



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, CHAPTER S.5, AS AMENDED**

AND

**IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN, ALBERT IP, ALFRED C.T. HUNG,
GEORGE HO AND SIMON YEUNG**

**ORDER
(Section 144)**

WHEREAS the securities of Sino-Forest Corporation (the **Issuer**) currently are subject to a temporary cease trade order made by the Ontario Securities Commission (the **Commission**), pursuant to paragraph 2 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the **Act**) on August 26, 2011, and extended until October 29, 2012 pursuant to subsections 127(7) and (8) of the Act that trading in securities of the Issuer cease (the **Temporary Order**);

AND WHEREAS the Issuer has made an application pursuant to section 144 of the Act for an order varying the Temporary Order to allow certain trades and acts in furtherance of trades in respect of a proposed plan of compromise and reorganization pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the **CCAA**) involving the Issuer (the **Application**);

AND WHEREAS the Application includes written representations of the Issuer and the Issuer has provided supplementary materials and oral submissions at a hearing before the Commission on October 26, 2012;

AND UPON the Issuer having represented, among other things, to the Commission as follows:

The Issuer

1. The Issuer is a corporation existing under the *Canada Business Corporations Act* (the **CBCA**) having its registered and principal Canadian office in the Province of Ontario and its principal executive office in Hong Kong.
2. The Issuer is a reporting issuer in default under the Act and the securities legislation of each of the other Provinces of Canada.
3. The authorized capital of the Issuer consists of an unlimited number of common shares (the **Common Shares**) and an unlimited number of preference shares issuable in series (the **Preferred Shares**).

4. As at the date hereof, there are 246,095,926 issued and outstanding Common Shares, outstanding stock options to purchase 3,042,118 Common Shares (the **Options**) and no issued or outstanding Preferred Shares.
5. As at the date hereof, the Issuer has the following notes outstanding:
 - (a) 6.25% guaranteed senior notes due 2017 in the principal amount of U.S. \$600 million (the **2017 Notes**);
 - (b) 4.25% convertible senior notes due 2016 in the principal amount of U.S. \$460 million (the **2016 Notes**);
 - (c) 10.25% guaranteed senior notes due 2014 in the principal amount of U.S. \$399,517,000 (the **2014 Notes**); and
 - (d) 5.00% convertible senior notes due 2013 in the aggregate principal amount of U.S. \$345 million (the **2013 Notes** and together with the 2017 Notes, the 2016 Notes and the 2014 Notes, the **Notes**. Holders of the Notes are referred to herein as **Noteholders**).
6. The Issuer has no securities issued and outstanding other than the Common Shares, the Options and the Notes.
7. The Common Shares were previously listed and posted for trading on the Toronto Stock Exchange (the **TSX**). The TSX delisted the Common Shares on May 9, 2012.
8. The Notes are not and have never been listed on any exchange in Canada. All of the Notes were initially sold by way of private placement.
9. As at the date hereof, no securities of the Issuer are traded in Canada on a "marketplace" as defined in National Instrument 21-101 *Marketplace Operation* (**NI 21-101**).

Temporary Cease Trade Order

10. On August 26, 2011, the Commission made the Temporary Order, effective for a 15-day period, that the trading in the securities of the Issuer cease.
11. The Temporary Order was extended on September 8, 2011, January 23, 2012, April 13, 2012, July 12, 2012, October 10, 2012 and most recently on October 26, 2012, at which time the Temporary Order was extended to January 21, 2013.

CCAA Proceedings

12. On March 30, 2012, the Issuer and members of an ad hoc committee of Noteholders (the **Initial Consenting Noteholders**) entered into a restructuring support agreement (the **Support Agreement**), which provided for, among other things, the material terms of the restructuring of the Issuer contemplated by the Plan.

13. On March 30, 2012, the Issuer also applied for and obtained an initial order under the CCAA from the Superior Court of Justice (Ontario) (the **CCAA Court**) granting a CCAA stay of proceedings against the Issuer and certain of its subsidiaries (the **CCAA Proceedings**) and appointing FTI Consulting Canada Inc. as the monitor in the CCAA Proceedings (the **Monitor**). The Monitor is an officer of the court, and its role is to oversee the business of the Issuer and be an impartial observer of the restructuring of the Issuer's business pursuant to the CCAA Proceedings.
14. The CCAA stay of proceedings against the Issuer and certain of its subsidiaries was subsequently extended several times, most recently on October 9, 2012 at which time the stay of proceedings was extended to December 3, 2012.

CCAA Meeting

15. On August 31, 2012, the CCAA Court granted an order in the CCAA Proceedings (the **Meeting Order**) relating to the calling of a meeting of the Issuer's creditors (the **Meeting**) to consider a Plan of Compromise and Reorganization under the CCAA and the CBCA (as amended, supplemented or restated from time to time, the **Plan**).
16. On September 18, 2012, the Commission granted an order pursuant to subsection 144(1) of the Act varying the Temporary Order to the extent necessary to allow the Issuer to distribute the CCAA Materials (as defined below) to all potential creditors, including holders of the Issuer's Notes.
17. On or about October 24, 2012, the Issuer and the Monitor mailed various meeting materials to the creditors of the Issuer as contemplated by the Meeting Order, which materials include a Notice of Meeting and Information Statement along with proxy materials and any amendments and supplements thereto (collectively, the **CCAA Materials**).
18. The Issuer intends to hold the Meeting on November 29, 2012.

The CCAA Plan

19. The Plan contemplates, among other things, that:
 - (a) a new company (**Newco**) will be incorporated under the laws of the Cayman Islands or another jurisdiction acceptable to the Issuer and the Initial Consenting Noteholders. Upon the implementation of the Plan, the Issuer will transfer substantially all of its assets to Newco, including all of the Issuer's direct and indirect interests in all of the Issuer's subsidiaries;
 - (b) shares of Newco (**Newco Shares**) and notes of Newco (**Newco Notes**) will be distributed to certain creditors of the Issuer, being primarily the Noteholders, as consideration for the compromise of the obligations owed to them by the Issuer and its subsidiaries. Accordingly, the Noteholders of the Issuer will hold a very

substantial majority of the Newco Shares and Newco Notes on the Plan Implementation Date (as defined below);

- (c) certain litigation claims of the Issuer against third parties will be transferred to a litigation trust established to pursue such claims for the benefit of creditors of the Issuer, including the Noteholders; and
 - (d) on the date that is 31 days after the Plan Implementation Date (or such other date as may be agreed to by the Issuer, the Monitor and the Initial Consenting Noteholders) all of the outstanding Common Shares of the Issuer will be cancelled. Following such date, the Issuer will have no outstanding securities other than one Class A Share to be held by a litigation trustee or such other person as may be agreed to by the Monitor and the Initial Consenting Noteholders.
20. The Plan also provides that, at any time prior to the implementation of the Plan, the Issuer may, with the consent of the Initial Consenting Noteholders, complete a sale of all or substantially all of the assets of the Issuer on terms that are acceptable to the Initial Consenting Noteholders (an **Alternative Sale Transaction**), provided that any such Alternative Sale Transaction has been approved by the CCAA Court pursuant to section 36 of the CCAA on notice to the service list.

The Issuer and Newco Following the Plan Implementation Date

21. As a result of the transactions described in paragraph 19 above, under the definition of "reporting issuer" in the securities legislation of certain of the Provinces of Canada, Newco would become a reporting issuer by operation of law and would be subject to the continuous disclosure requirements under the securities legislation of certain of the Provinces of Canada. The Issuer has applied to the securities regulator or regulatory authority in each of the Provinces of Canada for an order that the Issuer will not be a reporting issuer in each such jurisdiction immediately prior to the effective time on the Plan Implementation Date. As a result, assuming this order is granted, Newco would not become a reporting issuer by operation of law upon the implementation of the Plan, and would not be subject to the continuous disclosure requirements under the securities legislation of certain of the Provinces of Canada. It is a condition precedent to implementation of the Plan that Newco is not a reporting issuer (or equivalent) in any province of Canada or any other jurisdiction.
22. Following the Plan Implementation Date, Newco will have no offices or assets in Canada, few (if any) Canadian directors, officers or employees and an underlying business that will be conducted entirely outside of Canada. In addition, a very substantial majority of Newco's securities will be held by non-Canadians on implementation of the Plan. Given that the Newco Shares and Newco Notes will not be traded on a marketplace as defined in NI 21-101 upon implementation of the Plan, the Issuer believes that the likelihood of any securities of Newco flowing back into Canada following implementation of the Plan to be low given the lack of any substantive connection to Canada.

23. Until such time as the claims of certain creditors with unresolved claims are disallowed or determined to be proven claims pursuant to the CCAA process (which will be after the Plan Implementation Date in many cases), it is not possible to determine all of the securityholders of Newco and their respective percentage holdings of Newco Shares and Newco Notes. Based on searches of beneficial holders of the Notes obtained by the Issuer and assuming no current Unresolved Claims (as defined in the Plan) become Proven Claims (as defined in the Plan) prior to the Plan Implementation Date, on the Plan Implementation Date, to the Issuer's knowledge, Newco will have only approximately 75 resident Canadian securityholders holding less than approximately 2% of the Newco Shares and Newco Notes on the Plan Implementation Date.
24. Immediately following the implementation of the Plan, no securities of Newco will be traded on a marketplace as defined in NI 21-101. The Issuer has been advised by counsel to the Initial Consenting Noteholders that Newco does not currently intend to seek financing by way of a public offering of its securities in Canada or elsewhere.
25. Following implementation of the Plan, the Issuer will have no outstanding securities other than one Class A Share to be held by the litigation trustee or such other person as may be agreed to by the Monitor and the Initial Consenting Noteholders.
26. Following the implementation of the Plan, no securities of the Issuer will be traded on a marketplace as defined in NI 21-101. The Issuer does not intend to seek financing by way of a public offering of its securities in Canada or elsewhere.

Implementation of the Plan

27. The approval and implementation of the Plan involves the following steps:
 - (a) obtaining approval of the Plan by the required majorities (pursuant to the CCAA) of creditors at the Meeting;
 - (b) obtaining an order of the CCAA Court approving the Plan (the **Sanction Order**); and
 - (c) the satisfaction or waiver of all conditions precedent to the implementation of the Plan.
28. In order for the Plan to be approved, a resolution to approve the Plan must be presented at the Meeting, and it must receive an affirmative vote of a majority in number of Affected Creditors (as defined in the Plan) with Proven Claims who are entitled to vote on the Plan in accordance with its terms and two-thirds in value of the Proven Claims held by such Affected Creditors, in each case who vote on the Plan at the Meeting (the **Requisite Creditor Approval**).
29. Once the Requisite Creditor Approval is obtained, the Sanction Order has been granted and the other conditions precedent to Plan implementation have been satisfied or waived, the Monitor will deliver a certificate indicating that Plan implementation has occurred

(the date such certificate is delivered being the **Plan Implementation Date**), and the Plan will become binding in accordance with its terms.

30. To implement the Plan, the Issuer is required to effect certain trades and engage in certain acts in furtherance of trades in securities of the Issuer that are necessary for and in connection with the Plan (collectively, the **CCAA Plan Trades**), including, without limitation:
 - (a) the assignment, transfer and conveyance of claims by holders of Notes in respect of or in relation to the Notes to Newco in consideration for Newco Shares and Newco Notes;
 - (b) the cancellation of the Notes;
 - (c) the cancellation of the outstanding Common Shares, Options and other equity interests of the Issuer;
 - (d) the creation and issuance of a new class of shares of the Issuer; and
 - (e) the creation and allocation of litigation trust interests.
31. In accordance with the CCAA, the Issuer may not proceed with any Alternative Sale Transaction pursuant to the Plan unless the CCAA Court has approved the particular Alternative Sale Transaction to be completed.
32. It is a condition of implementation of the Plan that the Issuer obtain an order varying the Temporary Order to permit certain transactions contemplated by the Plan which may constitute trades.

AND UPON it being the understanding of the Commission that:

- (a) Newco Shares and Newco Notes will be subject to resale restrictions under *National Instrument 45-102 Resale of Securities*;
- (b) no aspect of this order will have any effect on existing and/or future enforcement proceedings that have been taken or may be taken against the Issuer or any other parties by Staff of the Commission; and
- (c) by granting this order, the Commission is not expressing any opinion or approval as to the terms of the Plan.

AND UPON the Commission, having considered the evidence and submissions before it, being satisfied that the granting of this Order would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Temporary Order be and is hereby varied solely to permit:

- (a) the holding of the Meeting (including for greater certainty acts in furtherance of trades in the Issuer's securities in connection with the Meeting), and
- (b) the CCAA Plan Trades and all acts in furtherance thereof (other than any CCAA Plan Trades required to give effect to an Alternative Sale Transaction), provided that:
 - (i) the Issuer obtains the Requisite Creditor Approval;
 - (ii) the Issuer obtains the Sanction Order;
 - (iii) the Issuer has complied and is in compliance with the terms of all CCAA Court orders, including the Meeting Order and the Sanction Order; and
 - (iv) the Temporary Order shall otherwise remain in effect, unamended except as expressly provided in this order.

DATED at Toronto this 26th day of October, 2012.

"Mary G. Condon"

Mary G. Condon

"James E. A. Turner"

James E. A. Turner

"Sinan O. Akdeniz"

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