



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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20, rue queen ouest
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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF ERNST & YOUNG LLP

- and -

**IN THE MATTER OF ERNST & YOUNG LLP
(AUDITS OF ZUNGUI HAIXI CORPORATION)**

- and -

**IN THE MATTER OF A
SETTLEMENT AGREEMENT
BETWEEN STAFF OF THE ONTARIO SECURITIES COMMISSION
AND ERNST & YOUNG LLP**

**ORDER
(Sections 127 and 127.1)**

WHEREAS on December 3, 2012, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “*Securities Act*”) in respect of Ernst & Young LLP (“Ernst & Young”). That Notice of Hearing was issued in connection with the allegations set out in the Statement of Allegations of Staff of the Commission (“Staff”) dated December 3, 2012 relating to Ernst & Young’s audits of the financial statements of Sino-Forest Corporation (the “Sino-Forest Proceeding”);

AND WHEREAS on June 24, 2013, the Commission issued a second Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act* in respect of Ernst & Young. That Notice of Hearing was issued in connection with the allegations set out in

the Statement of Allegations of Staff dated June 24, 2013 relating to Ernst & Young's audits of the financial statements of Zungui Haixi Corporation (the "Zungui Proceeding");

AND WHEREAS Ernst & Young entered into a Settlement Agreement with Staff dated September 23, 2014 (the "Settlement Agreement") in which Ernst & Young agreed to a proposed settlement of the Sino-Forest Proceeding and the Zungui Proceeding, subject to the approval of the Commission;

AND WHEREAS on September 19, 2014, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

AND UPON reviewing the Settlement Agreement, the Notices of Hearing, and the Statements of Allegations of Staff in the Sino-Forest Proceeding and the Zungui Proceeding, and upon hearing submissions from counsel for Ernst & Young and from Staff;

AND WHEREAS Ernst & Young has undertaken in the Settlement Agreement to cooperate with Staff regarding its ongoing investigation into the affairs of Sino-Forest Corporation and any resulting hearing before the Commission. Ernst & Young has further undertaken to make its current partners and employees available to testify at any resulting hearing if requested by Staff and make best efforts to cause its former partners and employees to do so;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

- (a) the Settlement Agreement is approved;

- (b) Ernst & Young shall make a voluntary payment to the Commission in the amount of \$8 million in total, to be allocated as follows:
- (i) \$6.5 million for the Sino-Forest Proceeding, of which \$1.5 million shall be allocated to the Commission's costs of the investigation, and the balance shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the *Securities Act*; and
 - (ii) \$1.5 million for the Zungui Proceeding, of which \$600,000 shall be allocated to the Commission's costs of the investigation, and the balance shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the *Securities Act*.

DATED at Toronto, this 30th day of September, 2014.

"James Turner"
