each Class Member wherever resident. Depending on whether the defendants dispute this assertion, the plaintiffs may seek an order amending the certification order to include a common issue on whether Ontario law applies to all Class Members and, if not, what law applies.

#### TRIAL OF THE COMMON ISSUES

- KMUR* 22. After the completion of the examinations for discovery, the production of documents required by the undertakings and by any orders with respect to refusals or advisements, the parties will determine whether the common issues require any amendments. The plaintiffs will then ask the court to schedule the trial of the common <sup>issues</sup> within one (1) year.

23. The following paragraphs assume that the Class is successful at the trial of the common issues.

**INDIVIDUAL CLASS MEMBER PARTICIPATION AFTER THE TRIAL OF THE COMMON ISSUES**

24. Assuming that the common issues, or some of them, are resolved in favour of the plaintiffs, it will be necessary for the court to supervise a claims procedure. The structure and content of the Claim Form will depend upon the findings of the judge at the common issues trial.

25. The plaintiffs will ask the court to:

- (a) settle the form and content of the CI Notice;
- (b) order that the CI Notice be distributed substantially in accordance with the procedure set out in paragraph 17;
- (c) determine the information and documentation required to be submitted with the Claim Form;
- (d) set the Claims Deadline;
- (e) appoint the Administrator;
- (f) appoint the Referee(s); and
- (g) appoint a representative from Class Counsel to oversee and assist in the procedures contemplated herein.

26. The Administrator will have such rights, powers and duties as the court directs. The Administrator will receive the Claim Form and determine eligibility in accordance with this Plan and the protocols approved by the court pursuant to section 25 of the CPA.

27. The Referee will have such rights, powers and duties as set out in this Plan and as the court directs.
  
28. In order to simplify the claims process, the Administrator will, wherever practical, utilize:
  - (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the Website ("Database");
  - (b) standardized claims forms and filing procedures; and
  - (c) summary methods of introducing documentary evidence.
  
29. Any person who does not file a completed Claim Form with the Administrator before the Claims Deadline will not be eligible to participate in the process and will not be entitled to recover any damages without leave of the court.
  
30. In order to file a claim, a person must, on or before the Claims Deadline:
  - (a) register on the Database, or by mail or by fax, with the Administrator;
  - (b) complete the Claim Form;
  - (c) submit proof of all purchases of Imax shares during the Class Period and proof of sale of all Imax shares; and
  - (d) submit such other documentation to the Administrator as required by the court in support of the claim.
  
31. The name, address and amount claimed by each person who files a claim with the Administrator on or before the Claims Deadline shall be added to the Database. Each claimant will be provided with an identification name and a password by the

Administrator to permit the person access to her/his/its claims information in the Database.

32. Because this is a securities class action, the information about the trading of each Class Member is readily ascertainable. Each claimant will be required to provide, with the completed Claim Form, full particulars of each trade in Imax securities during the Class Period and each sale of Imax securities whenever the sale occurred.
33. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Imax securities, evidence confirming Imax securities continued to be held on August 9, 2006 and, if applicable, evidence confirming disposition of the Imax securities.
34. The Claim Form must be signed by each claimant as if under oath and will be treated as evidence pursuant to s. 25(2) and (3) of the *CPA*. The Claim Form will contain an authorization to permit the Administrator to obtain information from each claimant's broker(s). This will permit the Administrator to carry out an audit function.

#### **THE CLAIMS PROCESS**

35. The structure of the claims process will depend upon the findings of the common issues trial judge. For example, if at trial the plaintiffs are successful on the statutory causes of action, their claim for aggregate damages or the unlawful agreement component of a

common law conspiracy, the plaintiffs will argue that the court, and this Plan, need only deal with the individual issue of damages.

**THE CLAIMS PROCEDURE TO DETERMINE ELIGIBILITY AND THE AMOUNT OF THE LOSS IF A CLASS MEMBER NEED NOT INDIVIDUALLY PROVE RELIANCE ON THE REPRESENTATION**

36. If the results in paragraph 35 are achieved at trial, the plaintiffs will seek an order pursuant to s.25(2) and (3) of the *CPA* that the completed and timely submitted Claim Form, with supporting documents, be treated as *prima facie* evidence of each claimant's eligibility and damages if accepted by the Administrator.
  
37. The court will be asked to establish a summary process to deal with any issues the defendants raise. The plaintiffs will propose that this process be conducted in writing, as follows:
  - (a) the Administrator will provide to all parties a formal summary of the Claims Form listed in the Database which it proposes to accept and the amount to be awarded;
  - (b) the defendants will be given an opportunity to advise the Administrator, in writing, whether they dispute the claim in each Claim Form and the basis for their dispute;
  - (c) the claimant will be entitled to respond in writing;
  - (d) the Administrator will then settle all disputes in a summary manner and advise the claimant and the defendants of the decision; and
  - (e) if any claimant or the defendants disagree with the Administrator's decision, she/he/it may elect to have the Administrator's decision reviewed by the Referee.

38. The Referee will carry out the review of the Administrator's decision in the least expensive, most summary manner possible in accordance with a protocol to be approved by the court and shall give all necessary procedural directions.
39. The Referee will deliver a written decision. There shall be no right of appeal from the Referee's decision.
40. The Referee, in his or her discretion, may order the defendants to pay the claimants' costs of the references. A claimant seeking the review of a decision of the Administrator shall be required to make a deposit of \$150, which shall be refunded only in the event that the appeal is determined in the claimant's favour. There shall be no costs payable by the claimant under any circumstances, other than the \$150 deposit referred to herein.

**THE CLAIMS PROCEDURE TO DETERMINE ELIGIBILITY AND DAMAGES IF A CLASS MEMBER MUST PROVE RELIANCE ON THE REPRESENTATION**

41. In the event that it is necessary for claimants to prove reliance on an individual basis, the Claim Form will require claimants to particularize the facts on which they rely and the evidence which supports the assertion that they relied upon the Representation. The Claim Form and supporting documents will be treated as an affidavit and the defendants may elect to challenge that assertion.
42. The Administrator will evaluate the Claim Form and decide whether the claimant is eligible to participate in the claims process. The Administrator will also determine the amount of the claimant's damages.



43. If a claimant or the defendants disagree with the Administrator's decision only relating to eligibility and not the Administrator's decision on the claimant's loss, she/he/it may elect to have the Administrator's decision relating only to eligibility reviewed by the Referee.
44. If an election has been made to have the Administrator's decision on eligibility reviewed, the Referee will carry out the review in the manner set out in paragraphs 38 to 40.
45. If the claimant and/or the defendants disagree with the Administrator's decision relating to the claimant's damages and, if applicable, eligibility, she/he/it may elect to have a reference before the Referee.
46. The reference shall be held in the least expensive, most efficient manner. The procedure at the reference will be established by the Referee subject to the following paragraphs.
47. The Claim Form and the supporting documents shall be treated as the claimant's evidence tendered by affidavit and the claimant's affidavit of documents.
48. If the election for reference and accompanying documents are delivered by the claimant, they shall be treated as if they were further evidence tendered by the claimant by affidavit and the claimant's supplementary affidavit of documents.
49. If the election for reference and the accompanying documents are delivered by the defendants, they shall be treated as if they were the <sup>defendants'</sup> defendant's evidence tendered by affidavit and the <sup>defendants'</sup> defendant's affidavit of documents.

*12/11/12*

50. If any party wishes to adduce further evidence, the evidence shall be filed by affidavit within 15 days of the delivery/receipt of the election for reference.
51. If the claim is for less than \$100,000, there shall be no right to conduct examinations for discovery or cross examinations (by analogy to rule 76 of the *Rules of Civil Procedure*). A defendant may cross examine an affiant on her/his/its affidavit only by written interrogatories (by analogy to the *Rules of Civil Procedure*) should s/he/it wish to challenge the evidence. The Referee will then make a decision on the basis of the affidavit and the answers to the written interrogatories. The Referee's decision is final. There shall be no right of appeal therefrom.
52. If the claim is for more than \$100,000, the parties may conduct examinations for discovery in accordance with rule 34 of the *Rules of Civil Procedure* and / or conduct examinations in writing in accordance with rule 35 *Rules of Civil Procedure* as the party wishing to examine may elect.
53. The Referee will deliver a written decision. The Referee's decision with respect to Eligibility is final. There shall be no right of appeal from the Referee's decision.
54. The Referee, in his or her discretion, may order the defendants to pay the claimants' costs of the references. A claimant seeking the review of a decision of the Administrator shall be required to make a deposit of \$150, which shall be refunded only in the event that the appeal is determined in the claimant's favour. There shall be no costs payable by the claimant under any circumstances, other than the \$150 deposit referred to herein.

55. The Referee's decision with respect to a Class Member's damages will automatically be confirmed 15 days after its delivery to the parties unless a party moves by notice of motion to the court to oppose its confirmation within the 15 day period.

**THE REPORTS FROM THE ADMINISTRATOR TO THE COURT**

56. The Administrator shall deliver reports to the court as required. The subject matter of the reports will depend on the findings of the common issues trial judge.
57. Copies of the Administrator's reports shall be served on the defendants and the Class Counsel representative. The Administrator shall also report on a regular basis on the accumulating cost of administration.
58. After the claims procedure is completed, the court will decide the amount the defendants must pay to the Administrator in the event of any dispute and grant judgment in that amount.
59. The Administrator shall hold all amounts received from the defendants in trust, in a manner to be approved by the court, until an order of the court authorizes distribution in whole or in part.

**DISTRIBUTION TO ELIGIBLE CLASS MEMBERS**

60. As soon as practicable after the completion of the claims procedure, the Administrator will, by motion, report to the court the name and address of each Class Member entitled to receive a distribution, the amount of their share of the monies on hand, including their share of prejudgment interest and punitive damages, if any (the "Distribution List").
61. The Distribution List shall be distributed and/or made accessible in accordance with the court's direction.
62. Each Class Member whose name appears on the Distribution List shall comply with any condition precedent to distribution that the court may impose.
63. The court will authorize payments to those Class Members whose names are on the Distribution List. The court may authorize interim distributions.
64. If at the end of the distribution process there remain monies in the hands of the Administrator that have not been claimed, the court may order that this money be distributed cy près to organizations for the benefit of the Class Members.

**ADMINISTRATOR'S FINAL REPORT TO COURT**

65. After the Administrator completes the administration, it shall report to the court and be discharged as the Administrator.

**MOTION FOR DIRECTIONS**

66. Class Counsel, the defendants and the Administrator may apply at any time to the court for directions.

**ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION**

67. After the trial of the common issues, the plaintiffs will ask the court to approve an agreement respecting fees and disbursements between them and Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and applicable taxes are not completely paid by the costs recovered from the defendants, the plaintiffs will ask the court to order that the unpaid balance be a first charge on the recovery.

*KMR*

68. If the court awards damages in the aggregate, Class Counsel will ask the court to <sup>order</sup> ~~pay~~ <sup>payment of</sup> their fees, disbursements and applicable taxes out of the aggregate amount.

*KMR*

69. If the court does not award damages in the aggregate and requires the Class Members to prove their damages through individual assessments, Class Counsel will ask the court to <sup>order</sup> ~~pay~~ <sup>payment of</sup> their fees, disbursements and applicable taxes out of the awards made at individual assessments.

70. The plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of the process described herein and the fees and disbursements of the Administrator and Referee as these costs are incurred. Absent that court order, the

plaintiffs will seek an order that these costs be paid out of the recovery after payment of Class Counsel's fees and disbursements but before any distribution to the Class Members.

**FURTHER ORDERS CONCERNING THIS PLAN**

71. This Plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

**EFFECT OF THIS PLAN**

72. This Plan shall be binding on all Class Members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the Plan.

**SCHEDULE 1 - NOTICE**

**Authorized by the Ontario Superior Court of Justice  
—NOTICE OF CERTIFICATION OF THE IMAX CORPORATION CLASS ACTION—  
Read this notice carefully as it may affect your legal rights.**

**THE CLASS ACTION**

This notice is directed to all persons, other than certain persons associated with the defendants, who acquired securities of Imax Corporation ("Imax") in the period from and including the opening of trading on the Toronto Stock Exchange and the NASDAQ on February 17, 2006 to and including the close of trading on the Toronto Stock Exchange and NASDAQ on August 9, 2006 and who held some or all of those securities at the close of trading on August 9, 2006 (the "Class Members").

**THE CERTIFICATION ORDER**

On December 14, 2009, Justice van Rensburg of the Ontario Superior Court of Justice certified the action Silver et al. v. Imax Corporation et al., court file no. CV-06-3257-00 as a class proceeding and appointed Marvin Neil Silver and Cliff Cohen as the representative plaintiffs.

Certification means that the action may proceed to trial as a class action involving, among other things, claims for damages for misrepresentation and conspiracy relating to Imax's fiscal 2005 financial results.

Certification is a preliminary procedural matter and does not involve any finding by the court that the claims for damages, or the allegations of fact and law on which they are based, have any validity. The defendants deny that the claims have merit.

**LEGAL FEES**

The representative plaintiffs have entered into an agreement regarding legal fees, out of pocket expenses and applicable taxes with their lawyers. The agreement, which requires court approval, provides that:

- (a) the lawyers will not receive payment for their work unless and until the class action is successful or costs are received from the defendants; and
- (b) the lawyers will be paid 25 percent of the amount recovered as a result of settlement or judgment, plus out of pocket expenses and applicable taxes.

Class Members will not be required to pay any costs in the event that the class action is unsuccessful.

**THE CLASS PROCEEDINGS FUND**

The plaintiffs may seek financial support from the Class Proceedings Fund ("CPF"). If they are awarded financial support and if the class action is successful, the Class will also pay to the CPF a 10% levy of any award or settlement plus the amount of any financial support paid by the CPF.

**DO NOTHING IF YOU WANT TO PARTICIPATE IN THE CLASS ACTION**

Class Members who want to participate in the class action are automatically included and need not do anything at this time.

**YOU MUST OPT OUT IF YOU DO NOT WANT TO PARTICIPATE IN THE CLASS ACTION**

Class Members who do not want to participate in the class action must opt out. **If you want to opt out of the class action, you must send a written, signed election, including your name, address, telephone number to:** Howie & Partners, Chartered Accountants, 3063 Walker Road, Windsor, Ontario, Canada, N8W 3R4, Attention: Imax Class Action or fax to 519.250.1929 or by email to [sisaac@howieandpartners.com](mailto:sisaac@howieandpartners.com).

**No Class Member will be permitted to opt out of the class action unless the election to opt out is received by Howie & Partners on or before • at 5:00 p.m. E.T..**

Each Class Member who does not opt out of the class action will be bound by the terms of any judgment or settlement whether favourable or not and will not be allowed to prosecute an independent action. If the class action is successful, he or she or it may be entitled to share in the amount of any award or settlement recovered. In order to determine if persons are entitled to share in the award or settlement and the amount, if any, of their share, it may be necessary to conduct individual assessments. There may be costs payable by you if it is determined that you are not entitled to share in the award or settlement.

No person may cause a minor or a mentally incapable member of the Class to opt out without permission of the court after notice to The Children's Lawyer and/or the Public Guardian and Trustee, as appropriate.

A Class Member who opts out will not be entitled to participate in the class action, or to receive any portion of any judgment or settlement.

**ADDITIONAL INFORMATION**

This Notice was approved by the Ontario Superior Court of Justice. The court offices will be unable to answer any questions about the matters in this Notice. The certification order and other information are available on the Imax class action web site at [www.imax-classaction.com](http://www.imax-classaction.com). Questions for class counsel should be directed by email or telephone to:

Jay Strosberg	Tel: 1.888.460.0824 (toll free)
Suits, Strosberg LLP	Fax: 1.866.316.5308 (toll free)
600-251 Goyeau Street	
Windsor, ON N9A 6V4	
email: <a href="mailto:imax@strosbergco.com">imax@strosbergco.com</a>	

Michael G. Robb	Tel: 1.800.461.6166 (toll free)
Siskinds LLP	Fax: 1.519.672.6065
680 Waterloo Street	
London, ON N6A 3V4	
email: <a href="mailto:michael.robb@siskinds.com">michael.robb@siskinds.com</a>	

**SCHEDULE 1****SCHEDULE 2 – LIST OF CANADIAN BROKER DEALERS**

- Assante Corp
- BMO Nesbitt Burns
- Canaccord Capital
- CIBC Wood Gundy
- Desjardins Securities
- Dundee Wealth Management Inc.
- E\*Trade Canada
- Edward Jones
- HSBC InvestDirect
- Investors Group Inc.
- National Bank Financial
- RBC Dominion Securities Inc.
- Raymond James Ltd.
- Scotia McLeod
- TD Waterhouse



**SCHEDULE 3 - LIST OF U.S. BROKER DEALERS**

- Ameritrade
- Charles Schwab
- Deutsche Bank
- Edward Jones
- E\*Trade
- Fidelity Investments
- Goldman Sachs
- Merrill Lynch
- Morgan Stanley
- Scottrade
- Smith Barney
- Tradeking
- FolioFN
- Sharebuilder
- UBS AG
- Zecco.com

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**ONTARIO  
SUPERIOR COURT OF JUSTICE**

PROCEEDINGS COMMENCED AT BRAMPTON

**ORDER  
(CERTIFICATION)**

**SUTTS, STROSBERG LLP**

Lawyers  
600 - 251 Goyeau Street  
Windsor ON N9A 6V4

**WILLIAM V. SASSO**

**LSUC#: 12134L**

**JAY STROSBERG**

**LSUC#: 47288F**

Tel: (519) 561.6285

Fax: (519) 561.6203

**SISKINDS LLP**

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

**A. DIMITRI LASCARIS**

**LSUC # 50074A**

**MICHAEL G. ROBB**

**LSUC # 45787G**

Tel: (519) 672-2121

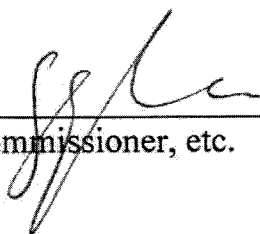
Fax: (519) 672-6065

LAWYERS FOR THE PLAINTIFFS

FILE: 48-093-000

REF: HTS/lg

This is Exhibit "E-2" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



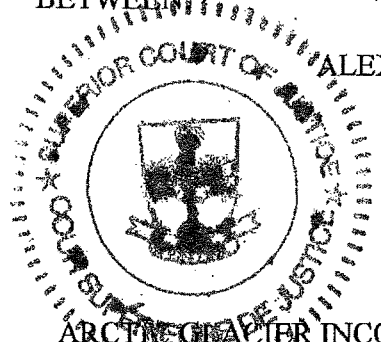
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A Commissioner, etc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE )  
JUSTICE TAUSENDFREUND ) Tuesday, the 1<sup>st</sup> day  
 ) of March, 2011

BETWEEN:



ALEXANDER DOBBIE and MICHAEL BENSON

**Plaintiffs**

- and -

ARCTIC GLACIER INCOME FUND, ARCTIC GLACIER INC., RICHARD L. JOHNSON,  
KEITH W. MCMAHON, DOUGLAS A. BAILEY, FRANK LARSON, GARY COOLEY and,  
in their personal capacity and as Trustees of Arctic Glacier Income Fund, JAMES E. CLARK,  
ROBERT J. NAGY, GARY A. FILMON and DAVID R. SWAINE

**Defendants**

*Proceeding under the Class Proceedings Act, 1992*

**ORDER**

**THIS MOTION** made by the Plaintiffs, for an order certifying the action as a class proceeding, was argued during the hearing of October 4, 5, 6, 7 and 8, 2010 in London, Ontario.

**ON READING** the materials filed and on hearing the submissions of counsel for the Plaintiffs, for the Defendants, and for the Proposed Defendants Larson and Cooley, and for Reasons for Judgment released this day:

1. **THIS COURT ORDERS** that, for the purposes of this Order, the following definitions apply:

- i. "Arctic" means Arctic Glacier Inc.;
  - ii. "Class Period" means the period from March 13, 2002 to September 16, 2008;
  - iii. "Defendants" means the Income Fund, Arctic and the Individual Defendants (as defined below);
  - iv. "Excluded Persons" means the Defendants and Larson and Cooley, members of the immediate families of the Individual Defendants and Larson and Cooley, any officers, directors or employees of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic, any entity in respect of which any such person has a legal or *de facto* controlling interest, and any legal representatives, heirs, successors or assigns of any such person or entity;
  - v. "Income Fund" means Arctic Glacier Income Fund;
  - vi. "Individual Defendants" means the Defendants, Richard L. Johnson, Keith W. McMahon, Douglas A. Bailey, and, in their personal capacities and as trustees of the Income Fund, James E. Clark, Robert J. Nagy, Gary A. Filmon and David R. Swaine;
  - vii. the "OSA Order" means the Order issued on the concurrent motion of the Plaintiffs for leave to commence an action against the Defendants and Frank Larson and Gary Cooley under Part XXIII.1 of the *Securities Act*;
  - viii. the "Rule 21 Order" means the Order issued on the concurrent motion of the Defendants to strike portions of the Plaintiffs' pleading in this matter;
  - ix. "Securities Act" means the *Securities Act*, R.S.O. 1990, c. S.5;
  - x. "Trustees" means the Defendants Clark, Nagy, Filmon and Swaine, collectively.
2. **THIS COURT ORDERS** that the proceeding, as amended by the Rule 21 and *OSA* Orders, is hereby certified as a class proceeding pursuant to s. 5 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.
3. **THIS COURT ORDERS** that the Class be defined as:

All persons and entities, wherever they may reside or be domiciled, other than Excluded Persons, who acquired Units of the Income Fund during the period from March 13, 2002 to September 16, 2008.

4. **THIS COURT ORDERS** that the Plaintiffs Alexander Dobbie and Michael Benson are appointed as the representative plaintiffs for the Class.
  
5. **THIS COURT DECLARES** that the causes of action asserted on behalf of the Class are:
  - i. On behalf of the members of the Class ("Class Members") who purchased Units of the Income Fund during a period of distribution or distribution to the public pursuant to the Income Fund's prospectuses dated May 17, 2006 and January 25, 2007, statutory claims for misrepresentation in a prospectus pursuant to s.130 of the *Securities Act* and the analogous provisions of the securities legislation of each other Canadian jurisdiction;
  
  - ii. On behalf of Class Members who purchased Units of the Income Fund pursuant to any prospectus issued by the Income Fund during the Class Period, negligence *simpliciter*;
  
  - iii. On behalf of Class Members who acquired Units of the Income Fund in the secondary market, statutory claims for misrepresentation in secondary market disclosure documents pursuant to s.138.3 of the *Securities Act* and the analogous provisions of the securities legislation of each other Canadian jurisdiction;
  
  - iv. On behalf of all Class Members, negligent misrepresentation; and
  
  - v. On behalf of all Class Members, breach of trust.

6. **THIS COURT DECLARES** that the common issues are:

[1] Did some or all of the following disclosure documents of the Income Fund contain a misrepresentation?

- (i) Prospectus dated March 13, 2002
- (ii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2002
- (iii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2002
- (iv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2002
- (v) Annual Report, for the year ended December 31, 2002
- (vi) Management's Discussion and Analysis, for the year ended December 31, 2002
- (vii) Audited Annual Financial Statements, for the year ended December 31, 2002
- (viii) Amended Annual Report, for the year ended December 31, 2002
- (ix) Renewal Information Form, for the year ended December 31, 2002
- (x) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2003
- (xi) Prospectus dated June 17, 2003
- (xii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2003
- (xiii) Prospectus dated September 29, 2003
- (xiv) Prospectus dated October 8, 2003
- (xv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2003
- (xvi) Management's Discussion and Analysis, for the year ended December 31, 2003
- (xvii) Audited Annual Financial Statements, for the year ended December 31, 2003
- (xviii) Annual Information Form, for the year ended December 31, 2003
- (xix) Annual Report, for the year ended December 31, 2003
- (xx) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2004
- (xxi) Management's Discussion and Analysis and Interim Financial Statements, for

- the period ended June 30, 2004
- (xxii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2004
  - (xxiii) Annual Information Form, for the year ended December 31, 2004
  - (xxiv) Annual Report, for the year ended December 31, 2004
  - (xxv) Management's Discussion and Analysis, for the year ended December 31, 2004
  - (xxvi) Audited Annual Financial Statements, for the year ended December 31, 2004
  - (xxvii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2005
  - (xxviii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2005
  - (xxix) Prospectus dated September 13, 2005
  - (xxx) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2005
  - (xxxi) Annual Information Form, for the year ended December 31, 2005
  - (xxxii) Annual Report, for the year ended December 31, 2005
  - (xxxiii) Management's Discussion and Analysis, for the year ended December 31, 2005
  - (xxxiv) Audited Annual Financial Statements, for the year ended December 31, 2005
  - (xxxv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2006
  - (xxxvi) Prospectus dated May 17, 2006
  - (xxxvii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2006
  - (xxxviii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2006
  - (xxxix) Prospectus dated January 25, 2007
  - (xl) Annual Information Form, for the year ended December 31, 2006
  - (xli) Annual Report, for the year ended December 31, 2006
  - (xlii) Management's Discussion and Analysis, for the year ended December 31, 2006



- (xliii) Audited Annual Financial Statements, for the year ended December 31, 2006
- (xliv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2007
- (xlv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2007
- (xlvi) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2007
- (xlvii) Press Release, dated March 6, 2008
- (xlviii) Press Release, dated March 9, 2008
- (xlix) Annual Information Form, for the year ended December 31, 2007
  - (l) Amended Annual Report, for the year ended December 31, 2007
  - (li) Management's Discussion and Analysis, for the year ended December 31, 2007
  - (lii) Audited Annual Financial Statements, for the year ended December 31, 2007
  - (liii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2008
  - (liv) Press Release, dated August 7, 2008
  - (lv) Material Change Report, dated August 12, 2008
  - (lvi) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2008

[2] If the answer to [1] is yes, are any of the Defendants, Larson or Cooley liable to any Class Members pursuant to Section 138.3 of the *Securities Act* or the analogous provisions of the securities legislation of the other Canadian jurisdictions?

[3] If the answer to [2] is yes, what damages are payable by each such Defendant, Larson, or Cooley in respect of that liability?

[4] If the answer to [1] regarding the prospectuses of May 17, 2006 and/or of January 25, 2007 is yes, are any of the Defendants liable to any Class Members pursuant to s.130 of the *Securities Act* or the analogous provisions of the securities legislation of the other Canadian jurisdictions?

[5] If the answer to [4] is yes, what damages are payable by each such Defendant in respect of that liability?

[6] Did any of the Defendants (other than the Income Fund) owe any Class Members a duty of care? If so, which such Defendants owed what duty and to whom?

[7] If the answer to [6] is yes, did any such Defendants breach their duty of care? If so, which such Defendants breached their duty and how?

[8] If the answer to [7] is yes, did the breach of that duty of care cause damage to those Class Members? If so, what is the appropriate measure of that damage?

[9] In respect of the Class Members' negligent misrepresentation claim, what is the procedure whereby Class Members must demonstrate their individual reliance upon those Defendants' misrepresentations (if so found)?

[10] Did any Trustees commit a breach of trust?

[11] If so, what damages are payable by those Trustees to the Class Members in respect of their breach of trust?

[12] Is the Income Fund vicariously liable or otherwise responsible for the acts of the other Defendants, Larson or Cooley?

[13] Is Arctic Glacier Inc. vicariously liable or otherwise responsible for the acts of the other Defendants, Larson, or Cooley?

[14] Should any Defendants (other than the Income Trust) pay punitive damages to Class Members? If so, who, in what amount, and to whom?

[15] Should the Defendants pay the cost of administering and distributing the recovery? If so, which Defendants should pay, and how much?

7. **THIS COURT ORDERS** that the Plaintiffs' Litigation Plan is approved in the form attached hereto as Schedule A.
8. **THIS COURT ORDERS** that Class Members may only opt-out of the Class in accordance with the directions and prior to the date specified in the notice of certification to be approved by this Court
9. **THIS COURT ORDERS** that no other proceeding relating to the subject matter of this action may be commenced without leave of the Honourable Justice Tausendfreund obtained on notice to the parties hereto.
10. **THIS COURT ORDERS** that costs be awarded to the Plaintiffs for this motion, on consent, in the amounts of \$12,500 payable by Larson, \$12,500 payable by Cooley, and

\$75,000 payable by the other Defendants jointly and severally, each sum inclusive of all fees, disbursements and interest, and payable within 30 days of the date of this Order.



THE HONOURABLE JUSTICE TAUSENDFREUND

ORDER ENTERED  
77-72  
SEP 13 2011

**SCHEDULE "A"**

**PLAINTIFFS' LITIGATION PLAN****UPDATED AS OF MARCH 1, 2011****DEFINED TERMS**

1. This Litigation Plan supercedes the Plaintiffs' Litigation Plan dated June 1, 2009. It is subject to further direction of the court and input of the defendants.
2. Capitalized terms that are not defined in this litigation plan ("Plan") have the meanings as particularized in the statement of claim.

**CLASS COUNSEL**

3. The Plaintiffs have retained Siskinds LLP ("Class Counsel") to prosecute this class action. Class Counsel has the requisite knowledge, skill, experience, and resources to prosecute the action to resolution.

**THE COMPOSITION OF THE CLASS**

4. The Plaintiffs seek to represent the Class, consisting of:

all persons and entities, wherever they may reside or be domiciled, other than Excluded Persons, who acquired Units of Arctic Glacier during the period of March 13, 2002 to September 16, 2008.

5. "Excluded Persons" means:

the Defendants and Larson and Cooley, members of the immediate families of the Individual Defendants and Larson and Cooley, any officers, directors or employees of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic, any entity in respect of which any such person has a legal or *de facto* controlling interest, and any legal representatives, heirs, successors or assigns of any such person or entity.

**REPORTING AND COMMUNICATION**

6. Class Counsel has posted information about the nature and status of this action on their website at <http://www.classaction.ca/content/actions/arctic.asp> (the "Website"). That information will be updated regularly. Copies of important, publicly available court

documents, court decisions, notices, documentation and other information relating to the action are or will be accessible from the Website.

7. The Website also:

- (a) contains a communication webpage, a feature that permits putative Class Members to submit inquiries to Class Counsel which are sent directly to a designated member of Class Counsel team, who will promptly respond;
- (b) lists a toll-free telephone direct dial number for a designated person with Class Counsel, permitting putative Class Members to make inquiries to a live person.

#### **DOCUMENT MANAGEMENT**

8. Class Counsel will use data management systems to organize, code and manage the documents produced by the defendants and all relevant documents in the Plaintiffs' possession. The agreement of Defendants' counsel will be sought to facilitate electronic exchange of documents.

#### **LITIGATION SCHEDULE**

9. The Plaintiffs will seek agreement on a litigation schedule going forward. In the alternative, the Plaintiffs will ask the Court, acting in its case management capacity, to fix such a schedule.

#### **NOTICE PURSUANT TO SECTION 138.9 OF THE OSA**

10. Pursuant to s. 138.9 of the *OSA*, the Plaintiff will:

- (a) promptly issue a news release disclosing that leave has been granted to commence an action under Part XXIII.1;
- (b) send a written notice to the OSC within seven days, together with a copy of the news release; and

- (c) send a copy of the Proposed Claim, as filed, to the OSC.
11. Prior to the issuance of that notice, the Plaintiff will bring a motion for an order approving the form, content and manner of distribution of the s. 138.9 notice, and requiring the defendants to pay the costs thereof. In the event that the Court does not order the Defendants to pay those costs, then the Plaintiff will issue that notice at its own expense, reserving its right to seek recovery of these costs from the Defendants by order of the judge presiding at the trial of the common issues.

**NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE**

12. The Plaintiffs propose that a notice advising of the certification be circulated to advise Class Members, among other things, that:
- (a) the court certified the action as a class proceeding;
  - (b) a person may only opt out of the class proceeding by sending a written election to opt out to the recipient designated by the court before a date fixed by the court;
  - (c) a person may not opt out of the class proceeding after the date fixed by the court;
  - and
  - (d) if the common issues are resolved in favour of the Class Members, claimants may be required to register, file a claim and submit documentation to a designated person in order to be entitled to any compensation.
13. The Plaintiffs propose that the notice advising of certification, in a form approved by the court, be distributed and published in the following manner:
- (a) posted by Class Counsel on the Website;

- (b) provided by Class Counsel to any person who requests it.
  - (c) published once in the national edition of *The Globe and Mail*, Report on Business section;
  - (d) published once in the national edition of the *National Post*, Financial Post section;
  - (e) made available orally by recorded message at Class Counsel's toll-free line;
  - (f) sent electronically by Class Counsel to the list of brokers in Canada attached as Schedule 1 asking them to bring the Notice to the attention of their clients who acquired Arctic Glacier Units during the Class Period, and offering to reimburse the actual cost of doing so up to an amount per Class Member to be fixed by the Court, provided that the notice is mailed or emailed within 30 days of the request having been made;
  - (g) placed online at the websites listed on Schedule 2; and
  - (j) posted by Arctic Glacier in a prominent location on its website at [www.arcticglacierinc.com](http://www.arcticglacierinc.com).
14. The plaintiffs and defendants shall each pay 50 percent of the costs of the Notice Program. The successful parties at the trial of the common issues may seek to recover their share of these costs from the unsuccessful parties by order of the trial judge.

**THE PLAINTIFFS' EXPERTS**

15. To date, the Plaintiffs have retained Forensic Economics Inc., a firm of economists and damages experts to provide assistance on the efficiency of the market for trading in the Income Fund's units during the Class Period, as well as damages calculations.



16. Class Counsel has the expertise and resources to identify and retain appropriate expert assistance as the matter proceeds.

#### **THE CLAIMS OF CLASS MEMBERS WHO RESIDE OUTSIDE OF ONTARIO**

17. The Class may include persons who reside outside of Ontario. Therefore, the defendants may assert defences concerning conflicts of laws. The Plaintiffs assert that the laws of the Province of Ontario apply to the claims of each Class Member wherever resident. If the defendants dispute this assertion, the plaintiffs may seek an order amending the certification order to include a common issue determining whether Ontario law applies to the claims of all Class Members, and if not what factors are determinative in deciding which forum's law applies.

#### **REFINEMENT OF COMMON ISSUES**

18. Following the filing of statements of defence and the completion of discovery, the parties may seek an amendment of the order certifying this proceeding to deal with any necessary refinement to the common issues arising from those processes.

#### **TRIAL OF THE COMMON ISSUES**

19. The Plaintiffs will ask the court to hold the trial of the common issues six (6) months after the completion of the examinations for discovery and the production of the information required by the undertakings and any motions.

#### **NOTICE OF THE RESOLUTION OF THE COMMON ISSUES**

20. If the common issues, or some of them, are resolved in favour of the Plaintiffs, the court will be asked to:
  - (a) settle the form and content of the notice of resolution of the common issues;

- (b) order that the notice of the resolution of the common issues be distributed to those Class Members who did not validly opt out;
  - (c) prescribe the information required from Class Members in order to make a claim under Part XXIII.1 of the *OSA*;
  - (d) prescribe the information and procedure required in order for Class Members to make a claim at common law; and
  - (e) set a date by which each Class Member will be required to file a claim.
21. The Plaintiffs propose that the notice of resolution advise Class Members, among other things:
- (a) that the Plaintiffs were successful on the common issues, or some of them;
  - (b) that no Class Member will be entitled to any compensation unless a claim is filed in a prescribed manner by a fixed date;
  - (c) of the procedure to file a claim;
  - (d) that damages for each Class Member under Part XXIII.1 of the *OSA* will be calculated based on her/his/its trading particulars;
  - (e) that each Class Member will have the opportunity to review and, if necessary, provide information to correct the calculation of his/her/its damages under Part XXIII.1 of the *OSA* by accessing personal transaction particulars through the secure portion of the Website;

- (f) that if the liability caps under Part XXIII.1 of the *OSA* are engaged, each Class Member will have the opportunity to come forward and establish the Defendants' liability at common law by proving the facts prescribed by the court, should the claimant choose to do so; and
  - (g) that their rights against the Defendants in relation to the misrepresentations contained in the Class Period disclosure documents will be deemed to have been finally adjudicated whether they submit a claim or not.
22. The Plaintiffs will ask the court to order that the notice of resolution of the common issues be distributed substantially in accordance with the procedure set out in paragraph 13 and 14 above.

### **CLAIMS PROCESS**

23. The Plaintiffs will ask the court to appoint an Administrator, with such rights, powers and duties as the court directs, to receive and evaluate claims in accordance with the protocols approved by the court pursuant to section 25 of the *CPA*.
24. The Plaintiffs will ask the court to appoint one or more Referees with such rights, powers and duties as the court directs to conduct references in accordance with protocols approved by the court.
25. In order to simplify the claims process, the Administrator will, wherever practical, utilize:
- (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the Website ("Database");
  - (b) standardized claims forms and filing procedures; and

- (c) summary methods of introducing documentary evidence.
26. The court will be asked to set a deadline ("Claims Deadline") by which Class Members must file their claims with the Administrator.
  27. Any person who does not file a claim with the Administrator before the Claims Deadline will not be eligible to participate in the damages assessment procedure and will not be entitled to recover any damages without leave of the court.
  28. In order to file a claim, a person must, on or before the Claims Deadline:
    - (a) register on the Database, or by mail or by fax, with the Administrator; and
    - (b) submit such documentation to the Administrator as required by the court in support of the claim.
  29. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Arctic Glacier Units, and, if applicable, evidence confirming disposition of the Arctic Glacier Units. The nature of the claims asserted suggest that such documentation will conclusively determine an individual's eligibility to file a claim and may be conclusive of their entitlement to damages, depending on the resolution of the common issues.
  30. The name, address and amount claimed by each person who files a claim with the Administrator before the Claims Deadline shall be added to the Database and provided with an identification name and a password by the Administrator to permit the person access to her/his/its claims information in the Database.

31. If any claimant disagrees with the Administrator's decision relating to eligibility or calculation of damages, she/he/it may elect to have the Administrator's decision reviewed by the Referee within a time period fixed by the court. The Referee will carry out the review of the Administrator's decision in the least expensive, most summary manner possible in accordance with a protocol to be approved by the court. The Referee's decisions will be final. There shall be no right of appeal from the Referee's decision.

#### **DAMAGES GENERALLY**

32. Each Class Member may be entitled to:
- (a) damages assessed in accordance with the assessment formula provided in s. 138.5 of the *OSA*, or a pro rated amount in respect thereof; or
  - (b) damages with respect to the claims for common law negligence, misrepresentation or conspiracy; and
  - (c) a share of the punitive damage award, if any, allocated as the court directs at the trial of the common issues; plus
  - (d) prejudgment interest; plus
  - (e) postjudgment interest.

#### **STATUTORY DAMAGES UNDER PART XXIII.1 OF THE OSA**

33. Part XXIII.1 of the *OSA* provides specific directions for the calculation of damages payable under those provisions. The Plaintiffs will ask the court at the common issues trial to determine the formula by which the damages of Class Members are to be calculated.

34. The Administrator will review the share purchase and sale data of each Class Member who makes a claim, and calculate damages under Part XXIII.1 of the *OSA* pursuant to the formulae ordered by the court in the judgment on the common issues.
35. In respect of each claimant who files a claim before the Claims Deadline, the Administrator shall make a decision, and promptly notify the claimant of the following:
  - (a) whether the person is an eligible claimant; and
  - (b) the amount of the person's damages calculated pursuant to Part XXIII.1 of the *OSA*.
36. The Administrator shall post its conclusions on the Database and/or communicate them electronically or in writing by mail or by fax to the persons affected in accordance with a protocol to be approved by the court.
37. Each claimant will be able to access the Administrator's decision and damage calculations by going to the Database and inputting an identification name and password. The Defendants determined by the court to be liable shall also have access to the Database.
38. After a claimant has reviewed damage calculations in the Database, the claimant, or the Defendants determined by the court to be liable, can advise the Administrator, within a time period fixed by the court, of any disagreement they may have with the information and/or calculations.
39. After being advised of a disagreement by the Class Member within the period fixed by the court, the Administrator shall consider any information provided by the claimant

and/or the Defendants and provide its decision on eligibility and/or the damages calculation.

#### **COMMON LAW AND EQUITABLE DAMAGES**

40. In the event that:

- (a) the damages payable by the Defendants are capped pursuant to section 138.7 of the *OSA* and the Class Members' statutory recovery provides them with less than full compensation; and
- (b) the court's findings at the completion of the common issues trial are such that there remain individual issues to be resolved in order for Class Members to prevail on their claims for breach of trust, negligence, misrepresentation or conspiracy at common law;

Class Members will be provided with the opportunity to come forward to prove any such individual issues and their damages pursuant to those causes of action.

41. The Class Members will be notified of the court's judgment following the Administrator's First Report to Court. Within 60 days of the date of notification Class Members will be required to give notice of their intention to proceed with a claim at common law by providing a statement of the facts (limited to those facts relating solely to the individual issues) on which they rely.

#### **Small Claims (Under \$25,000)**

42. Class Members with remaining claims of less than \$25,000 wishing to proceed with such claims will be required to file affidavit evidence setting out their evidence with respect to the individual issues remaining to be proven. Any Defendant may cross-examine an

affiant on their affidavit by written interrogatories (in accordance with rule 35 of the *Rules of Civil Procedure*) should they wish to challenge the evidence. The Referee will then make a decision with respect to the Class Member's claim on the basis of the affidavit and the answers to the written interrogatories.

**Summary Claims (\$25,000-\$100,000)**

43. Class Members with remaining claims worth between \$25,000 and \$100,000 wishing to proceed with such claims shall proceed in accordance with the simplified procedure set out in rule 76 of the *Rules of Civil Procedure* and will be required to file:

- (a) an affidavit of documents prepared in accordance with rule 76.03; and
- (b) affidavit evidence relating to the individual issues remaining to be proven.

44. The Referee may make decisions on the claims of the Class Member on the basis of the record, or may, in her or his discretion, conduct a summary trial of such claims in a manner analogous to the procedure contained in rule 76.12 of the *Rules of Civil Procedure*.

**Full Claims (Over \$100,000)**

45. Class Members with remaining claims in excess of \$100,000 wishing to proceed with such claims will be required to:

- (a) serve on the Defendants an affidavit of documents prepared in accordance with rule 30.03 of the *Rules of Civil Procedure*; and
- (b) attend for an oral examination for discovery (in accordance with rule 34), or provide answers to written interrogatories (in accordance with rule 35), as any Defendant wishing to examine them may elect.



46. The Referee may, in its discretion, make a decision on the individual issues based on the documentary and discovery evidence, or conduct a trial of such claims.

**THE ADMINISTRATOR'S FIRST REPORT TO COURT**

47. Once the Referee(s) has conducted all of the proceedings described above, the Administrator will present the findings to the court in the Administrator's Second Report to the Court.

48. The court will be asked:

- (a) to review the Administrator's Second Report to the Court and enter judgment in accordance with it;
- (b) decide whether or not to authorize the Administrator to make a distribution to the eligible Class Members; and
- (c) discharge the Referee(s) from his or her mandate.

49. If the total available for distribution to Class Members is not fully disbursed to the Class Members within a period of time fixed by the court, the unpaid amount shall be distributed by the Administrator to designated recipients cy près in such manner and on such terms as the court may direct.

**ADMINISTRATOR'S FINAL REPORT TO COURT**

50. After the Administrator makes its final distribution, it shall report to the court and be discharged as the Administrator.

**ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION**

51. After the trial of the common issues, the Plaintiffs will ask the court to approve an agreement respecting fees and disbursements with Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and GST are not completely paid by the costs recovered from the Defendants, the unpaid balance shall be a first charge on the total recovery and paid before any distribution to the Class Members.
52. The Plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of all notices associated with the process and the fees and disbursements of the Administrator and Referee as these costs are incurred. Absent that court order, the Plaintiffs will seek an order that these costs be paid out of the total recovery after payment of Class Counsel's fees and disbursements but before any distribution to the Class Members.

**MOTIONS FOR DIRECTIONS**

53. Any party, the Administrator or the Referees may at any time apply to the court for directions in respect of this Litigation Plan.

**FURTHER ORDERS CONCERNING THIS PLAN**

54. This Plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

**EFFECT OF THIS PLAN**

55. This Plan shall be binding on all Class Members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the Plan.

**Schedule 1****Brokers**

- Assante Corp
- BMO Nesbitt Burns
- Canaccord Capital
- CIBC Wood Gundy
- Desjardins Securities
- Dundee Wealth Management Inc.
- E\*Trade Canada
- Edward Jones
- HSBC InvestDirect
- Investors Group Inc.
- National Bank Financial
- RBC Dominion Securities Inc.
- Raymond James Ltd.
- Scotia McLeod
- TD Waterhouse

**Schedule 2****List of Websites**

- Google Finance
- Google Finance Canada
- MarketWatch
- Stockhouse.ca
- TheStreet.com
- Google (in response to searches for “Arctic Glacier class action in Canada”)
- Google.ca (in response to searches for “Arctic Glacier class action in Canada”)
- Yahoo! (in response to searches for “Arctic Glacier class action in Canada”)
- Yahoo! Canada (in response to searches for “Arctic Glacier class action in Canada”)
- Live Search (in response to searches for “Arctic Glacier class action in Canada”)

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at London

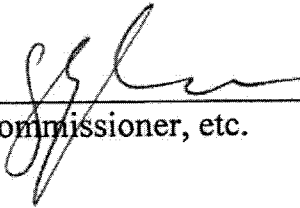
**ORDER  
(Certification)**

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Tel: 519.660.2121  
Fax: 519.660.6065

Lawyers for the Plaintiffs

This is Exhibit "F" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



A Commissioner, etc.

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

Made as of March 20, 2012

Between

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

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

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

**RECITALS**

- A. WHEREAS the Proceedings have been commenced by the Plaintiffs in Ontario and Quebec which allege that the Settling Defendant made misrepresentations regarding the assets, business and transactions of Sino-Forest contrary to the *OSA*, the *QSA*, the civil law of Quebec and the common law of the rest of Canada;
- B. AND WHEREAS the Settling Defendant believes that it is not liable in respect of the claims as alleged in the Proceedings and the Settling Defendant believes that it has good and reasonable defences in respect of the merits in the Proceedings;
- C. AND WHEREAS the Settling Defendant asserts that it would actively pursue its defences in respect of the merits during the course of certification, during the course of discovery and at trial if the Plaintiffs continued the Proceedings against it;
- D. AND WHEREAS, despite the Settling Defendant's belief that it is not liable in respect of the claims as alleged in the Proceedings and its belief that it has good and reasonable defences in respect of the merits, the Settling Defendant has negotiated and entered into this Settlement Agreement to avoid further expense, inconvenience, and burden of this litigation and any other present or future litigation arising out of the facts that gave rise to this litigation and to achieve final resolutions of all claims asserted or which could have been asserted against the Settling Defendant by the Plaintiffs on their own behalf and on behalf of the classes they seek to represent, and to avoid the risks inherent in uncertain, complex and protracted litigation;
- E. AND WHEREAS counsel for the Settling Defendant and counsel for the Plaintiffs have engaged in extensive arm's-length settlement discussions and negotiations in respect of this Settlement Agreement;
- F. AND WHEREAS as a result of these settlement discussions and negotiations, the Settling Defendant and the Plaintiffs have entered into this Settlement Agreement, which embodies all of the terms and conditions of the settlement between the Plaintiffs and the Settling Defendant, both individually and on behalf of the Settlement Class, subject to approval of the Courts;

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

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

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

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

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

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

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

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

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

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

#### SECTION 1 - DEFINITIONS

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

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

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

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

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

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



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

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

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

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

## SECTION 2 - SETTLEMENT APPROVAL

### 2.1 Best Efforts

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

### 2.2 Motions for Approval

- (1) Each of the Ontario Plaintiffs and Quebec Plaintiffs shall promptly bring motions before the Ontario Court and the Quebec Court, respectively, for orders approving the notices described in section 10 herein, certifying the Ontario Proceeding and authorizing the Quebec Proceeding as a class proceeding for settlement purposes only and approving this Settlement Agreement.
- (2) The motions for approval of this Settlement Agreement referred to in section 2.2(1) shall not be returnable until the Opt Out Deadline has passed.

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

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

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

### **2.3 Pre-Motion Confidentiality**

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

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

### SECTION 3 - SETTLEMENT BENEFITS

#### 3.1 Cooperation – No Disclosure of Privileged Communications

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

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

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

#### 3.3 Cooperation – No Disclosure of Confidential Information

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

#### 3.4 Cooperation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

#### SECTION 4 - OPTING-OUT

##### 4.1 Procedure

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

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

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

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

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

#### **4.2 Opt-Out Report**

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

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

### **SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT**

#### **5.1 Effect of Non-Approval of Settlement Agreement**

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

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

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

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

## **5.2 Survival of Provisions After Non-Approval of Settlement Agreement**

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

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

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

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

## **SECTION 6 - RELEASES AND DISMISSALS**

### **6.1 Release of Releasees**

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

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

### **6.2 Covenant Not To Sue**

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

### **6.3 No Further Claims**

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

### **6.4 Dismissal of the Proceedings**

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

### **6.5 Dismissal of Other Actions**

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

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

## **SECTION 7 - BAR ORDER AND OTHER CLAIMS**

### **7.1 Ontario Bar Order**

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

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

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

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

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

## 7.2 Quebec Bar Order

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

**7.3 Claims Against Other Persons Reserved**

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

**7.4 Material Term**

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

**SECTION 8 - EFFECT OF SETTLEMENT****8.1 No Admission of Liability**

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

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

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

**8.2 Agreement Not Evidence**

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

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



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

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

### **8.3 No Further Litigation**

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

## **SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY**

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

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

## **SECTION 10 - NOTICE TO SETTLEMENT CLASSES**

### **10.1 Required Notice**

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

**10.2 Form and Distribution of Notices**

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

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

**SECTION 11 - MISCELLANEOUS****11.1 Motions for Directions**

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

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

**11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings**

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

**11.3 Headings, etc.**

In this Settlement Agreement:

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

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

#### **11.4 Computation of Time**

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

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

#### **11.5 Ongoing Jurisdiction**

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

#### **11.6 Governing Law**

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

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

### **11.7 Disputes**

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

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

### **11.8 Joint and Severable / Indivisible**

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

Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec.

#### **11.9 Entire Agreement**

This Settlement Agreement constitutes the entire agreement among the Parties, and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Settlement Agreement, unless expressly incorporated herein.

#### **11.10 Amendments**

This Settlement Agreement may not be modified or amended except in writing and on consent of all Parties hereto and any such modification or amendment must be approved by the Courts with jurisdiction over the matter to which the amendment relates.

#### **11.11 Binding Effect**

This Settlement Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Settling Defendant, the Releasees, the Settlement Class Members, the Releasors and all of their successors and assigns unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11. Without limiting the generality of the foregoing, each and every covenant, condition, release and agreement made herein by the Plaintiffs shall be binding upon all Releasors and each and every covenant, condition, release and agreement made herein by the Settling Defendant shall be binding upon all of the Releasees unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11.

#### **11.12 General Obligation**

Without limiting the generality of any other provisions of this Settlement Agreement, until such time as either of the Courts have refused to approve this Settlement Agreement and the

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

#### **11.13 No Assignment**

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

#### **11.14 Third Party Beneficiaries**

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

#### **11.15 Counterparts**

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

#### **11.16 Negotiated Agreement**

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

**11.17 Language**

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

**11.18 Transaction**

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

**11.19 Recitals**

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

**11.20 Schedules**

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

**11.21 Acknowledgements**

Each of the Parties hereby affirms and acknowledges that:

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

**11.22 Authorized Signatures**

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

**11.23 Notice**

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

For Plaintiffs in the Ontario Proceedings and for Ontario Counsel:

Charles M. Wright

Kirk M. Baert

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

**Koskie Minsky LLP**  
**Barristers and Solicitors**  
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**Toronto, ON M5H 3R3**

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 Email: charles.wright@siskinds.com

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 Fax: 416.204.2889  
 Email: kbaert@kmlaw.ca

For Plaintiffs in the Quebec Proceedings and for Quebec Counsel

Simon Hébert

**Siskinds Desmeules s.e.n.c.r.l.**  
**Les promenades du Vieux-Quebec**  
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**Quebec City, QC G1R 4A2**

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



For Settling Defendant  
in the Ontario Proceeding:

John J. Pirie

**Baker & McKenzie LLP  
Barristers & Solicitors  
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181 Bay Street, Suite 2100  
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Email: [john.pirie@bakermckenzie.com](mailto:john.pirie@bakermckenzie.com)

For Settling Defendant  
in the Quebec Proceeding


Bernard Gravel

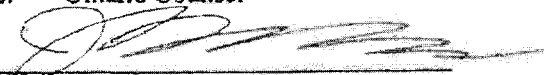
**Lapointe Rosenstein Marchand Melançon,  
LLP  
1250 René-Lévesque Blvd. West, Suite 1400  
Montreal, Quebec, H3B 5E9  
Canada**

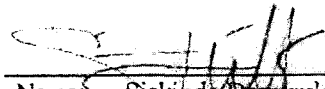
Telephone: 514.925.6382  
Fax: 514.925.5082  
Email: [bernard.gravel@lrmm.com](mailto:bernard.gravel@lrmm.com)

11.24 Date of Execution


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

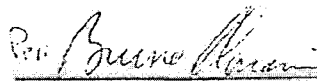
By:   
Name: Siskinds LLP  
Title: Ontario Counsel

By:   
Name: Koskie Minsky LLP  
Title: Ontario Counsel

By:   
Name: Siskinds Desmeules s.e.n.c.r.l  
Title: Quebec Counsel

PÖYRY (BEIJING) CONSULTING  
COMPANY LIMITED

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

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

**SCHEDULE A – PROCEEDINGS**

<b>Proceeding</b>	<b>Plaintiffs</b>	<b>Defendants</b>	<b>Settlement Class</b>
Ontario Superior Court of Justice Court File No. CV-11-431153-00CP (the "Ontario Proceeding")	The Trustees of the Labourers' Pension Fund of Central And Eastern Canada, the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde Ap-Fonden, David Grant and Robert Wong	Sino-Forest Corporation, Ernst & Young LLP, BDO Limited (formerly known as BDO McCabe Lo Limited), Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc Of America Securities LLC	All persons and entities, wherever they may reside who acquired Sino Forest's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino Forest's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons.
Superior Court of Quebec (District of Québec), File No. 200-06-000132-111 (the "Quebec Proceeding")	Guining Liu	Sino-Forest Corporation, Ernst & Young LLP, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West and Pöyry (Beijing) Consulting Company Limited	All natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec

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

The Trustees of the Labourer's Pension Fund and Sino-Forest corporation, et al.  
of Central and Eastern Canada, et al.  
Plaintiffs

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

**MOTION RECORD OF THE PLAINTIFFS**  
**(Certification for Settlement Purposes**  
**and Notice of Fairness Hearing)**

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**Lawyers for the Plaintiffs**