

**ONTARIO
SUPERIOR COURT OF JUSTICE**

AUSTIN A. PARTRIDGE

Plaintiff

- and -

GREENSTAR AGRICULTURAL CORPORATION
(f.k.a CHINA GREEN STAR AGRICULTURAL CORPORATION)
GUAN LIANYUN, MICHAEL LAM (a.k.a LIM WEN KAI LAM MOON CHIONG),
G. MICHAEL NEWMAN, BRIAN J. KNEBEL, FRANCESCO GALATI,
and SCHWARTZ LEVITSKY FELDMAN LLP

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM
(STATEMENT OF CLAIM FILED NOVEMBER 19, 2014)
(NOTICE OF ACTION ISSUED ON OCTOBER 20, 2014)**

15 June / 2015
AMENDED THIS PURSUANT TO
MOTION DE CONFORMEMENT A
RÈGLE 26.02 (a)
BETWEEN
THE ORDER OF
L'ORDONNANCE DU
DATED / FAT LE
REGISTRAR
SUPERIOR COURT OF JUSTICE
GREATER
MAGNANIMOUSLY BY JUSTICE

CLAIM

1. The Plaintiff claims:

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

All persons or entities wherever they may reside or be domiciled who acquired securities of GreenStar Agricultural Corporation from May 31, 2011 through June 3, 2014, inclusive, other than the Defendants, their past and present associates (as 'associates' is defined in Section 1(1) of the Securities Act, RSO 1990 c S 5, as amended), their officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, Luo Huirong (Fuzhou, Fujian, People's Republic of China), Bliss Time Limited (British Virgin Islands), Ally Fast Limited (British Virgin Islands), Lucy Xia (United States), any person, company, partnership or limited partnership controlled (as 'control' is defined in Section 89(3) of the Securities Act, RSO 1990 c S 5, as amended) by any of the Defendants, and any person or company who acted as a consultant or provided other professional services to GreenStar Agricultural Corporation or its subsidiaries in connection with the private placement of GreenStar Agricultural Corporation securities on January 10, 2014, January 20, 2014 or February 6, 2014;

or such other class definition as may be approved by the Court;

- (b) A declaration that the subscription agreement issued in connection with the prospectus exempt distribution of GreenStar Agricultural Corporation securities on January 10, 2014, January 20, 2014 and February 6, 2014 contained one or more material representations that were untrue, and that when made, those material representations, or one or more of them, were misrepresentations at law;
- (c) A declaration that the Defendants, GreenStar Agricultural Corporation, Guan Lianyun and Michael Lam, or one or more of them, were negligent in preparing the subscription agreement and issuing the securities issued pursuant thereto, and that but for the negligence of the aforesaid Defendants, or one or more of them,

the securities issued pursuant to the subscription agreement would not have been issued or would have been issued at a substantially lower price;

- (d) A declaration that the subscription agreement is void or voidable;
- (e) On behalf of class members who acquired GreenStar Agricultural Corporation securities pursuant to the subscription agreement, an order for rescission of the subscription agreement, or, in the alternative, damages equal to the difference between the subscription price and the value of GreenStar Agricultural Corporation common shares upon liquidation or on the date of trial;
- (f) A declaration that the management's discussion and analysis, audited annual financial statements and unaudited interim financial statements of GreenStar Agricultural Corporation released on and/or after May 30, 2012:
 - (i) contained one or more statements of material fact that were materially false and/or materially misleading; and/or
 - (ii) omitted to state a material fact that was required to be stated or that was necessary to make a statement not misleading in the light of the circumstances in which it was made;
- (g) A declaration that any materially false and/or materially misleading statements of material fact, and/or any omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in the light of the circumstances in which it was made, were misrepresentations at law and within the meaning of the *Securities Act*, RSO 1990 c S 5, as amended;

- (h) An order granting leave to pursue the right of action for misrepresentation in secondary market disclosure set out in Part XXIII.1, s 138.3(1), of the *Securities Act*, RSO 1990 c S 5, as amended, and, if necessary, in the equivalent sections of 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*, RSNS 1989, c 418, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended, and the *Securities Act, 1988*, SS 1988-89, c S-42.2, as amended, on behalf of Class Members who acquired GreenStar securities between August 28, 2012 and June 3, 2013;
- (i) A declaration that each of the Defendants, GreenStar Agricultural Corporation, Guan Lianyun, Michael Lam, G. Michael Newman, Brian J. Knebel and Francesco Galati, or any of them, made the aforesaid misrepresentations negligently;
- (j) A declaration pursuant to s. 248 of the *Business Corporations Act*, RSO 1990, c B 16, as amended, that:
 - (i) the acts and omissions of GreenStar Agricultural Corporation or its affiliates have effected a result,
 - (ii) the business or affairs of GreenStar Agricultural Corporation or its affiliates have been carried on or conducted in a manner, and
 - (iii) the powers of the directors of GreenStar Agricultural Corporation or its affiliates have been exercised in a manner,

that has been oppressive or unfairly prejudicial to or that has unfairly disregarded the interests of the Plaintiff and the other class members;

- (k) Pursuant to s. 248(3)(j) of the *Business Corporations Act*, RSO 1990, c B 16, as amended, an order requiring the Defendants Guan Lianyun, G. Michael Newman, Brian J. Knebel and Francesco Galati, or one or more of them, to compensate the Plaintiff and the other class members;
- (l) A declaration that GreenStar Agricultural Corporation is vicariously liable for the acts and omissions of the individual Defendants and its other officers, directors and employees;
- (m) A declaration that Schwartz Levitsky Feldman LLP is vicariously liable for the acts and omissions of each of its officers, directors, partners and employees;
- (n) General damages, as against all Defendants, in the sum of \$15 million, or such other sum as this Court deems appropriate at the trial of the common issues or at a reference or references;
- (o) An order directing a reference or giving such other directions as may be necessary to determine issues not determined at the trial of the common issues;
- (p) Pre-judgment and post-judgment interest;
- (q) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to section 26(9) of the *Class Proceedings Act, 1992*, SO 1992, c 6, as amended, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (r) Such further and other relief as to this Honourable Court may seem just.

DEFINED TERMS, CURRENCY & AMOUNTS

2. In this Statement of Claim, dollar amounts are expressed in Canadian dollars unless otherwise indicated, and the following terms have the following meanings in addition to the terms that may be defined elsewhere:
- (a) “**Audit Committee**” means the audit committee of the **Board of GreenStar**;
 - (b) “**Beichen Tomato**” means Bayannur City Beichen Tomato Products Co., Ltd., a limited liability corporation incorporated in the **PRC** on March 8, 2007 bearing registration number 152800000000151 and having its registered address at Yidingtu Town, Wuyuan County, Bayannur City, Inner Mongolia Autonomous Region, **PRC**;
 - (c) “**Board**” means the board of directors of **GreenStar**;
 - (d) “**CEO**” means Chief Executive Officer;
 - (e) “**CFO**” means Chief Financial Officer;
 - (f) “**CJA**” means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;
 - (g) “**Class**” and “**Class Members**” means all persons and entities, wherever they may reside or be domiciled, who acquired securities of **GreenStar** during the **Class Period**, other than **Excluded Persons**;
 - (h) “**Class Period**” means May 31, 2011 through June 3, 2014, inclusive;
 - (i) “**CPA**” means the Ontario *Class Proceedings Act*, SO 1992, c 6, as amended;

- (j) “**Defendants**” means, collectively, **GreenStar**, the **Individual Defendants** and **SLF**;
- (k) “**Excluded Persons**” means the **Defendants**, their past and present associates (as ‘associates’ is defined in Section 1(1) of the **OSA**, their officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, Luo Huirong (Fuzhou, Fujian, **PRC**), Bliss Time Limited (British Virgin Islands), Ally Fast Limited (British Virgin Islands), Lucy Xia (United States), any person, company, partnership or limited partnership controlled (as ‘control’ is defined in Section 89(3) of the **OSA**) by any of the **Defendants**, and any person or company who acted as a consultant or provided other professional services to **GreenStar** or its subsidiaries in connection with the private placement of **GreenStar** securities on January 10, 2014, January 20, 2014 or February 6, 2014;
- (l) “**Fujian Green Star**” means Fujian Pucheng Star of Green Foodstuff Co., Ltd., a limited liability corporation incorporated in the **PRC** on March 31, 2003, bearing registration number 350722100001313 and having its registered address on the right side of National Road 205, Ma’anling, Xinjie Village, Linjiang Town, Pucheng County, Fujian, **PRC**;
- (m) “**GAAS**” means Canadian generally accepted auditing standards;
- (n) “**Galati**” means the Defendant, Francesco (Frank) Galati;
- (o) “**Good Hope**” means Shanghai Yuanwang Xinyu Share Investment Partnership, a limited partnership formed under the laws of the **PRC**, bearing registration

number 310000000099454, conducting business as Shanghai Good Hope Capital Limited;

- (p) “**GreenStar**” means the Defendant, GreenStar Agricultural Corporation, f.k.a. China Green Star Agricultural Corporation and Aquarius Capital Corp., formerly an Ontario corporation bearing Ontario corporation number 2144610;
- (q) “**Guan**” means the Defendant, Guan Lianyun;
- (r) “**IAS**” means International Accounting Standards issued by the International Accounting Standards Board;
- (s) “**IFRS**” means International Financial Reporting Standards, as amended, issued by the International Accounting Standards Board;
- (t) “**Impugned Documents**” (each being an “**Impugned Document**”) means, collectively:
 - (i) the Audited Annual Financial Statements and MD&A filed on SEDAR on April 29, 2013; and
 - (ii) the Interim Financial Statements and MD&As filed on SEDAR on May 30, 2012, August 28, 2012, November 28, 2012, May 27, 2013, August 22, 2013 and November 21, 2013.
- (u) “**Individual Defendants**” (each being an “**Individual Defendant**”) means **Guan, Lam, Newman, Knebel and Galati**, collectively;
- (v) “**Knebel**” means the Defendant, Brian J. Knebel;

- (w) “**Lam**” means the Defendant, Michael Lam (a.k.a Lim Wen Kai Moon Chiong);
- (x) “**MD&A**” means Management’s Discussion and Analysis, a narrative explanation of how an issuer performed during the period covered by the financial statements, and of the issuer’s financial condition and future prospects;
- (y) “**Newman**” means the Defendant, G. Michael Newman;
- (z) “**OBCA**” means the *Business Corporations Act*, RSO 1990, c B 16, as amended;
- (aa) “**OSA**” means the *Ontario Securities Act*, RSO 1990 c S 5, as amended;
- (bb) “**Plaintiff**” means the plaintiff, Austin A. Partridge;
- (cc) “**PRC**” means the People’s Republic of China;
- (dd) “**Private Placement**” means **GreenStar**’s prospectus exempt non-brokered private placement of **GreenStar Securities**, announced December 23, 2013, with distribution dates of January 10, 2014, January 20, 2014 and on or about February 6, 2014, from which **GreenStar** raised gross proceeds of approximately \$1.92 million;
- (ee) “**Pucheng Processing Facility**” means **Fujian Green Star**’s canned food processing factory located in or near Xinjie Village, Linjiang Town, Pucheng County, Fujian Province, **PRC**;
- (ff) “**Pucheng Rural**” means Pucheng Rural Credit Cooperatives;
- (gg) “**RMB**” means Renminbi or Yuan, the legal currency of the **PRC**;

- (hh) “**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*, RSNS 1989, c 418, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended, and the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended;
- (ii) “**SEDAR**” means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators;
- (jj) “**SLF**” means the Defendant, Schwartz Levitsky Feldman LLP;
- (kk) “**SLF 2012 Opinion**” means **SLF**’s independent auditor’s report to the shareholders of **GreenStar** provided in relation to **GreenStar**’s consolidated financial statements for the year ended December 31, 2012;
- (ll) “**Subscription Agreement**” means the form of agreement issued by **GreenStar** in connection with the **Private Placement**; and
- (mm) “**TSX-V**” means the TSX Venture Exchange.

FACTUAL BACKGROUND

The Action

3. This action concerns disclosures released by GreenStar, formerly a public listed holding corporation engaged in agricultural production and food processing in the PRC.
4. As is particularized in this pleading, the Plaintiff alleges that:
 - (a) certain documents released by GreenStar, including a securities subscription agreement under which GreenStar issued securities and raised capital, contained misrepresentations within the common law and/or within the meaning of the *OSA*;
 - (b) the information misrepresented was material and crucial to any investor's understanding of an investment in GreenStar securities;
 - (c) acts and omissions of certain Defendants were oppressive, unfairly prejudicial to or unfairly disregarding of the interests of the Plaintiff and certain of the other Class Members; and
 - (d) liability attaches to the Defendants for the Class Members' economic losses.

GreenStar and Fujian Green Star

5. GreenStar was incorporated in Ontario. The sole material assets of GreenStar were separately incorporated foreign subsidiaries through which GreenStar owned or controlled Fujian Green Star, a corporation incorporated in the PRC.
6. GreenStar conducted all of its business through Fujian Green Star. Fujian Green Star's management and all of its operations were located in the PRC.

7. GreenStar reported to holders of its securities through its continuous disclosure documents issued pursuant to the requirements of the *OSA*, the *OBCA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended, and relevant National Instruments promulgated thereunder.
8. GreenStar's disclosure included, by consolidation, Fujian Green Star's financial performance and financial position at the end of each reporting period.

The Impugned Documents and the Representations

9. As a reporting issuer in Ontario, Alberta and British Columbia, GreenStar was required to issue and file with SEDAR interim financial statements and audited annual financial statements prepared in accordance with IFRS; and, contemporaneously with each of the foregoing, a MD&A. In purported compliance with its obligations, GreenStar released the Impugned Documents.
10. The Impugned Documents explicitly or implicitly contained key representations, or a derivative thereof, relating to the consolidated financial information contained therein. The key representations, one or both of which were contained in each Impugned Document, were that:
 - (a) GreenStar's consolidated financial statements were prepared in accordance with IFRS (hereafter, and including any derivative statement, referred to as the "Compliance Representation"); and
 - (b) GreenStar's consolidated financial statements presented fairly, in all material respects, the financial position, financial performance and cash flows of GreenStar and its subsidiaries for the period to which the consolidated financial

statements related (hereafter, and including any derivative statement, referred to as the “Fair Presentation Representation,” together with the Compliance Representation hereafter referred to as the “Representations”).

Information GreenStar Provided About Borrowings

11. The Representations gave GreenStar’s financial information credibility. That financial information stated or otherwise indicated that, amongst other things:
 - (a) GreenStar’s consolidated borrowings consisted of two loans:
 - (i) a 2 year institutional loan from Good Hope; and
 - (ii) a 1 year bank loan from Pucheng Rural;
 - (b) there were no defaults or any breach of either the Good Hope institutional loan agreement or the Pucheng Rural bank loan agreement;
 - (c) neither GreenStar nor its subsidiaries were the subject of:
 - (i) a demand(s) for repayment of indebtedness;
 - (ii) a civil court proceeding(s), asset preservation order(s) freezing assets, or judgment(s) in relation to any loan default or breach of a loan agreement;
 - (iii) a judgment enforcement proceeding(s) or security enforcement procedure(s) relating to any loan default or breach of a loan agreement;and
 - (d) there was no need to record a provision or make disclosure of a contingent liability related to any aspect of GreenStar’s consolidated borrowings;

GreenStar Raised Capital

12. On the apparent strength of GreenStar's consolidated financial position, it successfully raised capital from the public by means of the Private Placement in January and February 2014.
13. In the related Subscription Agreement:
 - (a) GreenStar represented to subscribers that neither it nor its subsidiaries were the subject of any unsatisfied judgments or injunctions; and
 - (b) each subscriber warranted to GreenStar that their decisions to subscribe were also based upon available public information about GreenStar.

GreenStar Unravalled and Collapsed

14. On April 28, 2014, GreenStar announced that it would miss the filing deadline for its audited annual financial statements for the year ended December 31, 2013.
15. Assurances of confidence were given that the audit could be completed in short order. But in the following months a series of revelatory and in some cases corrective disclosures indicated that GreenStar and the Individual Defendants had failed to secure any or any effective control over Fujian Green Star, its management, assets and operations.
16. As a consequence, the Defendants:
 - (a) failed to disclose material developments affecting Fujian Green Star and GreenStar as they occurred, including material developments relating to Fujian Green Star's indebtedness;

- (b) failed to investigate SLF's concerns relating to statements and documents containing various inconsistencies and contradictions; and
 - (c) failed to verify the status of GreenStar's material assets.
17. On September 25, 2014, GreenStar's Canadian directors, Canadian management, auditor, investment relations firm and Canadian counsel resigned or withdrew. Included among the resigning parties were the Defendants, SLF and Messrs. Lam, Newman, Knebel and Galati.

The Fallout

18. The aforementioned revelations have had a severe adverse effect on the Plaintiff's investment. But that effect has also been exacerbated by, amongst other things, the failure of Guan, GreenStar's CEO, to co-operate with and authorize funding necessary to undertake any investigation, complete the audit and normalize GreenStar's and its subsidiaries' affairs.
19. GreenStar now has no directors or officers located in Canada, no independent directors, no auditor and no audit committee. On May 5, 2015, by an order made under s 240 of the *OBCA*, GreenStar's certificate of incorporation was cancelled with cause for failure to comply with s 118 the *OBCA*. GreenStar was involuntarily dissolved as of that date. This action is maintained against GreenStar pursuant to s 242(1)(a) of the *OBCA*.
20. Since the resignations, in excess of 80 formal civil proceedings against Fujian Green Star have been commenced in the PRC. In those actions, suppliers and former employees claim Fujian Green Star owes them money. Judgments rendered in some of those

proceedings reveal Fujian Green Star has no means to pay and its real property must be sold.

The Damage Caused

(i) By the Representations

21. The Representations in the Impugned Documents were, in fact, material misrepresentations. As is particularized below, GreenStar did not record or disclose, as required, all material indebtedness and/or all material information related to its indebtedness.
22. As a consequence, GreenStar securities traded in the secondary securities market and were issued under the Subscription Agreement at prices that did not reflect their substantially lower true value, if any.

(ii) By the Misrepresentation as to No Outstanding Judgments or Injunctions

23. The representation in the Subscription Agreement that neither GreenStar nor its subsidiaries were the subject of any unsatisfied judgments or an injunction was materially false and/or materially misleading. As is particularized below, Fujian Green Star was the subject of, at least, one judgment obtained by Good Hope for non-repayment of the institutional loan and, relatedly, an asset preservation order that had frozen Fujian Green Star's real property and bank accounts approximately 7 months earlier.
24. If the truth about Fujian Green Star's judgment debtor status and its inability to deal with its assets had been provided in the Subscription Agreement, the Private Placement would not have occurred or the GreenStar securities issued under the Subscription Agreement would have had a substantially lower issue price.

(iii) By Oppressive, Unfairly Prejudicial or Unfairly Disregarding Conduct

25. GreenStar's common shares last traded on the TSX-V on June 3, 2014 and closed that day at \$0.415. However, in light of the unknown status of Fujian Green Star's assets and operations; in excess of 80 formal civil proceedings against Fujian Green Star in the PRC; the regulatory prohibition on trading that has been in effect since June 3, 2014; and, the involuntary dissolution of GreenStar's incorporation, GreenStar securities are now unmarketable with the result being that they have no value.

THE PARTIES

The Plaintiff

26. The Plaintiff is an individual residing in Waterloo, Ontario.
27. The Plaintiff purchased GreenStar common shares over the TSX-V during the Class Period; he retained all such shares as of the commencement of this Action.
28. The Plaintiff brings this action pursuant to the *CPA*, on his own behalf and on behalf of all Class Members.

The Defendants

(i) GreenStar

29. GreenStar was a corporation formed under the *OBCA*, with its registered office in Toronto, Ontario. Its head office was that of Fujian Green Star; located in Xinjie Village, Linjiang Town, Pucheng County, Fujian Province, PRC.
30. At material times, GreenStar's common shares traded on the TSX-V under the ticker symbol "GRE". GreenStar's common shares were also traded on the Alpha exchange in Toronto, Ontario.

31. At all material times, GreenStar was a reporting issuer under the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended, and the *Securities Act*, RSBC 1996, c 418, as amended. More particularly, GreenStar was a reporting issuer when it:

- (a) released the Impugned Documents; and
- (b) issued the Subscription Agreement and the securities subscribed for in the Private Placement.

(ii) Guan

32. Guan has been a promoter, director, chairman and also the CEO of GreenStar since May 31, 2011.

33. Guan was the CEO of GreenStar when GreenStar:

- (a) released the Impugned Documents; and
- (b) issued the Subscription Agreement and the securities subscribed for in the Private Placement.

(iii) Lam

34. Lam was the CFO of GreenStar from March 16, 2011 until his resignation on September 24, 2014.

35. Lam was the CFO of GreenStar when GreenStar:

- (a) released the Impugned Documents; and
- (b) issued the Subscription Agreement and the securities subscribed for in the Private Placement.

36. Lam performed part-time CFO services for GreenStar while he also performed CFO services for other publicly traded companies.

(iv) Messrs. Newman, Knebel and Galati

37. Messrs. Newman, Knebel and Galati were members of GreenStar's Board and also members of the Audit Committee until their resignations on September 24, 2014. More particularly, Messrs. Newman, Knebel and Galati, respectively, were members of GreenStar's Board and also members of the Audit Committee when GreenStar:

(a) released some or all of the Impugned Documents; and

(b) issued the Subscription Agreement and the securities subscribed for in the Private Placement.

(v) SLF

38. SLF was GreenStar's auditor from May 2011 until its resignation on or about September 24, 2014.

39. SLF was an expert within the meaning of the *OSA* and the other Securities Legislation.

40. SLF provided the SLF 2012 Opinion to the shareholders of GreenStar as of April 27, 2013.

DEFENDANTS' DISCLOSURE OBLIGATIONS

41. GreenStar was, by its own election, a reporting issuer under the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended, and the *Securities Act*, RSBC 1996, c 418, as amended.

42. In order to maintain its status as a reporting issuer, for which status was sought to obtain and maintain its access to capital from the public, GreenStar assumed specific obligations relating to its disclosures:
- (a) GreenStar was required to issue and file on SEDAR interim financial statements and audited annual financial statements prepared in accordance with IFRS; and
 - (b) contemporaneously with the issuance and filing of its financial statements, GreenStar was required to issue and file on SEDAR a MD&A including discussion about:
 - (i) defaults or arrears, or significant risk of defaults or arrears, on interest or principal payment on debt and how GreenStar intended to cure the default or arrears; and
 - (ii) provisions and contingent liabilities, as applicable, for known demands, commitments, events or uncertainties, such as litigation, reasonably likely to affect business in the future.

The Plaintiff pleads and relies on ss 77(1) and 78 of the *OSA* and Parts 4 and 5 of National Instrument 51-102, *Continuous Disclosure Obligations*, as amended, Items 1 and 1.6 of Form 51-102F1 – *Management’s Discussion and Analysis*, as amended and as informed by OSC Staff Notice 51-720, *Issuer Guide for Companies Operating in Emerging Markets* (November 9, 2012).

43. The other Defendants also had obligations related to the preparation and presentation of GreenStar’s continuous disclosure documents to be filed in satisfaction of the requirements referred to in paragraph 42(a) and 42(b) herein:

- (a) Messrs. Guan and Lam were required to:
- (i) review and certify the accuracy of each of GreenStar's interim financial statements, annual financial statements, and interim and annual MD&As; and
 - (ii) ensure that processes were in place to provide them with sufficient knowledge to support the representations they made in their certifications;

The Plaintiff pleads and relies on Parts 4 and 5 of National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended, and Form 52-109FV1, *Certification of Annual Filings – Venture Issuer Basic Certificate* and Form 52-109FV2, *Certification of Interim Filings – Venture Issuer Basic Certificate*, all as informed by OSC Staff Notice 51-720, *Issuer Guide for Companies Operating in Emerging Markets* (November 9, 2012);

- (b) Messrs. Newman, Knebel and Galati, as members of the Audit Committee, were:
- (i) responsible for overseeing the work of SLF for GreenStar, including the resolution of disagreements between management and SLF regarding financial reporting; and
 - (ii) required to review GreenStar's financial statements, MD&A and annual and interim earnings press releases before GreenStar publicly disclosed them.

The Plaintiff pleads and relies on Part 2, s 2.3(3) and (5) of National Instrument 52-110, *Audit Committees*, as amended and as informed by OSC Staff Notice 51-

720, *Issuer Guide for Companies Operating in Emerging Markets* (November 9, 2012); and

- (c) SLF, as GreenStar's auditor, was required to:
 - (i) understand the business of GreenStar and the transactions it engaged in for the purpose of obtaining sufficient appropriate audit evidence, to form an opinion on the presentation of GreenStar's financial statements in accordance with IFRS; and
 - (ii) conduct its audits of GreenStar's consolidated financial statements in accordance with GAAS, which includes designing and executing appropriate accepted external audit confirmatory procedures and maintaining an attitude of professional scepticism when conducting its audits.

The Plaintiff pleads and relies on s 78 of the *OSA* and s 153(1) of the *OBCA*, as informed by OSC Staff Notice 51-720, *Issuer Guide for Companies Operating in Emerging Markets* (November 9, 2012), and National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards*, as amended;

- 44. Each Defendant accepted the foregoing obligations, as applicable, in assuming his or its position as a reporting issuer, director, officer or auditor of GreenStar.

CLASS MEMBERS' REASONABLE EXPECTATIONS

- 45. The Class Members had reasonable expectations about the manner in which the business and affairs of GreenStar would be conducted.

46. Those reasonable expectations arose from and were informed by the *OBCA*, the *OSA*, the other Securities Legislation, National Instrument 51-102 – *Continuous Disclosure Obligations*, National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, National Instrument 52-110 – *Audit Committees*, OSC Staff Notice 51-720 – *Issuer Guide for Companies Operating in Emerging Markets*, GreenStar's constating documents and GreenStar's disclosure documents.
47. The reasonable expectations of Class Members included the following:
- (a) that GreenStar would provide complete and accurate disclosure of material information in its continuous disclosure documents; and
 - (b) that Class Members would have the benefit of lawful access to market mechanisms to sell their GreenStar securities should they become dissatisfied with the way they were being treated; and, in order to maintain that benefit, the Class Members also reasonably expected that:
 - (i) GreenStar, its Board and management, regardless of where they were located and where the business of GreenStar was located, would adhere to Canadian securities laws and regulatory requirements, as applicable;
 - (ii) every director and officer of GreenStar would, in the course of carrying out his duties as such, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - (iii) management would not impede, or place any unreasonable limitation on audit procedures; and

- (iv) GreenStar would not be operated in a manner that disproportionately advanced the interests of its controlling shareholder(s).

48. Moreover, the reasonable expectations of the Plaintiff and Class Members entitled them to rely on the trading price of GreenStar's common shares as an accurate reflection of their value.

THE IMPUGNED DOCUMENTS

49. GreenStar released the Impugned Documents, each of which:

- (a) is a "core document," as that term is defined in Part XXIII.1 of the *OSA*; and
- (b) when released, contained one or both of the Representations.

50. The Plaintiff pleads that the Representations were, in fact, material misrepresentations.

How the Compliance Representation Was Untrue

51. IFRS required GreenStar to disclose details of all material loans, any loan defaults, the carrying amount of any loans payable in default at the end of the reporting period; and, whether the default was remedied, or the terms of any loans payable were renegotiated.

52. IFRS also required GreenStar to disclose one or more contingent liabilities or recognize one or more provisions to account for a possible outflow of resources resulting from debt related demands and/or litigation and/or judgment awards.

53. As is particularized below, in each instance the Impugned Documents:

- (a) contained a material understatement of liabilities and associated overstatement of shareholders' equity arising from the exclusion of material debt obligations

incurred by or for the benefit of Fujian Green Star and/or by or for the benefit of a third party and guaranteed by Fujian Green Star; and/or

- (b) failed to provide sufficient information to enable users of GreenStar's financial statements to understand Green Star's consolidated financial position, by omitting to disclose:
 - (i) loan defaults by Fujian Green Star; and/or
 - (ii) that the terms of a loan(s) payable were renegotiated;
 - (iii) the existence of formal legal proceedings brought against Fujian Green Star in relation to its non-repayment of debt; and/or
 - (iv) that one or more of Fujian Green Star's lenders had obtained a civil judgment ordering repayment of indebtedness; and/or
 - (v) that one or more of Fujian Green Star's lenders had obtained an asset preservation order freezing Fujian Green Star's bank accounts and real property; and/or
 - (vi) that certain of Fujian Green Star's lenders/judgment creditors, acting jointly, were undertaking security/judgment enforcement procedures in respect of Fujian Green Star's real property; and/or
- (c) failed to properly account for some or all of the aforementioned in accordance with IFRS by not disclosing one or more contingent liabilities or recognizing one or more provisions, as was required in the circumstances.

54. Any or all of the above affected GreenStar's consolidated financial statements with the result that they were *not* prepared in accordance with IFRS.

How the Fair Presentation Representation Was Untrue

55. GreenStar's consolidated financial position would have been materially different than was disclosed in the Impugned Documents if all indebtedness, defaults, demands, legal proceedings for repayment, judgment awards, asset preservation orders and enforcement action, as applicable, were considered.
56. GreenStar presented consolidated financial results that did *not* fairly present, in all material respects, its financial position for the reporting periods presented.

Particulars

57. In addition to the allegations particularized below, the Plaintiff pleads and relies on:
- (a) the institutional loan agreement between Fujian Green Star and Good Hope dated November 8, 2010; and
 - (b) the statements contained in GreenStar's news releases dated September 4 and 11, 2014.

Q1 2012 Interim Financial Statements and MD&A

58. On May 30, 2012, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three month period ended March 31, 2012.
59. The Interim Financial Statements contained the Representations or statements derivative thereof (at pages 6-7):

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three months ended March 31, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”) and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended December 31, 2011. These financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Corporation’s annual consolidated financial statements as of December 31, 2011.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).**

60. The MD&A contained the Compliance Representation or a derivative statement thereof
(at page 2):

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis of the consolidated financial condition and results (“MD&A”) of operations of China Green Star Agricultural Corporation (“Green Star” or the “Corporation”) for the three months period ended March 31, 2012 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and **should be read in conjunction with the unaudited condensed consolidated interim financial statements of Green Star as at and for the three months ended March 31, 2012, and the audited consolidated financial statements of Green Star as at and for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) together with the notes thereto.** Information contained herein is presented as at August 27, 2012, unless otherwise indicated.

61. As a result of the Representations:
- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,832,203
Total current liabilities	<u>5,192,386</u>
Total shareholders' equity	<u>32,383,311</u>
Total liabilities and shareholders' equity	<u>\$ 37,575,697</u>

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	<u>\$ 5,192</u>
Shareholders' equity	<u>\$ 32,383</u>

- (c) the Interim Financial Statements stated (on page 11) that:

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 months loan of Rmb13,000,000 (equivalent to Cdn\$2,089,603 as at March 31, 2012) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the Corporation's shareholders and has been secured by a pledge of an aggregate of 13% (7.8% from Mr. Guan Lianyun and 5.2% from Ms. Luo Huirong) of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. **Fujian Green Star complies with all covenant terms as at March 31, 2012 and December 31, 2011.**

[Emphasis added.]

62. The statement that Fujian Green Star complied with all covenant terms of the institutional loan was materially false and/or materially misleading.

63. The following were material facts required to be stated or that were necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made:
- (a) in Q1, 2012 Fujian Green Star defaulted on a scheduled interest payment on the institutional loan (the payment was due on or about February 8, 2012);
 - (b) in Q1, 2012 Fujian Green Star received a demand from Good Hope to immediately remedy that default;
 - (c) in Q1, 2012 Fujian Green Star requested from Good Hope an extension of the deadline for the first repayment of principal of RMB 6.5 million (due on or about May 8, 2012); and
 - (d) in Q1, 2012 Fujian Green Star negotiated a supplementary institutional loan agreement with Good Hope providing for the deferral of the first repayment of principal of RMB 6.5 million to September 2012.
64. Neither the Interim Financial Statements nor the MD&A contained that information.
65. Additionally, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the loan default and deferral of principal repayment posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
66. Guan and Newman were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.

67. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Q2 2012 Interim Financial Statements and MD&A

68. On August 28, 2012, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three and six month periods ended June 30, 2012.
69. The Interim Financial Statements contained the Representations or statements derivative thereof (at pages 6-7):

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three and six months ended June 30, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”) and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended December 31, 2011. These financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Corporation’s annual consolidated financial statements as of December 31, 2011.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”)** as issued by the International Accounting Standards Board (“IASB”).

70. The MD&A contained the Compliance Representation or a derivative statement thereof (at page 2):

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis of the consolidated financial condition and results (“MD&A”) of operations of China Green Star Agricultural Corporation (“Green Star” or the “Corporation”) for the three and six months period ended June 30, 2012 was written to comply with the

requirements of National Instrument 51-102 – Continuous Disclosure Obligations and **should be read in conjunction with the unaudited condensed consolidated interim financial statements of Green Star as at and for the three and six months ended June 30, 2012, and the audited consolidated financial statements of Green Star as at and for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) together with the notes thereto.** Information contained herein is presented as at August 27, 2012, unless otherwise indicated.

71. As a result of the Representations:

- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,912,867
Total current liabilities	<u>5,070,230</u>
Total shareholders' equity	<u>35,461,683</u>
Total liabilities and shareholders' equity	<u>\$ 40,531,913</u>

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	\$ 5,070
Shareholders' equity	<u>\$ 35,462</u>

- (c) the Interim Financial Statements stated (on page 11) that:

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 months loan of Rmb13,000,000 (equivalent to Cdn\$2,149,1173 as at June 30, 2012) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months

thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the Corporation's shareholders and has been secured by a pledge of an aggregate of 13% (7.8% from Mr. Guan Lianyun and 5.2% from Ms. Luo Huirong) of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. **Fujian Green Star complies with all covenant terms as at June 30, 2012 and December 31, 2011.**

[Emphasis added.]

72. The statements concerning the institutional loan were materially false and/or materially misleading.
73. The material facts alleged in paragraph 63 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.
74. Neither the Interim Financial Statements nor the MD&A contained that information.
75. Additionally, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the loan default and deferral of principal repayment posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
76. Guan and Newman were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.
77. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Q3 2012 Interim Financial Statements and MD&A

78. On November 28, 2012, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three and nine month periods ended September 30, 2012.
79. The Interim Financial Statements contained the Representations or statements derivative thereof (at pages 6-7):

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2012 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”) and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended December 31, 2011. These financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Corporation’s annual consolidated financial statements as of December 31, 2011.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).**

80. The MD&A contained the Compliance Representation or a derivative statement thereof (at page 2):

Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following management’s discussion and analysis of the consolidated financial condition and results (“MD&A”) of operations of China Green Star Agricultural Corporation (“Green Star” or the “Corporation”) for the three and nine months period ended September 30, 2012 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and **should be read in conjunction with the unaudited condensed consolidated interim financial statements of Green Star as at and for the three and six months ended June 30, 2012, and the audited consolidated financial statements of Green Star as at and for the year ended December 31, 2011, which were prepared in accordance with International Financial**

Reporting Standards (“IFRS”) together with the notes thereto. Information contained herein is presented as at November 27, 2012, unless otherwise indicated.

81. As a result of the Representations:

- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,415,737
Total current liabilities	5,041,809
Total shareholders' equity	35,978,697
Total liabilities and shareholders' equity	\$ 41,020,506

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	\$ 5,042
Shareholders' equity	\$ 35,979

- (c) the Interim Financial Statements stated (on page 12) that:

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 months loan of Rmb13,000,000 (approximately Cdn\$2,024,100) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the

Corporation's shareholders and has been secured by a pledge of an aggregate of 13% of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. **Fujian Green Star complies with all covenant terms as at September 30, 2012 and December 31, 2011.**

On September 14, 2012, the Corporation repaid Rmb1,900,000 (equivalent to Cdn\$295,830 as at September 30, 2012) of above loan through a shareholder. At the same time, an oral agreement has been made with the lender that the rest of the loan and accumulated unpaid interest will be repaid by the end of February 2013. During the extended period, the lender will charge interest on the outstanding loan based on the original loan agreement terms and except which the Corporation will bear no further processing fees.

[Emphasis added.]

82. The statements concerning the institutional loan were materially false and/or materially misleading.
83. The material facts alleged in paragraph 63 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.
84. Additionally, the following were new material facts, specific to Q3, 2012, that were required to be stated or that were necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made:
 - (a) in Q3, 2012 Fujian Green Star defaulted on the institutional loan again by failing to pay further interest as scheduled and by failing to make the deferred first repayment of principal of RMB 6.5 million in September 2012 (as per the supplementary loan agreement); and
 - (b) in Q3, 2012 Fujian Green Star renegotiated the institutional loan and entered a second supplementary loan agreement with Good Hope the effect of which extended the institutional loan maturity date to March 2013 if:

- (i) Fujian Green Star would immediately pay interest arrears of RMB 600,000;
- (ii) Fujian Green Star would immediately pay RMB 1.9 million on the amount of principal arrears then owing;
- (iii) balance principal and interest would be repaid to Good Hope by March 2013; and
- (iv) in the case of any further default, a penalty of 0.5% of the outstanding principal as at September 2012 would apply.

85. While the Interim Financial Statements and MD&A disclosed the payment of RMB 1.9 million in principal and an ‘oral agreement’ between Fujian Green Star and Good Hope to extend the maturity date of the institutional loan from November 8, 2012 to ‘the end of February 2013’, neither document contained the information pleaded in paragraphs 63 and 84 herein.
86. Moreover, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the loan defaults and deferral of principal repayments posed; namely, that it may cast a substantial doubt on GreenStar’s ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar’s business, financial position, cash flow and results of operations.
87. Guan and Newman were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.

88. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Fiscal Year 2012 Audited Annual Financial Statements and MD&A

89. On April 29, 2013, GreenStar released and filed with SEDAR its Audited Annual Financial Statements and MD&A for the year ended December 31, 2012.
90. The Audited Annual Financial Statements contained the Fair Presentation Representation (at page 3):

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of China Green Star Agricultural Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

91. The Audited Annual Financial Statements also contained the Compliance Representation (at page 9):

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at December 31, 2012.

92. The MD&A contained the Compliance Representation or a derivative statement thereof (at page 2):

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of the consolidated financial condition and results ("MD&A") of operations of China Green Star Agricultural Corporation ("Green Star" or the "Corporation") for the years

ended December 31, 2012 and 2011 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the audited consolidated financial statements of Green Star as at and for the year ended December 31, 2012 and 2011 together with the notes thereto and the auditors’ reports thereon. **The Corporation prepares and reports its financial statements in accordance with International Financial Reporting Standards (“IFRS”).** All amounts in the Financial Statements and MD&A are presented in Canadian dollars unless otherwise indicated. Information contained herein is presented as at April 25, 2013, unless otherwise indicated.

[Emphasis added.]

93. As a result of the Representations:

- (a) the Audited Annual Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,593,336
Total current liabilities	<u>6,306,616</u>
Total shareholders' equity	<u>40,307,723</u>
Total liabilities and shareholders' equity	<u>\$ 46,614,339</u>

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	<u>\$ 6,307</u>
Shareholders' equity	<u>\$ 40,307</u>

(c) the Audited Annual Financial Statements stated (on page 25):

a) Institutional loan

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 months loan of \$2,087,800 (equivalent to RMB13,000,000) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the Corporation's shareholders, Mr. Guan Lianyun and Ms. Luo Huirong, and has been secured by a pledge of an aggregate of 13% of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. On September 14, 2012, the Corporation repaid Rmb1,332,333 (equivalent to Cdn\$210,775 as at December 31, 2012) of above loan from a shareholder. At the same time, **an agreement has been made with the lender that the rest of the loan and accumulated unpaid interest will be extended until November, 2013.** During the extension period that the loans are still used by Fujian Green Star, the lender will charge interest on the outstanding loan based on the original loan agreement terms and the Corporation will bear no further processing fees. **Fujian Green Star complied with all covenant terms as at December 31, 2012 and 2011.**

[Emphasis added.]

94. The statements about the institutional loan were materially false and/or materially misleading.
95. The material facts alleged in paragraphs 63 and 84 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.
96. Additionally, the following were new material facts that were required to be stated or that were necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made:

- (a) Fujian Green Star had not paid Good Hope any of the balance principal and interest by March 2013, contrary to the second supplementary loan agreement; and
 - (b) in March 2013 Good Hope had commenced a civil action against Fujian Green Star and Guan in Shanghai Fengxian District People's Court [Case No.: (2013) 奉民二(商)初字第 1120 号] to obtain an asset preservation order and an order that Fujian Green Star and Guan repay the institutional loan.
97. The events referred to in paragraph 96(a) and 96(b) were 'events after the reporting period' for the purposes of IFRS (i.e. after December 31, 2012 and before April 25, 2013) that were required to be disclosed in the Audited Annual Financial Statements and MD&A.
98. Neither the Audited Annual Financial Statements nor the MD&A contained the information pleaded in paragraphs 63, 84 and 96 herein.
99. Additionally, neither the Audited Annual Financial Statements nor the MD&A disclosed the specific, identifiable risks that the loan defaults and/or commencement of legal action posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
100. Guan, Newman, Knebel and Galati were directors of GreenStar at the time the aforementioned Audited Annual Financial Statements and MD&A were released.

101. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Audited Annual Financial Statements and MD&A.
102. SLF provided the SLF 2012 Opinion to the shareholders of GreenStar. It was dated April 27, 2013 and formed part of the Audited Annual Financial Statements and contained the Fair Presentation Representation referred to in paragraph 90 herein.

Q1 2013 Interim Financial Statements and MD&A

103. On May 27, 2013, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three month period ended March 31, 2013.
104. The Interim Financial Statements contained the Representations or statements derivative thereof (at page 6):

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) under International Financial Reporting Standards (“IFRS”) and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended December 31, 2012. These interim financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Corporation’s annual consolidated financial statements as of December 31, 2012.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).**

[Emphasis added.]

105. The MD&A contained the Compliance Representation or a derivative statement thereof
(at page 2):

The following management's discussion and analysis of the consolidated financial condition and results ("MD&A") of operations of China Green Star Agricultural Corporation ("Green Star" or the "Corporation") for the three months period ended March 31, 2013 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Green Star as at, and for the three months ended March 31, 2013, and the audited consolidated financial statements of Green Star as at, and for the year ended December 31, 2012 together with the notes thereto and the auditors' reports thereon. **The Corporation prepares and reports its financial statements in accordance with International Financial Reporting Standards ("IFRS")**. All amounts in the Financial Statements and MD&A are presented in Canadian dollars unless otherwise indicated. Information contained herein is presented as at May 26, 2013, unless otherwise indicated.

[Emphasis added.]

106. As a result of the Representations:

- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,725,522
Total current liabilities	6,598,001
Total shareholders' equity	44,279,005
Total liabilities and shareholders' equity	\$ 50,877,006

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	\$ 6,598
Shareholders' equity	\$ 44,279

- (c) the Interim Financial Statements stated (on page 12) that:

a) Institutional loan

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 month loan of \$2,087,800 (equivalent to RMB13,000,000) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the Corporation's shareholders, Mr. Guan Lianyun and Ms. Luo Huirong, and has been secured by a pledge of an aggregate of 13% of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. On September 14, 2012, the Corporation repaid Rmb1,332,333 (equivalent to Cdn\$210,775 as at December 31, 2012) of above loan through a shareholder advance. At the same time, an agreement was made with the lender that the rest of the loan and accumulated unpaid interest will be extended until November 30, 2013. During the extension period, the lender will charge interest on the outstanding loan balance based on the original loan agreement terms and the Corporation will incur no further processing fees. **Fujian Green Star complied with all covenant terms as at March 31, 2013 and December 31, 2012.**

107. The statements about the institutional loan were materially false and/or materially misleading.
108. The material facts alleged in paragraphs 63, 84 and 96 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.

109. Additionally, the following were new material facts related to the institutional loan that were required to be stated or that were necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made:

- (a) in March 2013, Good Hope had commenced a civil action against Fujian Green Star and Guan in Shanghai Fengxian District People's Court [Case No.: (2013) 奉民二(商)初字第 1120 号] to obtain an asset preservation order and an order that Fujian Green Star and Guan repay the institutional loan; and
- (b) on May 25, 2013, the Shanghai Fengxian District People's Court:
 - (i) entered judgment for Good Hope in its case against Fujian Green Star and Guan [Case No.: (2013) 奉民二(商)初字第 1120 号] and ordered that Fujian Green Star was to pay RMB 14.23 million, or an amount approximate thereto, to Good Hope; and
 - (ii) granted to Good Hope an asset preservation order freezing Fujian Green Star's material assets, including its bank accounts, the Pucheng Processing Facility and its equipment; and
 - (iii) granted to Good Hope an asset preservation order freezing Guan's personal assets.

110. The events referred to in paragraph 109(b) were 'events after the reporting period' for the purposes of IFRS (i.e. after March 30, 2013 and before May 26, 2013) that were required to be disclosed in the Interim Financial Statements and MD&A.

111. Neither the Interim Financial Statements nor the MD&A contained the information pleaded in paragraphs 63, 84, 96 and 109 herein.
112. Additionally, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the defaults and/or judgment and asset preservation order posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
113. Guan, Newman, Knebel and Galati were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.
114. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Q2, 2013 Interim Financial Statements and MD&A

115. On August 22, 2013, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three and six month periods ended June 30, 2013.
116. The Interim Financial Statements contained the Representations or statements derivative thereof (at page 6):

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three and six months ended June 30, 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") under International Financial Reporting Standards ("IFRS") and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended

December 31, 2012. These interim financial statements do not include all information and disclosures required for annual financial statements, and should be read in conjunction with the Corporation's annual consolidated financial statements as of December 31, 2012.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").**

[Emphasis added.]

117. The MD&A contained the Compliance Representation or a derivative statement thereof
(at page 2)

The following management's discussion and analysis of the consolidated financial condition and results ("MD&A") of operations of GreenStar Agricultural Corporation (formerly China Green Star Agricultural Corporation) ("GreenStar" or the "Corporation") for the three and six months period ended June 30, 2013 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the unaudited condensed consolidated interim financial statements of GreenStar as at, and for the three and six months ended June 30, 2013, and the audited consolidated financial statements of GreenStar as at, and for the year ended December 31, 2012 together with the notes thereto and the auditors' reports thereon. **The Corporation prepares and reports its financial statements in accordance with International Financial Reporting Standards ("IFRS").** All amounts in the Financial Statements and MD&A are presented in Canadian dollars unless otherwise indicated. Information contained herein is presented as at August 22, 2013, unless otherwise indicated.

[Emphasis added.]

118. As a result of the Representations:
- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Borrowings \$ 2,927,958

Total current liabilities 5,857,351

Total shareholders' equity 49,385,789

Total liabilities and shareholders' equity \$ 55,243,140

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities \$ 5,857

Shareholders' equity \$ 49,386

- (c) the Interim Financial Statements stated (on page 12):

a) Institutional loan

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 month loan of \$2,087,800 (equivalent to RMB13,000,000) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. The loan is guaranteed by the Corporation's shareholders, Mr. Guan Lianyun and Ms. Luo Huirong, and has been secured by a pledge of an aggregate of 13% of their shares of the Corporation. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. On September 14, 2012, the Corporation repaid Rmb1,332,333 (equivalent to Cdn\$210,775 as at December 31, 2012) of above loan through a shareholder advance. **At the same time, an agreement was made with the lender that the rest of the loan and accumulated unpaid interest will be extended until November 30, 2013.** During the extension period, the lender will charge interest on the outstanding loan balance based on the original loan agreement terms and the Corporation will incur no further processing fees. **Fujian Green Star complied with all covenant terms as at June 30, 2013 and December 31, 2012.**

b) Bank loan

On September 30, 2011, Fujian Green Star obtained a one year bank loan of Rmb4,700,000, equivalent to Cdn\$754,820 as at December 31, 2011) from Pucheng Rural Credit Cooperatives for the purpose of contributing additional working capital. The loan bears interest of 13.776% per annum payable on quarterly basis. The loan was secured by the Corporation's assets including its buildings except for fence walls, and its land use rights.

Fujian Green Star repaid the above loan on December 30, 2012 and obtained a new one year loan of Rmb3,500,000, equivalent to Cdn\$596,750 and Cdn\$553,700 as at June 30, 2013 and December 31, 2012 using the same security as for the previous loan. The new loan bears interest of 12.48% per annum, payable on a quarterly basis and secured by the Corporation's assets including its buildings except for fence walls, and its land use rights with carrying amount of \$395,253 and \$373,919 as at June 30, 2013 and December 31, 2012, respectively (see Note 7 and Note 8).

119. The statements about the institutional loan were materially false and/or materially misleading.
120. The material facts alleged in paragraphs 63, 84, 96 and 109 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.
121. The statements about the bank loan were also materially false and/or materially misleading.
122. Fujian Green Star had defaulted on the bank loan from Pucheng Rural in or about Q2, 2013, which was a material fact related to the bank loan that was required to be stated or that was necessary to make the statements concerning the bank loan not misleading in light of the circumstances under which they were made.
123. Neither the Interim Financial Statements nor the MD&A contained the information pleaded in paragraphs 63, 84, 96, 109 and 122 herein.

124. Additionally, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the defaults and/or judgment and/or asset preservation order posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
125. Guan, Newman, Knebel and Galati were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.
126. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Q3, 2013 Interim Financial Statements and MD&A

127. On November 21, 2013, GreenStar released and filed with SEDAR its Interim Financial Statements and MD&A for the three and nine month periods ended September 30, 2013.
128. The Interim Financial Statements contained the Representations or statements derivative thereof (at page 6):

Significant accounting policies

(a) Statement of compliance and basis of preparation

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") under International Financial Reporting Standards ("IFRS") and using the accounting policies the Corporation disclosed in its consolidated financial statements for the year ended December 31, 2012. These interim financial statements do not include all information and disclosures required for

annual financial statements, and should be read in conjunction with the Corporation's annual consolidated financial statements as of December 31, 2012.

The interim financial statements are unaudited. **Financial information in this report reflects any adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to a fair statement of results for the interim periods in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").**

[Emphasis added.]

129. The MD&A contained the Compliance Representation or a derivative statement thereof (at page 2):

The following management's discussion and analysis of the consolidated financial condition and results ("MD&A") of operations of GreenStar Agricultural Corporation (formerly China Green Star Agricultural Corporation) ("GreenStar" or the "Corporation") for the three and nine months period ended September 30, 2013 was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the unaudited condensed consolidated interim financial statements of GreenStar as at, and for the three and nine months ended September 30, 2013, and the audited consolidated financial statements of GreenStar as at, and for the year ended December 31, 2012 together with the notes thereto and the auditors' reports thereon. **The Corporation prepares and reports its financial statements in accordance with International Financial Reporting Standards ("IFRS").** All amounts in the Financial Statements and MD&A are presented in Canadian dollars unless otherwise indicated. Information contained herein is presented as at November 19, 2013, unless otherwise indicated.

[Emphasis added.]

130. As a result of the Representations:
- (a) the Interim Financial Statements presented the following line items that were affected by the exclusion of material debt obligations and were materially incorrect:

LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Borrowings	\$ 2,950,546
Total current liabilities	6,060,725
Total shareholders' equity	51,241,486
Total liabilities and shareholders' equity	\$ 57,302,211

- (b) the MD&A presented the following line items (in \$'000) that were affected by the exclusion of material debt obligations and were materially incorrect:

Total liabilities	\$ 6,061
Shareholders' equity	\$ 51,241

- (c) the Interim Financial Statements stated (on page 12):

a) Institutional loan

On November 8, 2010, Fujian Green Star, 100% controlled subsidiary of the Corporation, obtained a 24 month loan of \$2,087,800 (equivalent to RMB13,000,000) from an arm's length third party for the purpose of contributing further working capital. The loan bears interest at a rate of 12% per annum, with the first interest payment due six months after the loan advance date and subsequent interest payment payable every three months thereafter. One half of the principal amount is due in 18 months after the loan advance date and the second half of the principal amount is due in 24 months after the loan advance date. The term of the loan is extendable upon mutual agreement. The Corporation has the right to repay the whole balance of the loan after 18 months of the loan advance date without penalty. Fujian Green Star has agreed that if its debt to asset ratio exceeds 70%, the loan will become immediately due and payable. On September 14, 2012, the Corporation repaid Rmb1,332,333 (equivalent to Cdn\$210,775 as at December 31, 2012) of above loan through a shareholder advance. During the extension **At the same time, an agreement was made with the lender that the rest of the loan and accumulated unpaid interest will be extended until November 30, 2013.** period, the lender will charge interest on the outstanding loan balance based on the original loan agreement terms and the Corporation will incur no further processing fees. **Fujian Green Star complied with all covenant terms as at September 30, 2013 and December 31, 2012.**

b) Bank loan

On September 30, 2011, Fujian Green Star obtained a one year bank loan of Rmb4,700,000, from Pucheng Rural Credit Cooperatives for the purpose of contributing additional working capital. The loan bears interest of 13.776% per annum payable on quarterly basis. The loan was secured by the Corporation's assets including its buildings except for fence walls, and its land use rights.

Fujian Green Star repaid the above loan on December 30, 2012 and obtained a new one year loan of Rmb3,500,000, equivalent to Cdn\$588,000 and Cdn\$553,700 as at September 30, 2013 and December 31, 2012 using the same security as for the previous loan. The new loan bears interest of 12.48% per annum, payable on a quarterly basis and secured by the Corporation's assets including its buildings except for fence walls, and its land use rights with carrying amount of \$385,644 and \$373,919 as at September 30, 2013 and December 31, 2012, respectively (see Note 7 and Note 8).

131. The statements about the institutional loan and the bank loan were materially false and/or materially misleading.
132. The material facts about the institutional loan alleged in paragraphs 63, 84, 96, 109 and 122 above were again required to be stated or were again necessary to make the statements concerning the institutional loan not misleading in light of the circumstances under which they were made.
133. Additionally, the following were new material facts that were required to be stated or that were necessary to make the statements concerning the institutional loan and bank loan not misleading in light of the circumstances under which they were made:
 - (a) Good Hope was taking steps to recognize and enforce the judgment of the Shanghai Fengxian District People's Court [in Case No.: (2013) 奉民二(商)初字第 1120 号] against Fujian Green Star and Guan in Pucheng County, Fujian, PRC;
 - (b) the Shanghai Fengxian District People's Court, acting on the judgment order [in Case No.: (2013) 奉民二(商)初字第 1120 号] had commenced a process to publicly auction the Pucheng Processing Facility; and

- (c) Pucheng Rural had demanded repayment of the bank loan and was taking steps to enforce its security over the Pucheng Processing Facility through formal legal proceedings in the Pucheng County People's Court, [in Case No.: (2013) 浦执字第 646 号].
134. Neither the Interim Financial Statements nor the MD&A contained the information pleaded in paragraphs 63, 84, 96, 109, 122 and 133 herein.
135. Additionally, neither the Interim Financial Statements nor the MD&A disclosed the specific, identifiable risks that the defaults and/or judgment and/or asset preservation order and/or enforcement posed; namely, that it may cast a substantial doubt on GreenStar's ability to continue as a going concern and/or have unfavourable results which could materially adversely impact GreenStar's business, financial position, cash flow and results of operations.
136. Guan, Newman, Knebel and Galati were directors of GreenStar at the time the aforementioned Interim Financial Statements and MD&A were released.
137. Guan and Lam were officers of GreenStar who authorized and/or permitted and/or acquiesced in the release of the aforementioned Interim Financial Statements and MD&A.

Certifications of Interim and Annual Filings

138. The core documents identified in paragraphs 58, 68, 78, 89, 103, 115 and 127 were accompanied by certifications from Guan and Lam under National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*.

139. Each certification:
- (a) included the Fair Presentation Representation; and
 - (b) included a statement that, based on the signatory's knowledge, having exercised reasonable diligence, the [annual or interim] filings did 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.
140. The certifications given by Messrs. Guan and Lam, and/or the statements contained therein as referred to in paragraph 139(a) and 139(b) above, were untrue and were themselves misrepresentations when made.

THE RELATIONSHIP BETWEEN THE IMPUGNED DOCUMENTS AND THE PRICE OF GREENSTAR SECURITIES

141. The Impugned Documents and certifications, each of which contained one or both of the Representations were released to the public or released to the public and filed with SEDAR, and thereby became immediately available to and were reproduced for inspection by Class Members, the public, financial analysts, professional investors, and the financial press through the internet and other media.
142. The price at which GreenStar common shares traded on and after May 30, 2012 incorporated the publicly available financial information about GreenStar, which financial information was given credibility by the Representations.
143. GreenStar common shares were traded on the TSX-V which is an efficient and automated market.

144. The Impugned Documents had an immediate and direct impact on the trading price of GreenStar common shares without regard to whether any particular investor relied on those documents directly in making a decision to invest in GreenStar securities.
145. The Defendants knew and, in fact, intended that each investor who purchased GreenStar securities would rely on the financial information contained in and the Representations made in the Impugned Documents and accompanying certifications, whether directly or indirectly.

THE PRIVATE PLACEMENT SUBSCRIPTION AGREEMENT

146. On December 23, 2013, approximately 7 months after Good Hope had obtained judgment against Fujian Green Star, GreenStar announced that it would proceed with the Private Placement.
147. The announcement stated that the Private Placement was for:
- (a) the issuance of up to 7,058,823 units of GreenStar at \$0.85 per unit to raise gross proceeds not exceeding \$6 million; and
 - (b) proceeds to be used in the expansion of the Pucheng Processing Facility to accommodate the expected increased tomato pulp supply from Beichen Tomato and for general corporate purposes.
148. GreenStar relied on the Accredited Investor prospectus exemption contained in s 2.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, to distribute GreenStar Securities on January 10, January 20 and on or about February 6, 2014.
149. Class Members who were subscribers under the Subscription Agreement:

- (a) entered into the Subscription Agreement in reliance on the representations contained therein at the time they executed the Subscription Agreement; and
 - (b) explicitly warranted to GreenStar (at s 5.1(r)) that their decisions to subscribe were also based upon information about GreenStar which was publicly available.
150. The Subscription Agreement, purportedly prepared for use by “accredited investors”, contained a representation (at s 4.1(f)) from GreenStar that it was a “reporting issuer” within the meaning of the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* (Ontario).
151. The Plaintiff pleads that it was implicit in that representation that:
- (a) GreenStar made continuous disclosure filings under National Instrument 51-102, *Continuous Disclosure Obligations*, as amended, including interim financial statements and audited annual financial statements prepared in accordance with IFRS; and
 - (b) prospective subscribers should have regard to GreenStar’s interim financial statements, audited annual financial statements and MD&As, including the Impugned Documents in the complete absence of information in the Subscription Agreement relating to GreenStar’s business, financial position, cash flow and results of operations.
152. The Plaintiff pleads that the Impugned Documents were incorporated in and informed the Subscription Agreement because:

- (a) GreenStar made the representation referred to in paragraph 150 above and, by extension, implied that prospective subscribers should have regard to GreenStar's interim financial statements, audited annual financial statements and MD&As, including the Impugned Documents;
- (b) subscribers explicitly warranted to GreenStar that their decisions to subscribe were also based upon information about GreenStar which was publicly available; and/or
- (c) it was intended by GreenStar and the subscribers that such was the case.

153. Additionally, the Subscription Agreement also contained the following material representation by GreenStar:

4.1 Representations and Warranties of the Corporation

...

(g) There are no judgments against the Corporation or any of its subsidiaries, if any, which are unsatisfied, nor are there any consent decrees or injunctions to which the Corporation or any of its subsidiaries is subject.

[Emphasis added.]

154. This representation was material but, in fact, materially false and/or materially misleading.
155. The Plaintiff pleads that at all times the aforementioned representation was made:
- (i) Good Hope's judgment against Fujian Green Star from May 25, 2013 [in Case No.: (2013) 奉民二(商)初字第 1120 号] was unsatisfied;

- (ii) Good Hope's asset preservation order freezing Fujian Green Star's material assets [in Case No.: (2013) 奉民二(商)初字第 1120 号] remained in effect;
 - (iii) Good Hope was enforcing its judgment [obtained in Case No.: (2013) 奉民二(商)初字第 1120 号] in related proceedings in the Pucheng County People's Court, Fujian [Case No. (2014)浦执委字第 1 号];
 - (iv) Pucheng Rural was enforcing its security on the bank loan in the Pucheng County People's Court, Fujian [in Case No.: (2013)浦执字第 646 号] following Fujian Green Star's default on the bank loan; and
 - (v) Fujian Xiangda Can Manufacture Co., Ltd., a supplier to Fujian Green Star, held an unsatisfied judgment of RMB 682,495.81 against Fujian Green Star for monies owing since March 1, 2012 – that judgment had issued from the Longwen People's Court of Zhangzhou City, Fujian, PRC [in Case No. (2013)文执行字第 1849 号] no later than December 23, 2013 and it was also being enforced against the material assets of Fujian Green Star.
156. The Plaintiff pleads that the aforementioned representation was not corrected by GreenStar prior to the execution of any Subscription Agreement and the issuance of GreenStar securities to subscribers.
157. The Defendant, GreenStar, was a party to the Subscription Agreement.
158. Guan and Lam were responsible for the content of the Subscription Agreement.

THE TRUTH BEGINS TO BE REVEALED

159. On April 28, 2014 GreenStar released a news release, which read, in material part:

... the filing of its annual financial statements, management's discussion and analysis and the related officer certifications for the financial year ended December 31, 2013 (collectively, the "Annual Filings") will be delayed beyond the filing deadline of April 30, 2014. The Company's auditors have advised that they will not be able to complete all their audit procedures and render an audit opinion by the filing deadline.

160. Following the announcement, on April 28, 2014, the TSX-V traded share price of GreenStar fell ~23%, from \$0.90 to \$0.69 on trading volume that was substantially higher than normal for GreenStar. The volume weighted average closing price over the next ten trading days was \$0.69 per GreenStar common share.

161. The Plaintiff pleads that GreenStar's April 28, 2014 news release was partially corrective of the Representations.

162. On May 21, 2014, GreenStar released a further news release which read, in material part:

The delay in filing was the result of GreenStar having received notice from its auditors that they were not able to provide an audit opinion by the filing deadline. GreenStar's audit committee has been following up with the auditors and the Chinese management to complete the audit and in doing so, has identified certain corporate governance and administrative deficiencies which contributed to the delay in the audit. The board of directors views these matters very seriously, and is taking steps to improve corporate governance oversight and to resolve all outstanding issues with the audit. The audit committee continues to try and resolve this matter with Mr. Guan Lianyun, President and CEO of the Company, and the audit committee believes that Mr. Guan is working to resolve this situation, but there can be no assurance of success.

163. Immediately following this announcement, i.e. on May 21, 2014, the TSX-V traded share price of GreenStar fell by ~69% from \$0.68 to \$0.205, but ultimately it closed that day at \$0.41 (i.e. ~39% lower) on volume that was very high relative to GreenStar's normal trading volume.

164. The Plaintiff pleads that GreenStar's May 21, 2014 news release was also partially corrective of the Representations.

165. On May 22, 2014, Greenstar released a news release that provided additional information. It said:

The Company continues to work on moving forward in an effort to complete its audited financial statements. The Board has been assured by CEO Mr. Guan Lianyun, that he will provide his full cooperation in an effort to undertake all steps necessary to complete the audit. The Audit Committee has not found any evidence of fraud, and it is the goal and expectation of the Board that the audit will be completed in due course.

This update does not mean that the Company has finished its work, nor can it provide any assurance on the timing or the likelihood of the completion of the audit. The Company will provide further updates as information becomes available and matters are clarified.

166. GreenStar's share price never recovered following the May 21, 2014 news release. The volume weighted average closing price for GreenStar's common shares, over the next nine trading days - which were GreenStar's last trading days - was \$0.40 per GreenStar share. The very last trading day was June 3, 2014 and the stock closed at \$0.415.

167. On June 4, 2014, GreenStar announced a temporary cease trade order issued by the Ontario Securities Commission. Further, the company stated:

The audit committee has since been working with Mr. Guan Lianyun, President and CEO of the Company, to ascertain further details of these deficiencies. Mr. Guan has advised that the Company's Pucheng, PRC finance department, led by the Company's local controller, have not been co-operative with the Company's auditors or the Company's audit committee's efforts to complete the 2013 year end audit on schedule. In particular, the local controller has taken control of the Company's finance chop (seal) which has resulted in the inability of the Company to obtain assistance and certain required information from the Company's banks and tax authorities during the auditing process. Mr. Guan is in control of the Company's legal representative chop. Both the legal representative chop and the finance chop are required to execute banking transactions; as such, the finance chop alone does not allow the local controller to undertake banking transactions and Mr. Guan has advised that the bank accounts are secure. Mr. Guan has advised the board that the local controller and other PRC finance department staff are taking such actions with a view to advance their positions in negotiations regarding elements of their remuneration.

Mr. Guan, at the direction of, and in cooperation with the board of directors of the Company, has now initiated steps to remove the banking authority of the local controller and to replace the finance chop. In this regard, the loss of the finance chop has been reported to local government and law enforcement authorities. Local governmental authorities have advised that the replacement of the finance chop normally takes approximately 30 days to complete, but Mr. Guan has been assured that this process is being expedited in an effort to replace the finance chop. Once the finance chop is replaced, the auditors and the audit committee can then complete certain procedures at the banks and the tax bureaus which are part of the audit process.

[...]

[...] It is likely that full verification steps cannot be completed until the Company finance chop is replaced.

[...]

The Company's intention is to take all action in its power to complete the Required Filings as soon as possible in order to lift the cease trade order. It is the goal and expectation of the Board that the audit will be completed by June 30, 2014, and while this target date cannot be assured, the Board is taking all possible steps to meet this timeline. This update does not mean that the Company has finished its work, nor can it provide any assurance on the timing or the likelihood of the completion of the audit.

Mr. Guan Lianyun, President and CEO of GreenStar commented, "while it is very unfortunate that this situation arose and caused delays in completing the Company's audit and the Annual Filings, we confirm that GreenStar has contingencies in place and has taken steps to continue to operate its business operations in China."

168. The Plaintiff pleads that, around this time, Good Hope and Pucheng Rural were jointly taking steps, through the Pucheng County People's Court, Fujian, to sell Fujian Green Star's real property by public auction and, in fact, held 2 auctions to sell the Pucheng Processing Facility, both of which failed to secure a winning bid.
169. Notice of the first auction was issued by the Pucheng County People's Court, Fujian, on June 30, 2014, on its website and in Simplified Chinese characters. The auction was held on July 17-18, 2014.
170. Notice of the second auction was issued by the Pucheng County People's Court, Fujian, on August 5, 2014, on its website and in Simplified Chinese characters. The auction was held on August 20-21, 2014.

171. GreenStar did not, in respect of either auction, timely announce the fact that notice of a pending auction had been publicly made nor the fact that a public action had occurred.

172. On September 4, 2014, GreenStar released a news release stating, in material part:

All efforts over the past two months, by GreenStar's Audit Committee, with assistance from Chinese legal counsel retained by the Audit Committee to conduct an independent investigation to verify certain critical documentation at GreenStar's banks and the local tax authority, have to date been frustrated by the China-based management team. China based management has to date, failed to co-operate with the investigation process, or provide the necessary funding to the Audit Committee or the independent Chinese counsel that has been engaged to conduct the investigation.

Over this period the China-based management team has also made numerous conflicting representations to the auditors, Chinese and Canadian legal counsel, Board, and the Canada-based management team during the audit process, a consequence of which the Board has been unable to confirm the accuracy of numerous material facts concerning the current situation at the Company and the status of its business operations.

The Audit Committee, the Canadian management team, Canadian and Chinese legal counsel and the Company's auditors have gone to great lengths to try and advance the audit process but the China-based management team has continually failed to fulfil its commitments. These efforts culminated in the Company's auditors in the third week of August, having sent an audit team from their Shanghai affiliate to the Company's offices in Pucheng at the request of the Audit Committee, the Board and China based management. This audit team was to conduct certain procedures to determine the steps required to proceed with their audit. Despite the fact that the Audit Team were assured that they would receive the co-operation of the China based Management, commitments were not met and as a consequence, the auditors returned to Shanghai having been unable to make any progress toward their enquiries into ascertaining what would be required for them to proceed with the 2013 audit.

The Company's Board is continuing to investigate ways in which they may obtain independent confirmation regarding the business operations of the Company in China, and determine appropriate steps that should be taken in order to secure GreenStar's China-based funds and assets.

There is no assurance that any action by the Board will be successful given the lack of cooperation and funding on the part of the China-based management team and the limitations imposed by local laws and regulations in China.

173. This was the first mention by GreenStar that an independent investigation had ensued to “verify certain critical documentation at GreenStar's banks and the local tax authority” and to “determine appropriate steps that should be taken in order to secure GreenStar's China-based funds and assets”.

174. On September 11, 2014, Greenstar reported:

... that the Company's Canadian Management has recently discovered that **the real property of the Company's Chinese operating subsidiary, Fujian Pucheng Star of Green Foodstuff Co., Ltd. ("Fujian GreenStar") was put up for auction by a Chinese Financial Institution for a judgement granted by the local courts. Canadian management is trying to obtain further details on the court judgement which resulted in the unsuccessful auction of the real property.**

Due to various inconsistencies, contradictory statements and documents provided to Canadian Management by China based Management (as disclosed in the news release dated September 4, 2014) the Canadian directors have been unable to date to determine the exact facts and circumstances leading to the real property of the Company being put up for auction. The Board has been advised by Mr. Guan, GreenStar's Chairman, President and CEO, that the court auction was the result of enforcement of security granted to the local credit union for certain unpaid loans the full details of which have not been provided to the Board and Canadian management.

At this point, the Audit Committee and Canadian Board and Management have strong concerns about unauthorized activities in China. The Company has repeatedly requested further information, documentation and funding from Mr. Guan without success.

[Emphasis added].

175. The Plaintiff pleads that this news release was fully corrective of the Representations.

176. Finally, on September 25, 2014, GreenStar announced:

... the Canadian directors of the Company, including Mr. Michael Newman (Executive Chairman), and the three members of the audit committee, Messrs., Bryan Knebel, Frank Galati and Bob Guo, resigned today. Also resigning from the Company are the three Canadian management personnel, Michael Lam (CFO), Judith Hong Wilkin (Secretary), Rose Xie (Controller) and Robert Macdonald (Manager of Corporate Development). The Company's Canadian legal counsel has also provided notice that they intend to withdraw their services. The resignations are the result of a lack of co-operation, support and funding from Mr. Guan Lianyun, Chairman, CEO and President of the Company, in order to complete the 2013 audit. Despite repeated requests from the Company's Auditors, Board of Directors, Audit Committee, the Canadian Management and Legal Counsel, and continuous verbal assurances from Mr. Guan to co-operate in completing the audit process, Mr. Guan has not provided either funds nor co-operation to allow for the audit committee, or the auditors to proceed with completion of the audit.

"It is with great regret that we tendered our resignations today," said Mr. Michael Newman. "We tried our best to complete the audit in the past few months faced with the lack of cooperation and funding from Mr. Guan. Our Audit Committee had retained independent legal counsel based in China to assist with completing the audit, and obtaining information regarding GreenStar's bank accounts and securing shareholders' assets at the banks,

without any success, due to the banks' unresponsive attitude. We contacted the relevant official at the Chinese Embassy in Ottawa in an attempt to secure their assistance in dealing with the banks, all to no avail. Without the support, co-operation and funding from Mr. Guan and Chinese management, we believe that the Canadian Board and management team will be unable to fulfil its obligations to the Company and to investors."

The Company also announced the resignation of Swartz, Levitsky, Feldman, the Company's auditors, who advised the Company that they had no forward visibility regarding the possibility of completing the 2013 audits, as they were not able to obtain the information requested from the Audit Committee's independent investigation due to reasons enumerated above.

177. GreenStar and the Individual Defendants failed to secure any or any effective control over Fujian Green Star, its management, assets and operations. As a consequence, the Defendants:
- (a) failed to disclose the full extent of Fujian Green Star's indebtedness and/or the material developments pleaded herein relating to Fujian Green Star's indebtedness;
 - (b) failed to investigate SLF's concerns relating to statements and documents containing various inconsistencies and contradictions; and
 - (c) failed to verify the status of GreenStar's material assets.
178. Investors in GreenStar securities were, at all material times, materially misled as to the true state of affairs at GreenStar:
- (a) its PRC operations and assets were not and are unable to be properly accounted for;
 - (b) full details of Fujian Green Star's material indebtedness, defaults on loans, renegotiation of loan terms and demands for repayment were not disclosed;

- (c) civil proceedings against Fujian Green Star, its frozen assets and adverse judgments were not disclosed;
- (d) enforcement action and public auctions of real property were not disclosed;

179. The aforementioned have all had a severe adverse effect on the Plaintiff's investment. But that effect has also been exacerbated by:

- (a) the failure of Guan to co-operate with and authorize the funding necessary to undertake the independent investigation, complete audit procedures and normalize affairs;
- (b) GreenStar's continuous defaults on its continuous disclosure obligations under National Instrument 51-102 – *Continuous Disclosure Obligations*;
- (c) the dissolution with cause of GreenStar as an Ontario corporation; and
- (d) the revelation that Fujian Green Star is now the subject of in excess of 80 civil legal proceedings in the PRC for, allegedly, failing to meet its obligations.

RIGHTS OF ACTION

Part XXIII.1 of the OSA for Misrepresentation in Secondary Market Disclosure

180. On behalf of himself and all other Class Members who acquired GreenStar Securities in the secondary securities market on and after August 28, 2012, and as against all Defendants, the Plaintiff will seek leave to assert the right of action found in Part XXIII.1 of the OSA and, if necessary, the equivalent provisions of the other Securities Legislation in respect of all Impugned Documents except the Interim Financial Statements and MD&A for the three month period ended March 31, 2012.

181. The Plaintiff pleads and relies on the facts alleged in paragraphs 27, 31, 33(a), 35(a), 37(a), 39-40 and 49-137 herein.
182. Additionally, the Plaintiff pleads that at relevant times:
- (a) GreenStar was a “responsible issuer” within the meaning of Part XXIII.1 of the *OSA*;
 - (b) Guan was an officer and a director of GreenStar within the meaning of Part XXIII.1 of the *OSA*;
 - (c) Lam was an officer of GreenStar within the meaning of Part XXIII.1 of the *OSA*;
 - (d) Newman was a director of GreenStar within the meaning of Part XXIII.1 of the *OSA*;
 - (e) Knebel was a director of GreenStar within the meaning of Part XXIII.1 of the *OSA*;
 - (f) Galati was a director of GreenStar within the meaning of Part XXIII.1 of the *OSA*;
 - (g) SLF was an expert within the meaning of Part XXIII.1 of the *OSA*;
 - (h) the Representations were misrepresentations, and either one of them was a misrepresentation, within the meaning of Part XXIII.1 of the *OSA*;
 - (i) for the reasons pleaded in paragraphs 90-102, 104-114, 115-126, 128-137, herein, the Defendants have liability under Part XXIII.1 of the *OSA*; and

- (j) the Plaintiffs and the other Class Members are entitled to damages assessed in accordance with section 138.5 of the *OSA*.

Negligent Misrepresentation

183. On behalf of all Class Members who acquired their GreenStar securities on and after May 30, 2012, and as against all Defendants except SLF, the Plaintiff asserts negligent misrepresentation in respect of each Impugned Document.
184. In support of these claims, the misrepresentations that the Plaintiff pleads are the Representations.
185. The Impugned Documents contained materially erroneous and incomplete financial information and one or more of the Representations, whether explicitly or implicitly, which gave credibility to the financial information. Each of the Representations was false when made and each constituted a misrepresentation at law and within the meaning of the Securities Legislation.
186. The Defendants against whom the Plaintiff asserts this right of action were subject to the statutory requirements referred to in paragraphs 42(a)-43(b) herein to ensure that the Impugned Documents did not misrepresent GreenStar's business, financials and affairs.
187. Performance of those statutory requirements, as applicable, was an obligation that each of those Defendants assumed, and those requirements were imposed to protect the interests of investors relying on the Impugned Documents in making investment decisions.
188. GreenStar elected to maintain its status as a reporting issuer in order to access the capital markets. The Impugned Documents were thus prepared for the purpose of attracting

investment and inducing members of the investing public to purchase GreenStar securities.

189. The Defendants against whom the Plaintiff asserts this right of action knew and intended at all material times that the Impugned Documents had been prepared for the purpose of attracting investment, and that the Class Members who acquired GreenStar securities on and after May 30, 2012 would rely reasonably and to their detriment upon such documents in making the decision to purchase GreenStar securities.
190. The Defendants against whom the Plaintiff asserts this right of action further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of publicly traded GreenStar securities such that the trading price of the securities would at all times reflect the information contained in the Impugned Documents.
191. The Defendants against whom the Plaintiff asserts this right of action had exclusive access to information about GreenStar's consolidated financial position and operations. As such, they were the primary source of information related to GreenStar's consolidated financial position and results of operations, which was relevant to those Class Members' decision to acquire GreenStar securities and the prices at which they would be acquired.
192. The Defendants against whom the Plaintiff asserts this right of action, therefore, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents were accurate, complete and presented GreenStar's financial performance, financial position, results of operations and cash flows fairly in all material respects.

193. The Defendants against whom the Plaintiff asserts this right of action breached their duty owed to the Class Members by:
- (a) failing to take due care in the preparation of the Impugned Documents to ensure their accuracy and completeness;
 - (b) failing to design internal control over financial reporting in such a way that:
 - (i) all debt obligations and/or guarantees were known, considered and properly accounted for; and
 - (ii) all defaults, demands, litigation and orders against GreenStar and its subsidiaries were known, considered and properly accounted for.
 - (c) failing to know, evaluate, or adequately evaluate, Fujian Green Star's exposure to claims in courts of the PRC on an ongoing basis, and to ensure that GreenStar's accounting practices for such remained compliant with its stated accounting policies, and/or IFRS and/or IAS; and/or
 - (d) failing to seek, obtain or implement appropriate accounting advice in a timely fashion so as to ensure that GreenStar's accounting practices for defaults and liabilities, contingent or otherwise, remained compliant with its stated accounting policies and IFRS and/or IAS;
194. The result of the breach of that duty was the making of the Representations, each of which were false.

195. The Plaintiff and Class Members were entitled to and did reasonably rely on one or more of the Representations to their detriment and suffered losses when the falsities of the Representations were revealed.
196. Alternatively, the Class Members relied upon the Representations by the act of purchasing GreenStar securities on the TSX-V which promptly incorporated into the price of the securities all publicly available material information regarding GreenStar, including the Representations.
197. The release of the Impugned Documents containing one or more of the Representations and related accounting errors and omissions caused GreenStar securities to trade at artificially inflated prices in the marketplace, thus directly resulting in damage to the Class Members who acquired GreenStar Securities on and after May 30, 2012.
198. The Plaintiff and the other Class Members who acquired GreenStar Securities on and after May 30, 2012 suffered damages equivalent to the decline in market price or value of GreenStar securities as the truth about GreenStar's consolidated financial position was disclosed.
199. Had the Defendants against whom the Plaintiff asserts this right of action not breached their duty and made the misrepresentations described herein, GreenStar securities would not have traded or been sold at artificially inflated prices, and the Plaintiff and the other Class Members who acquired GreenStar securities on and after May 30, 2012 would not have suffered losses from the truth that was partially revealed on April 28, 2014 and May 21, 2014.

Negligence

GreenStar, Guan and Lam

200. The Plaintiff pleads negligence, as against GreenStar, Guan and Lam, on behalf of all Class Members who acquired GreenStar securities pursuant to the Subscription Agreement.
201. GreenStar, Guan and Lam owed a duty to the Class Members who acquired securities under the Subscription Agreement to take reasonable care in the preparation of the Subscription Agreement and the term sheet deemed incorporated therein.
202. Given the critical importance of Fujian Green Star having access to its assets in order continue business, these defendants owed a duty to Class Members who acquired GreenStar Securities under the Private Placement to ensure the accuracy and completeness of the Subscription Agreement.
203. GreenStar, Guan and Lam failed to meet the standard of care required in the circumstances by failing to disclose that Fujian Green Star was the subject of claims, judgment(s), an asset preservation order(s) and enforcement proceedings in the PRC.
204. Had GreenStar, Guan and Lam exercised reasonable care and diligence in connection with the issuance of GreenStar securities under the Subscription Agreement, the private placement would not have occurred or the GreenStar securities issued under the Subscription Agreement would have had a substantially lower issue price.

Rescission of the Subscription Agreement

205. On behalf of Class Members who acquired GreenStar securities under the Subscription Agreement (“Subscription Purchasers”), the Plaintiff asserts a right of rescission of the Subscription Agreement.
206. In the alternative, the Plaintiff asserts on behalf of Subscription Purchasers a right to damages equal to the difference between the subscription price of units under the Subscription Agreement and the value of GreenStar common shares upon liquidation or on the date of trial.
207. The Plaintiff pleads and relies on the allegations of fact herein that the Subscription Agreement:
- (a) incorporated the Impugned Documents that contained one or more of the Representations which were, in fact, material misrepresentations; and
 - (b) contained an untrue material representation relating to the non-existence of unsatisfied judgments.
208. The Subscription Purchasers acted on the fact that the Impugned Documents, which were incorporated in the Subscription Agreement, contained the Representations and were induced thereby to enter the Subscription Agreement and take a transfer of GreenStar Securities in consideration.
209. Further and/or in the alternative, the Subscription Purchasers acted on the express representation that there were no unsatisfied judgments or injunctions against GreenStar or its subsidiaries and they were induced thereby to enter the Subscription Agreement and take a transfer of GreenStar securities in consideration.

210. There was a total failure of consideration when the Subscription Purchasers received GreenStar securities with no value.
211. The Subscription Agreement is void or, in the alternative, voidable, as against GreenStar.
212. The Subscription Purchasers are entitled to be repaid their consideration, or, in the alternative, are entitled to damages equal to the difference between the subscription price of units under the Subscription Agreement and the value of GreenStar common shares upon liquidation or on the date of trial.

Statutory Oppression

213. The Plaintiff, on his own behalf and that of all other Class Members who continue to hold GreenStar securities, pleads, under s 248 of the *OBCA*, oppression.
214. The following acts or omissions of GreenStar, Guan, Newman, Knebel and Galati (in each case constituting the exercise of their powers, or failure to exercise their powers), defeated the reasonable expectations of the Plaintiff as pleaded at paragraphs 47-48 herein:
 - (a) the Defendants, Guan, Newman, Knebel and Galati who were directors of GreenStar and, as applicable, members of the Audit Committee, failed to:
 - (i) adhere or cause GreenStar to adhere to Canadian securities regulatory requirements;
 - (ii) ensure that GreenStar provided the Class with accurate and complete disclosures;

- (iii) have a full and complete understanding of the risks, including contingent risks, facing GreenStar and its subsidiaries and/or they failed to ensure the communication of such risks, or their lack of understanding, to the Class;
 - (iv) take any or adequate steps to stay informed of developments that affected GreenStar, namely the indebtedness Fujian Green Star had incurred or otherwise guaranteed, and the related defaults, demands, litigation and orders in the PRC and/or failed to ensure the communication of same to the Class; and
 - (v) take any or adequate steps to ensure that GreenStar's corporate governance structures ensured, to the greatest extent possible, that there was complete and effective control by GreenStar over its assets; and
 - (vi) take all reasonably necessary steps to ensure that Class Members would have the benefit of lawful access to market mechanisms to sell their GreenStar securities should they become dissatisfied with the way they were being treated;
- (b) the Defendants, Guan, Newman, Knebel and Galati also failed to exercise the appropriate degree of oversight and scepticism that a reasonably prudent person in comparable circumstances would exercise in the oversight of management and its implementation of internal controls to ensure that GreenStar prepared and published timely, accurate and complete disclosure documents about the business and affairs of GreenStar and its subsidiaries;
- (c) The Defendant, Guan, also:

- (i) provided statements and documents to Canadian management containing various inconsistencies and contradictions, and made numerous conflicting representations to SLF during the audit process for the year ended December 31, 2013;
- (ii) imposed limitations on the confirmatory audit procedures of SLF during its audit of GreenStar's financial statements for the year ended December 31, 2013, which prevented the audit from being completed and prevented GreenStar from receiving any opinion on its annual audited financial statements for the year ended December 31, 2013, as required;
- (iii) failed to cooperate with the Audit Committee in addressing and investigating its and SLF's concerns;
- (iv) failed to authorize funding necessary for the Audit Committee and SLF's concerns to be addressed so that the Class could be properly informed;
- (v) failed to take any or adequate steps to cause GreenStar to file audited annual financial statements for the year ended December 31, 2013, and interim financial statements for the periods ended March 31, 2014, June 30, 2014, September 30, 2014, December 31, 2014 and March 30, 2015;
- (vi) failed to provide any or adequate disclosure to the Class relating to the status of GreenStar's assets and operations; and
- (vii) failed to take all necessary and reasonable steps to ensure GreenStar maintained its incorporation in good standing.

215. The forgoing acts and omissions have effected a result, and caused the affairs of GreenStar to be conducted in a manner that was oppressive, unfairly prejudicial to, or that unfairly disregarded the interests of the Plaintiff and Class Members.
216. The conduct of Guan, Newman, Knebel and Galati, or one or more of them, has caused, amongst other things, the prohibition on trading of GreenStar securities and its dissolution as an Ontario company. The result of this is that the Plaintiff's and Class Members who continue to hold GreenStar securities no longer have an equity interest in an incorporated Ontario entity, nor can they sell their GreenStar securities on the secondary securities market to save themselves from total investment loss.

Vicarious Liability

217. The Plaintiff pleads and relies on the facts alleged in paragraphs 32-40 and 58-158 herein.
218. Additionally, the Plaintiff pleads that:
- (a) GreenStar held out that:
 - (i) it was able to 'operate under strict Canadian public company guidelines';
 - (ii) its directors 'worked closely with GreenStar's [PRC based] management team';
 - (iii) as at January 2014, 'all assets and operations had been reviewed ... thereby validating and confirming their accuracy'; and
 - (iv) its 'directors [had] direct input into management decisions of a material nature'.

- (b) the acts or omissions particularized and alleged herein to have been done by GreenStar were authorized and/or done by the Individual Defendants and GreenStar's other agents, employees and representatives while engaged in the management, direction, control and transaction of its business and affairs and are, therefore, acts and omissions for which GreenStar is vicariously liable;
- (c) the acts and omissions of the Individual Defendants particularized and alleged herein were also done in performance of their own obligations at law, and they remain personally liable to the Plaintiff and the Class Members for their acts and omissions;
- (d) SLF provided services that, through the manner in which they were performed, carried the risk that they would fail to detect material error or misstatement in the presentation of GreenStar's financial statements for external purposes;
- (e) when that risk materialized it caused injury to the Plaintiff and the Class Members;
- (f) in addition to its direct liability, SLF is vicariously liable for the acts and/or omissions of its officers, directors, partners or employees.

REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

219. The Plaintiff pleads that this action has a real and substantial connection with Ontario because, among other things:

- (a) GreenStar was a reporting issuer in Ontario;
- (b) GreenStar's registered office was in Ontario;

- (c) GreenStar common shares traded on the TSX-V which is located in Toronto, Ontario;
- (d) the Impugned Documents were disseminated in Ontario;
- (e) the Subscription Agreement was subscribed to, almost exclusively, by Class Members residing in Ontario;
- (f) the Subscription Agreement contained a choice of law provision which provided that the Subscription Agreement would be construed and enforced in accordance with the laws of Ontario and Canada;
- (g) the Plaintiff and a substantial proportion of the Class Members reside in Ontario; and
- (h) a substantial portion of the damages sustained by the Class were sustained in Ontario.

Relevant Legislation

220. The Plaintiff pleads and relies on the *CJA*, the *CPA*, the *OBCA*, the Securities Legislation and National Instruments 51-102, *Continuous Disclosure Obligations*, 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* and 52-110, *Audit Committees*, all as amended.

Place of Trial

221. The Plaintiff proposes that this action be tried at Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

November 19, 2014

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Court File No: CV-14-514504-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act*,
1992

**FRESH AS AMENDED
STATEMENT OF CLAIM**

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