

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE  
JUSTICE G.E. TAYLOR

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)

MONDAY, THE 5<sup>TH</sup> DAY  
OF JANUARY, 2015

BETWEEN

TAJDIN ABDULA

Plaintiff

- and -

CANADIAN SOLAR INC.,  
SHAWN XIAOHUA QU and ARTHUR CHIEN

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**ORDER  
(CERTIFICATION PURSUANT TO THE *CLASS PROCEEDINGS ACT, 1992*)**

**THIS MOTION**, made by the Plaintiff for an order certifying the action as a class proceeding, was heard on October 27-30, 2014 in Kitchener, Ontario.

**ON READING** the materials filed by the Plaintiff and the Defendants, and on hearing the submissions of the lawyers for the Plaintiff and the Defendants,

1. **THIS COURT ORDERS** that, for the purposes of this Order, capitalized terms used but not defined herein shall have the meaning given to such terms in the Second Fresh as Amended Statement of Claim attached hereto as **Schedule "A"** (the "**Statement of Claim**").
2. **THIS COURT ORDERS** that the action, as pleaded in the Statement of Claim, is hereby certified as against the Defendants as a class proceeding pursuant to section 5 of the *Class Proceedings Act, 1992*, SO 1992, c 6.

3. **THIS COURT ORDERS** that the “Misrepresentation Class” or “Misrepresentation Class Members” be defined as:

All persons, wherever they may reside or be domiciled, who acquired securities of Canadian Solar in the secondary market during the Misrepresentation Class Period, and who continued to hold some or all of those securities at the close of trading on the NASDAQ on June 1, 2010, other than Excluded Persons.

4. **THIS COURT ORDERS** that the “Oppression Class” or “Oppression Class Members” be defined as:

All persons, wherever they may reside or be domiciled, who were registered or beneficial securityholders of Canadian Solar at any time during the Oppression Class Period, and who continued to hold securities of Canadian Solar at the close of trading on the NASDAQ on June 1, 2010, other than Excluded Persons.

5. **THIS COURT ORDERS** that the “Class” or “Class Members” be defined as, collectively, the Misrepresentation Class and the Oppression Class.

6. **THIS COURT ORDERS** that the Plaintiff be appointed as the representative plaintiff for the Class.

7. **THIS COURT DECLARES** that the nature of the claims asserted on behalf of the Misrepresentation Class are claims under Part XXIII.1 of the *OSA* and negligent misrepresentation, and the nature of the claims asserted on behalf of the Oppression Class are claims under the oppression remedy provisions of the *CBCA*.

8. **THIS COURT DECLARES** that the relief sought by the Class is set out in the Statement of Claim.

9. **THIS COURT DECLARES** that the following common issues be and are hereby certified for the purposes of this proceeding:

Negligent Misrepresentation

1. Did any or all of the following documents issued by Canadian Solar during the Misrepresentation Class Period contain the Misrepresentation?

- (a) Canadian Solar's Prospectus Supplement dated October 15, 2009;
  - (b) Canadian Solar's financial statements for Q4 2009, which were released on March 3, 2010.
2. Was the Misrepresentation untrue, inaccurate or misleading?
  3. If the answer to each of (1) and (2) is yes, did the Defendants, or any of them, owe the Misrepresentation Class Members a duty of care to ensure that the documents did not contain a misrepresentation? If so, which Defendants owed that duty?
  4. If the answer to (3) is yes, did any or all of the Defendants breach their duty of care? If so, which Defendants breached their duty and how?

Oppression

5. During the Oppression Class Period, did any act or omission of Canadian Solar effect a result, or were the business or affairs of Canadian Solar carried on or conducted in a manner, or were the powers of the directors of Canadian Solar exercised in a manner, that was oppressive or unfairly prejudicial to or that unfairly disregarded the interests of the Oppression Class Members, within the meaning of section 241 of the *CBCA*?
6. If the answer to (5) is yes, should the Court make an order that the Defendants, or any of them, compensate the Oppression Class Members pursuant to section 241(3)(j) of the *CBCA*?
7. If the answer to (6) is yes, on what basis should the amount of compensation payable to the Oppression Class Members be determined?
8. If the answer to (5) is yes, are there other remedies that should be ordered by the Court to rectify the harm caused by the Defendants, or any of them, to the Oppression Class Members as a result of the conduct of the Defendants, or any of them, which was oppressive or unfairly prejudicial to or that unfairly disregarded the interests of the Oppression Class Members?

Statutory Secondary Market Liability

9. Did documents issued by Canadian Solar during the Misrepresentation Class Period or public oral statements made on behalf of Canadian Solar during the Misrepresentation Class Period, in respect of which leave has been granted under section 138.8(1) of the *OSA*, contain a misrepresentation within the meaning of the *OSA*?
10. If the answer to (9) is yes, then when and by what means were the misrepresentations contained in each such document and/or public oral statement corrected?
11. If the answer to (9) is yes with respect to a document, and such document is not a "core document" within the meaning of the *OSA*, then in respect of each such "non-core document":
  - (a) did the Defendants, or any of them, know that the document contained the misrepresentation at the time the document was released?
  - (b) at or before the time the document was released, did the Defendants, or any of them, deliberately avoid acquiring knowledge that the document contained the misrepresentation? or
  - (c) were the Defendants, or any of them, through action or failure to act, guilty of gross misconduct in connection with the release of the document that contained the misrepresentation?



12. If the answer to (9) is yes with respect to a public oral statement, then in respect of each such public oral statement:

(a) did Qu or Chien, or either of them, make the public oral statement or authorize, permit or acquiesce in the making of the public oral statement? and

(b) did or were the Defendants, or any of them:

(i) know that the public oral statement contained the misrepresentation at the time such public oral statement was made?

(ii) at or before the time the public oral statement was made, deliberately avoid acquiring knowledge that the public oral statement contained the misrepresentation? or

(iii) through action or failure to act, guilty of gross misconduct in connection with the making of the public oral statement that contained the misrepresentation?

13. What is the specific formula by which the damages payable by each of the Defendants to the Misrepresentation Class Members is determined?

Vicarious Liability

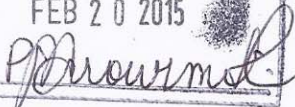
14. Is Canadian Solar vicariously liable or otherwise responsible for the acts of either or both of the Individual Defendants?

10. **THIS COURT ORDERS** that the Court shall, on subsequent motion brought by the Plaintiff, approve the Plan of Proceeding pursuant to s. 5 of the *CPA*, a form of notice of certification of this action as a class proceeding and the granting of leave under Part XXIII.1 of the *OSA* (the “**Notice**”), the manner of dissemination of the Notice, the procedure by which Class Members may opt out of the class proceeding, and the party or parties responsible for the costs of disseminating the Notice and receiving opt outs.

11. **THIS COURT ORDERS** that no other proceeding relating to the subject matter of this action may be commenced without leave of the Honourable Justice Taylor obtained on notice to the Plaintiff and the Defendants.

12. **THIS COURT ORDERS** that, if the parties are unable agree on the appropriate disposition as to costs for the motion, they may make written submissions, with the written submissions of the Plaintiff to be delivered by January 19, 2015 and the written submissions of the Defendants to be delivered by February 2, 2015.

  
THE HONOURABLE JUSTICE TAYLOR

ENTERED AT KITCHENER	
in Book No.	1C
As Document No.	208
on	FEB 2 0 2015
by	

SCHEDULE "A"

Court File No. C-710-10

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

BETWEEN:

TAJDIN ABDULLA

Plaintiff

- and -

CANADIAN SOLAR INC.,  
SHAWN XIAOHUA QU and ARTHUR CHIEN

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**SECOND FRESH AS AMENDED STATEMENT OF CLAIM**

TO THE DEFENDANTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The claim made against you is set out in the following pages.

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

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

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

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

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

Date August 10, 2010

Issued by \_\_\_\_\_

Local registrar

Address of  
Court Office

Courthouse  
20 Weber St. E.  
Kitchener, ON N2H 1C3

TO: CANADIAN SOLAR INC.

AND TO: SHAWN XIAOHUA QU

AND TO: ARTHUR CHIEN

c/o WeirFoulds LLP  
The Exchange Tower  
Suite 1600  
130 King Street West  
Toronto, ON M5X 1J5

Lawyers for the Defendants

## DEFINED TERMS AND CURRENCY

1. In this Statement of Claim, the following terms have the meanings indicated below:
  - (a) “**Canadian Solar**” means the Defendant, Canadian Solar Inc.;
  - (b) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c C-44, as amended;
  - (c) “**Chien**” means the Defendant, Arthur Chien;
  - (d) “**CJA**” means the *Courts of Justice Act*, RSO 1990, c C.43, as amended;
  - (e) “**Class**” and “**Class Members**” means, collectively, the **Misrepresentation Class** and the **Oppression Class**;
  - (f) “**CPA**” means the *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;
  - (g) “**Defendants**” means, collectively, **Canadian Solar, Qu and Chien**;
  - (h) “**Deutsche Solar**” means Deutsche Solar AG;
  - (i) “**EDGAR**” means the website for the Electronic Data Gathering Analysis and Retrieval system operated by the **SEC** on which companies required to file documents with the **SEC** may do so electronically, and where those documents are posted and publically available;
  - (j) “**Exchange Act**” means the United States *Securities Exchange Act of 1934*;
  - (k) “**Excluded Persons**” means the **Defendants**, and **Canadian Solar**’s past and present subsidiaries, affiliates, officers, directors, legal representatives, heirs, predecessors, successors and assigns, and any member of the **Individual Defendants**’ families, and any entity in which any of the foregoing persons or entities has or had during the **Class Period** any legal or de facto controlling interest;
  - (l) “**FY 2008**” means Canadian Solar’s fiscal year ended December 31, 2008;
  - (m) “**FY 2009**” means Canadian Solar’s fiscal year ended December 31, 2009;
  - (n) “**GAAP**” means United States generally accepted accounting principles;
  - (o) “**ICFR**” means internal control over financial reporting;
  - (p) “**Impugned Documents**” means the disclosure documents issued by **Canadian Solar** during the **Class Period** and referenced in paragraphs 25, 29, 32, 35, 36, 38, 45 and 50 hereof;



- (q) “**Individual Defendants**” means, collectively, **Qu** and **Chien**;
- (r) “**Leave Impugned Documents**” means (i) **Canadian Solar**’s Prospectus Supplement dated October 15, 2009, referenced in paragraph 38 hereof; and (ii) **Canadian Solar**’s financial statements for **Q4 2009**, which were released on March 3, 2010, referenced in paragraph 50 hereof;
- (s) “**Leave Public Oral Statements**” means the public oral statements made on March 3, 2010, referenced in paragraphs 52 to 54 hereof;
- (t) “**LDK**” means LDK Solar Co. Ltd.;
- (u) “**Misrepresentation**” means the explicit or implicit statement that **Canadian Solar**’s reported financial results and its interim and annual financial statements were prepared and presented in accordance with **GAAP**;
- (v) “**Misrepresentation Class**” and “**Misrepresentation Class Members**” means all persons, wherever they may reside or be domiciled, who acquired securities of **Canadian Solar** in the secondary market during the **Misrepresentation Class Period**, and who continued to hold some or all of those securities at the close of trading on the **NASDAQ** on June 1, 2010, other than **Excluded Persons**;
- (w) “**Misrepresentation Class Period**” means the period from the opening of trading on the **NASDAQ** on October 15, 2009 to the close of trading on the **NASDAQ** on June 1, 2010;
- (x) “**NASDAQ**” means the electronic screen-based equity securities market that is based in New York, New York;
- (y) “**Oppression Class**” and “**Oppression Class Members**” means all persons, wherever they may reside or be domiciled, who were registered or beneficial securityholders of **Canadian Solar** at any time during the **Oppression Class Period**, and who continued to hold securities of **Canadian Solar** at the close of trading on the **NASDAQ** on June 1, 2010, other than **Excluded Persons**;
- (z) “**Oppression Class Period**” and “**Class Period**” means the period from the opening of trading on the **NASDAQ** on May 26, 2009 to the close of trading on the **NASDAQ** on June 1, 2010;
- (aa) “**OSA**” means the *Securities Act*, RSO 1990, c S.5, as amended;
- (bb) “**Plaintiff**” means the Plaintiff, Tajdin Abdulla;
- (cc) “**Public Oral Statements**” means the public oral statements made during the **Class Period** and referenced in paragraphs 27, 47, 48, 52 and 53 hereof;
- (dd) “**Q1 2009**” means the quarter ended March 31, 2009;

- (ee) “**Q2 2009**” means the quarter ended June 30, 2009;
- (ff) “**Q3 2009**” means the quarter ended September 30, 2009;
- (gg) “**Q4 2009**” means the quarter ended December 31, 2009;
- (hh) “**Qu**” means the Defendant, Shawn Xiaohua Qu; and
- (ii) “**SEC**” means the United States Securities and Exchange Commission.

2. Unless otherwise stated, all dollar amounts stated herein are in United States dollars.

### **RELIEF SOUGHT**

3. The Plaintiff claims, on his behalf and on behalf of all other Class Members:

- (a) a declaration that, during the Class Period, the Defendants made the Misrepresentation and/or one or more other misrepresentations and that, when made, the Misrepresentation and the other misrepresentations constituted misrepresentations, at law and within the meaning of the *OSA*, and the Class has been damaged thereby;
- (b) a declaration that the Defendants made the Misrepresentation and/or the other misrepresentations negligently, and the Class has been damaged thereby;
- (c) a declaration that:
  - (i) the acts or omissions of Canadian Solar alleged herein have effected a result;
  - (ii) the business or affairs of Canadian Solar have been carried on or conducted in a manner; or
  - (iii) the powers of the directors of Canadian Solar have been exercised in a manner,

that is or has been oppressive or unfairly prejudicial to or that unfairly disregards or disregarded the interests of the Plaintiff and the other Class Members, such that a remedy consisting of an award of compensatory damages ought to be granted pursuant to section 241 of the *CBCA*;

- (d) a declaration that Canadian Solar is vicariously liable for the acts and/or omissions of the Individual Defendants and each of its other officers, directors and employees;
- (e) general and special damages in the amount of \$120 million or such other amount as this Court finds appropriate at the trial of the common issues or at a reference or references;
- (f) 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 *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action, plus applicable taxes;
- (g) 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;
- (h) prejudgment interest and postjudgment interest, compounded, or pursuant to sections 128 and 129 of the *CJA*; and
- (i) such further and other relief as to this Honourable Court seems just.

## **OVERVIEW**

4. Canadian Solar, a Canadian company whose securities trade on the NASDAQ and other exchanges and trading platforms, is, and was at the material time, in the business

of designing, manufacturing and selling products that generate electricity from solar energy.

5. During the Class Period, and unknown to the Class Members, Canadian Solar's 2009 interim and annual financial statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of: (a) inappropriately reporting revenue for which collection was not reasonably assured; (b) failing to report a loss on Canadian Solar's firm purchase commitment with one of its largest suppliers, Deutsche Solar; (c) failing to report an appropriate reserve for sales returns; and (d) failing to report an appropriate allowance for advance payments made to another major supplier, LDK. These material misstatements resulted from material weaknesses in Canadian Solar's ICFR, which the Defendants also failed to disclose to Class Members during the Class Period, despite being required to do so.
6. The above-mentioned accounting issues were first disclosed to the Class Members on June 1, 2010. On that day, Canadian Solar announced that its Audit Committee had commenced an internal investigation after the company received a *subpoena* from the SEC requesting documents relating to, among other things, certain sales transactions in 2009. Canadian Solar also disclosed that it may need to revise its Q4 2009 and FY 2009 financial results that were originally released during the Class Period.
7. As a result of the revelations on June 1, 2010, the market price for Canadian Solar's shares fell by approximately 15% during trading on June 2, 2010 on extraordinarily heavy trading volume. This one day drop in the price of the securities of Canadian Solar resulted in a loss in its market capitalization of approximately \$70 million.

8. On August 19, 2010, following its internal investigation, Canadian Solar released “revised” results for Q4 2009, which incorporated “major changes, provisions and allowances” to the Q4 2009 results released during the Class Period. This restatement of Canadian Solar’s Q4 2009 financial statements was an admission that these financial statements contained material misstatements and misrepresentations.
9. As a result of the Defendants’ misrepresentations alleged herein, Canadian Solar’s stock price was artificially inflated during the Class Period, and the Class Members suffered damages as a result of purchasing or acquiring the securities of Canadian Solar at inflated prices.
10. The Plaintiff, on his own behalf and on behalf of the proposed Class Members, sues the Defendants for damages on the basis of misrepresentation pursuant to Part XXIII.1 of the *OSA*, negligent misrepresentation, and oppression pursuant to the *CBCA*.

## **THE PARTIES**

### **The Plaintiff**

11. The Plaintiff, Tajdin Abdulla, is an individual residing in Ontario. During the Class Period, the Plaintiff purchased 2,000 Canadian Solar shares for his own account over the NASDAQ. He continued to hold those shares at the end of the Class Period.

### **The Defendants**

12. Canadian Solar designs, manufactures and sells a variety of solar products which convert sunlight into electricity. The Company describes itself as a leading vertically integrated provider of wafer, ingot, solar module, solar cell, and custom-designed solar application products serving customers worldwide.



13. Canadian Solar was incorporated as an Ontario corporation in 2001 and, in June 2006, was continued under the *CBCA*. Canadian Solar's global headquarters are located in Kitchener, Ontario.
14. Canadian Solar has incorporated a number of wholly-owned subsidiaries in Ontario, through which it conducts business in Ontario and the rest of Canada.
15. The common shares of Canadian Solar are listed for trading on the NASDAQ under the ticker symbol "CSIQ", as well as a number of other foreign stock exchanges. A significant percentage of Canadian Solar's shareholders reside in Ontario.
16. Canadian Solar uses the internet and Canada Post, among other methods, to disseminate its financial reports and other information to prospective and actual holders of Canadian Solar securities within and outside of Ontario, and to attract investment by those investors.
17. Qu founded Canadian Solar in October 2001. Since then, Qu has served as Canadian Solar's President and Chief Executive Officer, and as Chairman of its Board of Directors. At all material times, Qu beneficially owned at least 30% of the common shares of Canadian Solar.
18. Chien was, during the Class Period, the Chief Financial Officer and a director of Canadian Solar. Chien resigned as Chief Financial Officer in October 2010 and resigned as a director in December 2010.

## **CANADIAN SOLAR'S DISCLOSURE OBLIGATIONS**

19. By its own election, Canadian Solar was a public company throughout the Class Period. Canadian Solar became a public company in order that its securities may be publicly tradable, which provided it with an enhanced ability to raise capital.
20. As a public company, Canadian Solar was required, at all material times, to make timely disclosure of all material information.
21. Throughout the Class Period, Canadian Solar made periodic disclosures regarding its business and affairs in order to satisfy Canadian Solar's disclosure obligations under applicable law, and to attract investment in Canadian Solar securities and to induce members of the public, including the Class Members, to purchase those securities.
22. The Defendants intended that the Class Members would rely upon the statements regarding the business and affairs of Canadian Solar, including the Misrepresentation, and the other misrepresentations described herein.

## **INDIVIDUAL DEFENDANTS' ROLE IN DISCLOSURE**

23. Each of the Individual Defendants knew or ought to have known, from the time that he accepted a position as a director and/or officer of Canadian Solar, that Canadian Solar was a public company and that, in his role as a director and/or officer of Canadian Solar, he would have responsibility for ensuring the accuracy of Canadian Solar's disclosure documents.
24. Each of the Individual Defendants was aware of and accepted this responsibility in assuming his position as a director and/or officer of Canadian Solar.

## **THE MISREPRESENTATIONS**

### **Q1 2009 Financial Statements**

25. On May 26, 2009, Canadian Solar issued a press release, from Ontario, entitled “Canadian Solar Reports First Quarter 2009 Results”. The press release was filed on EDGAR on May 27, 2009 as an exhibit to an SEC Form 6-K, which was signed by Qu. The press release contained Canadian Solar’s financial statements for Q1 2009.
26. The Q1 2009 statements explicitly or implicitly contained the Misrepresentation. The Q1 2009 financial statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of any of the following:
  - (a) reporting revenue for which collection was not reasonably assured, which resulted in a material overstatement of Canadian Solar’s net revenues, net income and accounts receivable in the Q1 2009 financial statements;
  - (b) failing to report a loss on Canadian Solar’s firm purchase commitment with Deutsche Solar, which resulted in a material understatement of Canadian Solar’s cost of revenues and liabilities and a material overstatement of Canadian Solar’s net income in the Q1 2009 financial statements;
  - (c) failing to report an appropriate reserve for sales returns, which resulted in a material overstatement of Canadian Solar’s net revenues, net income and accounts receivable in the Q1 2009 financial statements; and
  - (d) failing to report an appropriate allowance for advance payments made to LDK, which resulted in a material overstatement of Canadian Solar’s advances to

suppliers asset and net income and a material understatement of Canadian Solar's general and administrative expenses in the Q1 2009 financial statements.

27. During a conference call held on May 26, 2009 with respect to the Q1 2009 financial results, Qu stated, among other things, that:

In terms of actual results, net revenue for Q1 was 49.5 million, compared to net revenue of 171.2 million for Q1 '08 and 68.8 million for Q4 '08. Shipments for the quarter were approximately 18 MW, including 1.2 MW of solar grade e-Modules and 1.6 MW of solar cells and specialty solar application products. Q1 GAAP net loss was 4.8 million or \$0.17 (sic) [\$0.13] per diluted share compared to the net income of 18.6 million or \$0.57 per diluted share for Q1 2008 and net loss of 49.2 million or \$1.38 per diluted share for Q4 2008.

28. The above public oral statements made by Qu with respect to Canadian Solar's Q1 2009 financial results explicitly or implicitly contained the Misrepresentation. The public oral statements were materially false and/or misleading in that the financial results reported therein did not comply with GAAP and were materially misstated for the reasons stated in paragraph 26 above.

### **2008 Annual Report**

29. On June 8, 2009, Canadian Solar issued and filed on EDGAR its annual report on Form 20-F for FY 2008.
30. Canadian Solar disclosed in the annual report its critical accounting policies, including the following with respect to revenue recognition:

#### *Revenue Recognition*

Sales of modules and silicon material are recorded when products are delivered and title has passed to the customers. We only recognize revenues when prices to the seller are fixed or determinable, and collectibility is reasonably assured. Revenues also include reimbursements of shipping and handling costs of products sold to customers. Sales agreements typically contain the customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

31. The above statement with respect to Canadian Solar's revenue recognition policy was a statement of the policy applicable to the FY 2008 financial statements included in the annual report, as well as a statement of the policy in existence and being applied by Canadian Solar at the time of the release of the annual report. The above statement was materially false and/or misleading in that, at the time of the release of the annual report, Canadian Solar was not complying with the stated revenue recognition policy.

### **Q2 2009 Financial Statements**

32. On August 6, 2009, Canadian Solar issued a press release, from Ontario, entitled "Canadian Solar Reports Second Quarter 2009 Results". The press release was filed on EDGAR on August 7, 2009 as an exhibit to an SEC Form 6-K, which was signed by Qu. The press release contained Canadian Solar's financial statements for Q2 2009.
33. The Q2 2009 financial statements explicitly or implicitly contained the Misrepresentation. The Q2 2009 financial statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of any of the following:
- (a) reporting revenue for which collection was not reasonably assured, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the Q2 2009 financial statements;
  - (b) failing to report a loss on Canadian Solar's firm purchase commitment with Deutsche Solar, which resulted in a material understatement of Canadian



Solar's cost of revenues and liabilities and a material overstatement of Canadian Solar's net income in the Q2 2009 financial statements;

- (c) failing to report an appropriate reserve for sales returns, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the Q2 2009 financial statements; and
- (d) failing to report an appropriate allowance for advance payments made to LDK, which resulted in a material overstatement of Canadian Solar's advances to suppliers asset and net income and a material understatement of Canadian Solar's general and administrative expenses in the Q2 2009 financial statements.

**Financial Statements and MD&A Released on October 14, 2009**

- 34. On October 14, 2009, Canadian Solar issued and filed on EDGAR, as exhibits to an SEC Form 6-K signed by Qu, its: (a) Unaudited Condensed Consolidated Financial Statements for, among other things, the six months ended June 30, 2009; (b) Selected Consolidated Financial and Operating Data and Management's Discussion and Analysis of Financial Condition and Result of Operations for, among other things, the six months ended June 30, 2009; (c) Consolidated Financial Statements for, among other things, the year ended December 31, 2008; and (d) a Consent of Independent Registered Public Accounting Firm.
- 35. The financial statements for the six months ended June 30, 2009 (Exhibit 99.1 to the Form 6-K) explicitly or implicitly contained the Misrepresentation. Those financial

statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of any of the following:

- (a) reporting revenue for which collection was not reasonably assured, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the financial statements;
- (b) failing to report a loss on Canadian Solar's firm purchase commitment with Deutsche Solar, which resulted in a material understatement of Canadian Solar's cost of revenues and liabilities and a material overstatement of Canadian Solar's net income in the financial statements;
- (c) failing to report an appropriate reserve for sales returns, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the financial statements; and
- (d) failing to report an appropriate allowance for advance payments made to LDK, which resulted in a material overstatement of Canadian Solar's advances to suppliers asset and net income and a material understatement of Canadian Solar's general and administrative expenses in the financial statements.

36. In addition, in Canadian Solar's management's discussion and analysis (Exhibit 99.2 to the Form 6-K), the company disclosed its critical accounting policies, including the following with respect to revenue recognition:

*Revenue Recognition*

We record sales of modules and silicon material when products are delivered and title has passed to the customers. We only recognize revenues when prices to the seller are fixed or determinable, and collectibility is reasonably assured. Revenues also include reimbursements of shipping and handling costs of products sold to customers. Sales agreements typically

contain customary product warranties but do not contain any post-shipment obligations nor any return or credit provisions.

37. The above statement with respect to Canadian Solar's revenue recognition policy was a statement of the policy applicable to the financial statements for the six months ended June 30, 2009, as well as a statement of the policy in existence and being applied by Canadian Solar at the time of the release of the document. The above statement was materially false and/or misleading in that, at the time of the release of the document, Canadian Solar was not complying with the stated revenue recognition policy.

### **Prospectus Supplement**

38. On October 19, 2009, Canadian Solar issued and filed on EDGAR a Prospectus Supplement dated October 15, 2009, which supplemented a prospectus dated July 13, 2009.
39. Pursuant to the Prospectus Supplement, Canadian Solar offered and sold to the public 6,900,000 common shares at a price of \$15.75 per share for net proceeds to the company of \$103.3 million.
40. The Prospectus Supplement incorporated by reference, among other documents:
- (a) Canadian Solar's financial statements for Q1 2009, which were attached as an exhibit to the Form 6-K filed on EDGAR on May 27, 2009;
  - (b) Canadian Solar's annual report on Form 20-F for FY 2008, which was filed on EDGAR on June 8, 2009;
  - (c) Canadian Solar's financial statements for Q2 2009, which were attached as an exhibit to the Form 6-K filed on EDGAR on August 7, 2009;

- (d) Canadian Solar's financial statements for the six months ended June 30, 2009, which were attached as Exhibit 99.1 to the Form 6-K filed on EDGAR on October 14, 2009; and
  - (e) Canadian Solar's management's discussion and analysis, which was attached as Exhibit 99.2 to the Form 6-K filed on EDGAR on October 14, 2009.
41. As alleged more particularly above, each of these documents incorporated by reference into the Prospectus Supplement was materially false and/or misleading and, therefore, the Prospectus Supplement was materially false and/or misleading.
42. Further or in the alternative, the Prospectus Supplement contained a misrepresentation in that it failed to disclose that there were material weaknesses in Canadian Solar's ICFR at the time that the Prospectus Supplement was issued and filed, which was a material fact that was required to be stated in the Prospectus Supplement.
43. In addition, the Prospectus Supplement incorporated by reference the following risk disclosure with respect to Canadian Solar's ICFR from its annual report on Form 20-F for FY 2008:

*If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.*

We are subject to reporting obligations under U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on its internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2008. See "Item 15. Controls and Procedures." Our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2008. See "Item 15. Controls and Procedures — Attestation Report of the Independent Registered Public Accounting Firm." However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over

financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our common shares. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

44. The Prospectus Supplement contained a misrepresentation in that it failed to disclose that there were material weaknesses in Canadian Solar's ICFR at the time that the Prospectus Supplement was issued and filed, which was a material fact that was necessary to make the above risk disclosure not misleading in the light of the circumstances in which it was made.

### **Q3 2009 Financial Statements**

45. On November 17, 2009, Canadian Solar issued a press release, from Ontario, entitled "Canadian Solar Reports Third Quarter 2009 Results and Issues 2010 Guidance". The press release was filed on EDGAR on November 18, 2009 as an exhibit to an SEC Form 6-K, which was signed by Qu. The press release contained Canadian Solar's financial statements for Q3 2009.
46. The Q3 2009 financial statements explicitly or implicitly contained the Misrepresentation. The Q3 2009 financial statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of any of the following:
- (a) reporting revenue for which collection was not reasonably assured, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the Q3 2009 financial statements;
  - (b) failing to report a loss on Canadian Solar's firm purchase commitment with Deutsche Solar, which resulted in a material understatement of Canadian



Solar's cost of revenues and liabilities and a material overstatement of Canadian Solar's net income in the Q3 2009 financial statements;

- (c) failing to report an appropriate reserve for sales returns, which resulted in a material overstatement of Canadian Solar's net revenues, net income and accounts receivable in the Q3 2009 financial statements; and
- (d) failing to report an appropriate allowance for advance payments made to LDK, which resulted in a material overstatement of Canadian Solar's advances to suppliers asset and net income and a material understatement of Canadian Solar's general and administrative expenses in the Q3 2009 financial statements.

47. During a conference call held on November 17, 2009 with respect to the Q3 2009 financial results, Qu stated, among other things, that:

Q3 was a double record setting quarter for us. First, we delivered an 87% increase in net revenue to \$213.1 million compared to Q2 '09 net revenue of \$114.2 million. Shipments in the quarter increased 113% to 102.6 megawatts. Setting a new quarterly shipment revenue. Our net profit margin after-tax is \$25.3 million for the quarter. Again, setting a new Company record. Our net margin was 11.9% in Q3, with net income of \$0.69 per diluted share compared to \$0.49 per diluted share in Q2 '09. The fact that we can convert a 16.3% gross margin into a 11.9% net margin was partly assisted by a strong falling exchange gain but this also reflects our continued success in managing our operating and financing costs.

48. During the same conference call on November 17, 2009, Chien stated, among other things, that:

Our account receivable balance, net of allowance for doubtful accounts, increased to \$227.7 million at the end of the third quarter, compared to \$115.7 million at the end of the second quarter. The increase is due to a high volume of shipments at the very end of the quarter.

49. The above public oral statements made by Qu and Chien with respect to Canadian Solar's Q3 2009 financial results explicitly or implicitly contained the Misrepresentation. The public oral statements were materially false and/or misleading

in that the financial results reported therein did not comply with GAAP and were materially misstated for the reasons stated in paragraph 46 hereof.

#### **Q4 2009 Financial Statements**

50. On March 3, 2010, Canadian Solar issued a press release, from Ontario, entitled “Canadian Solar Reports Fourth Quarter and Full Year 2009 Results”. The press release was filed on EDGAR on March 5, 2010 as an exhibit to an SEC Form 6-K, which was signed by Qu. The press release contained Canadian Solar’s financial statements for Q4 2009 and FY 2009.
51. The Q4 2009 financial statements, released on March 3, 2010, explicitly or implicitly contained the Misrepresentation. The Q4 2009 financial statements were materially false and/or misleading in that they did not comply with GAAP and were materially misstated as a result of any of the following:
  - (a) reporting revenue for which collection was not reasonably assured, which resulted in a material overstatement of Canadian Solar’s net revenues, net income and accounts receivable in the Q4 2009 financial statements;
  - (b) failing to report a loss on Canadian Solar’s firm purchase commitment with Deutsche Solar, which resulted in a material understatement of Canadian Solar’s cost of revenues and liabilities and a material overstatement of Canadian Solar’s net income in the Q4 2009 financial statements;
  - (c) failing to report an appropriate reserve for sales returns, which resulted in a material overstatement of Canadian Solar’s net revenues, net income and accounts receivable in the Q4 2009 financial statements; and

- (d) failing to report an appropriate allowance for advance payments made to LDK, which resulted in a material overstatement of Canadian Solar's advances to suppliers asset and net income and a material understatement of Canadian Solar's general and administrative expenses in the Q4 2009 financial statements.

52. During a conference call held on March 3, 2010 with respect to the Q4 2009 financial results, Qu stated, among other things, that:

We rebounded from revenue of \$49 million in Q1 to over \$288 million and 155.5 megawatt of shipments in Q4, a record for both of our quarterly revenue and shipments. The rapid quarterly shipment and revenue increase we achieved is due to our worldwide market share growth and improving cost structure.

[...]

Despite of these expenses, and an active five million foreign exchange impact, our Q4 2009 net profit margin after-tax was about 14.9 million, compared to a loss of 49.2 million in Q4 of 2008.

53. During the same conference call on March 3, 2010, Chien stated, among other things, that:

Our accounts receivable balance net of allowance for doubtful accounts decreased to \$201.9 million at the end of the fourth quarter compared to 227.7 million at the end of the third quarter.

54. The above public oral statements made by Qu and Chien with respect to Canadian Solar's Q4 2009 financial results explicitly or implicitly contained the Misrepresentation. The public oral statements were materially false and/or misleading in that the financial results reported therein did not comply with GAAP and were materially misstated for the reasons stated in paragraph 51 hereof.

## THE TRUTH IS REVEALED

55. On June 1, 2010, Canadian Solar issued a press release, from Ontario, reporting that its Audit Committee had commenced an internal investigation after the company received a *subpoena* from the SEC requesting documents relating to, among other things, certain sales transactions in 2009. The company also disclosed that it may need to revise its Q4 2009 and FY 2009 financial results that were originally released on March 3, 2010.

56. The press release stated, among other things, that:

The Company has postponed the release of its full financial results for the first quarter ended March 31, 2010 and its quarterly conference call, scheduled for June 2, as a result of the commencement of an investigation by the Audit Committee of the Company's Board of Directors. While the investigation is ongoing, the Company is updating preliminary first quarter operating results.

The investigation was launched after the Company received a subpoena from the Securities and Exchange Commission ("SEC") requesting documents from the Company relating to, among other things, certain sales transactions in 2009. The Audit Committee has retained outside counsel and independent forensic accountants to assist in reviewing, among other things, the transactions described in the subpoena. The Company has been, and intends to continue, fully cooperating with the SEC.

[...]

The Company may revise the 4Q09 net revenues numbers due to the company's intention to recognize sales only after receiving full cash payments from certain customers and due to certain subsequent return of goods after the quarter end. These sales transactions are deferred to Q1 and Q2 of 2010. Full year 2009 net revenues may be revised accordingly.

57. As a result of the revelations on June 1, 2010, the market price for Canadian Solar's shares fell by approximately 15% during trading on June 2, 2010 on extraordinarily heavy trading volume. Canadian Solar's shares closed at \$11.86 on the NASDAQ on June 1, 2010, but closed at \$10.17 on the NASDAQ on June 2, 2010. This represented an immediate drop in Canadian Solar's market capitalization of approximately \$70 million.

58. Canadian Solar released further details on August 19, 2010 following the completion of its internal investigation. On that day, Canadian Solar released “revised” results for Q4 2009 and FY 2009. Among other revisions, Canadian Solar’s Q4 2009 and FY 2009 net revenues were reduced by approximately \$32.8 million, and Canadian Solar’s Q4 2009 net income was reduced by approximately \$30.4 million (converting a net profit into a net loss for Q4 2009), compared to the results originally released on March 3, 2010.

59. Canadian Solar identified the following “major changes, provisions and allowances” to the Q4 2009 and FY 2009 results released on March 3, 2010:

1. Provision for loss on firm purchase commitment under a wafer supply agreement: In 4Q09, we recorded a contingent liability for a loss of \$13.8 million on firm purchase commitment under our wafer supply agreement with Deutsche Solar AG for 2009 and 2010. We are in discussions with Deutsche Solar to amend the terms of this contract. For 1Q10, we accrued a further contingent liability for a loss of \$2.0 million on this purchase commitment. These loss provisions were recorded as a component of cost of revenues.

2. Allowance for advances to suppliers under long-term wafer supply agreements: We have given notice to terminate our two long-term wafer supply agreements with LDK Solar Co. Ltd. and in July 2010 we initiated arbitration proceedings to recover the outstanding \$8.8 million advance payments we made to LDK under these contracts. In 4Q09, we made a provision against the outstanding balance and recorded it as a component of 4Q09 operating expenses.

3. Increase in allowance for doubtful accounts: We recorded an allowance for doubtful accounts of \$18.0 million as of December 31, 2009 mainly due to subsequent events involving two customers after the Company’s 4Q09 press announcement on March 3, 2010. However, we also recorded a receivable from a credit insurance company amounting to \$7.1 million as of December 31, 2009 and a corresponding reduction in bad debt expense in 4Q09. The net increase in bad debt expense after the Company’s 4Q09 pre-announcement on March 3, 2010 is \$7.9 million.

4. Changes in 4Q09 revenue, gross profit and operating income: For certain customers from whom collection of payment could not be reasonably assured as of December 31, 2009, we will only recognize revenue on the date that such collection can be assured. As a result, we expect that \$21.0 million of products shipped in 4Q09 will be recognized in future quarters when cash is collected.

5. Sales Return Reserve: In 4Q09, we began accruing a sales return reserve against our revenues. For 4Q09, we accrued 3.3% of revenues, or \$8.5 million, and for 1Q10 we accrued 3.3% of revenues, or \$10.7 million, in sales return reserves.

60. The restatement of Canadian Solar's Q4 2009 financial statements was an admission that those financial statements contained misrepresentations.
61. Further, in its FY 2009 annual report also released on August 19, 2010, Canadian Solar disclosed that there were material weaknesses in its ICFR as at December 31, 2009:

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the Securities and Exchange Commission, our management assessed the effectiveness of internal control over financial reporting as of December 31, 2009 using the criteria set forth in the report "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission (known as COSO). Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2009 due to the following four material deficiencies identified:

- The control designed to ensure that all revenue recognition criteria were met prior to recognizing revenue did not operate effectively.
- An appropriate control was not designed to ensure that estimated sales returns were recorded.
- There is lack of control procedures to ensure that long-term purchase commitments are evaluated and appropriately accounted for in the appropriate accounting period.
- The control designed to ensure that significant subsequent events were properly identified, analyzed and, where appropriate, recorded in the Company's consolidated financial statements, did not operate effectively.

We have concluded that these deficiencies constitute four material weaknesses. Since their identification, we have taken, and are continuing to take, the following steps in order to remedy these material weaknesses: (1) hired additional credit control personnel and revised the standard operating procedures related to customer credit assessment and revenue recognition; (2) established a sales return reserve policy to account for any non-routine sales returns after period end; (3) improved internal communication protocols for timely recording and disclosure of financial transactions; and (4) reviewed and revised the current checklists used to ensure there are adequate controls to capture possible material accounting adjustments subsequent to the balance sheet date to the date of reporting.

## **NEGLIGENT MISREPRESENTATION**

62. On behalf of the Misrepresentation Class, the Plaintiff pleads negligent misrepresentation against all of the Defendants for the Leave Impugned Documents.

63. In support of this claim, the sole misrepresentation that the Plaintiff pleads is the Misrepresentation.
64. The Misrepresentation was made in each of the Leave Impugned Documents.
65. The Misrepresentation was materially false and/or misleading for the reasons particularized elsewhere herein.
66. The Defendants made the Misrepresentation by making statements containing the Misrepresentation, by signing Canadian Solar disclosure documents containing the Misrepresentation, and/or by authorizing the issuance of Canadian Solar disclosure documents containing the Misrepresentation.
67. The Leave Impugned Documents were prepared for the purpose of attracting investment and inducing Misrepresentation Class Members to purchase Canadian Solar securities. The Defendants knew and intended at all material times that those documents were prepared for that purpose, and that the Misrepresentation Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Canadian Solar securities.
68. The Defendants further knew and intended that the information contained in the Leave Impugned Documents would be incorporated promptly into the price of Canadian Solar's publicly traded securities such that the trading price of those securities would at all times reflect the information contained in such documents.
69. Throughout the Misrepresentation Class Period, the Defendants had exclusive access to information about Canadian Solar's business and operations. As such, they were the primary source of information specifically related to Canadian Solar's business

which was relevant to the decisions of the Misrepresentation Class Members to acquire Canadian Solar's securities and the price at which they would be acquired.

70. The Defendants owed to the Plaintiff and the Misrepresentation Class Members a duty of care to timely make complete and accurate disclosure of all information that was material to the business and affairs of Canadian Solar, and to take reasonable steps to ensure that the statements that they made in relation to Canadian Solar's business and affairs were free of material misstatement.
71. The Defendants breached that duty by making the Misrepresentation.
72. The Plaintiff and the Misrepresentation Class Members relied upon the Misrepresentation.
73. Alternatively, the Plaintiff and the other Misrepresentation Class Members relied upon the Misrepresentation by the act of purchasing Canadian Solar securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Canadian Solar. As a result, the repeated publication of the Misrepresentation in the Leave Impugned Documents caused the price of Canadian Solar's shares to trade at inflated prices during the Misrepresentation Class Period, thus directly resulting in damage to the Plaintiff and the other Misrepresentation Class Members.
74. As a result of the conduct of the Defendants as pleaded, the Plaintiff and each Misrepresentation Class Member suffered damages.



## **OPPRESSION REMEDY**

75. The Plaintiff and the Oppression Class Members are complainants within the meaning of section 241 of the *CBCA*.
76. The Oppression Class Members had reasonable expectations about the manner in which the business and affairs of Canadian Solar would be conducted. Those reasonable expectations arose in part from the statutes governing Canadian Solar's formation and internal governance, applicable securities laws, and Canadian Solar's disclosure documents.
77. The reasonable expectations of the Plaintiff and the Oppression Class Members during the Oppression Class Period included the following:
  - (a) that every director and officer of Canadian Solar would act honestly and in good faith with a view to the best interests of the corporation, and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
  - (b) that Canadian Solar's financial statements would be prepared in accordance with GAAP and, as such, that those financial statements would accurately represent the financial performance and condition of Canadian Solar;
  - (c) that Canadian Solar had in place ICFR that was properly designed and/or operating effectively;
  - (d) that Canadian Solar would timely make full, true and plain disclosure of all material facts relating to its securities;

- (e) that Canadian Solar would periodically update its disclosures by issuing interim financial statements, quarterly and annual MD&A, and audited annual financial statements in accordance with the *Exchange Act*, which would accurately describe its business, financial results and financial position as at the time that each such disclosure was made, and would be free of misrepresentations;
- (f) that the business and affairs of Canadian Solar would be conducted in a manner that complied with applicable securities laws;
- (g) that the Defendants would implement adequate corporate governance procedures and internal controls to ensure that Canadian Solar disclosed material facts and material changes in the company's business and affairs on a timely basis; and
- (h) that the trading price of Canadian Solar's publicly traded securities would reasonably promptly incorporate all material facts relating to Canadian Solar's business and would not be artificially inflated by the Defendants' misrepresentations.

78. The Defendants acted in a manner contrary to those reasonable expectations by repeatedly making the Misrepresentation and/or the other misrepresentations alleged herein, which had the effect of oppressing and unfairly disregarding and unfairly prejudicing the interests of the Plaintiff and the Oppression Class Members.

79. In particular, the repeated publication of the Misrepresentation and/or the other misrepresentations, contrary to applicable securities laws, as alleged herein caused the

price of Canadian Solar's shares to trade at inflated prices during the Oppression Class Period, thus directly resulting in damage to the Plaintiff and the other Oppression Class Members.

80. Given the Defendants' knowledge of the impact that their conduct could be expected to have on the investments made by the Plaintiff and the Oppression Class Members, their disregard for the reasonable expectations of the Plaintiff and the Oppression Class Members was oppressive or unfairly prejudicial to or unfairly disregarded the interests of the Plaintiff and the Oppression Class Members.
81. Given the nature of the interests that the Defendants have disregarded, the appropriate remedy for the oppressive conduct alleged is an award of compensation, pursuant to section 241 of the *CBCA*.

#### **PART XXIII.1 OF THE *OSA***

82. On behalf of the Misrepresentation Class, the Plaintiff pleads the cause of action found in Part XXIII.1 of the *OSA* against all of the Defendants for the Leave Impugned Documents and the Leave Public Oral Statements.
83. The Leave Impugned Documents and the Leave Public Oral Statements contained one or more misrepresentations, as alleged herein.
84. Canadian Solar is a "responsible issuer" within the meaning of the *OSA*.
85. Each of the Leave Impugned Documents is a "document" under section 138.1 of the *OSA*.
86. Each of the Leave Impugned Documents is a "core document" under section 138.1 of the *OSA*. Each of the Individual Defendants was a director of Canadian Solar at the

time that each of the Leave Impugned Documents was released and, therefore, is liable in respect of the misrepresentations alleged to be contained in such document or documents by virtue of having been a director at that time.

87. Alternatively, to the extent that a Leave Impugned Document is not a “core document”, each of the Defendants knew that such documents contained the misrepresentations that are alleged above to have been contained therein or, in the alternative, deliberately avoided acquiring such knowledge or, in the alternative, was guilty of gross misconduct in connection with the release of the documents. Pursuant to section 138.3(1) of the *OSA*, the Defendants are liable in respect of the misrepresentations alleged to be contained in the Leave Impugned Documents.

88. With respect to the Leave Public Oral Statements, Qu and Chien either made the Leave Public Oral Statements or authorized, permitted or acquiesced in the making of the Leave Public Oral Statements, and each of the Defendants knew that such Leave Public Oral Statements contained the misrepresentations that are alleged above to have been contained therein or, in the alternative, deliberately avoided acquiring such knowledge or, in the alternative, was guilty of gross misconduct in connection with the release of the documents. Pursuant to section 138.3(2) of the *OSA*, the Defendants are liable in respect of the misrepresentations alleged to be contained in the Leave Public Oral Statements.

#### **THE RELATIONSHIP BETWEEN CANADIAN SOLAR’S DISCLOSURES AND THE PRICE OF ITS SECURITIES**

89. The price of Canadian Solar’s securities was directly affected during the Class Period by the issuance of the Impugned Documents and the Public Oral Statements

containing the misrepresentations alleged herein. The Defendants were aware at all material times of the effect of Canadian Solar's disclosures about its financial results upon the price of its securities.

90. The Impugned Documents were filed on public databases and thereby became immediately available to and were reproduced for inspection by the Class Members, the public, financial analysts and the financial press through the internet and financial publications.
91. Canadian Solar routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of its securities. Indeed, Canadian Solar provided either copies of the above referenced documents or links thereto on its website.
92. Canadian Solar regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of press releases on newswire services in Canada. The price of Canadian Solar's securities was directly affected each time Canadian Solar communicated new material information about its financial results to the public.
93. Canadian Solar was the subject of analysts' reports that incorporated the quarterly financial information as contained in the disclosure documents referred to above, with the effect that any comments in such reports during the Class Period were based, in whole or in part, upon the unreliable financial results and other misstatements as detailed above.

94. Canadian Solar's securities were and are traded, among other places, on the NASDAQ, which is an efficient and automated market. The price at which Canadian Solar's securities traded on the NASDAQ promptly incorporated material information about Canadian Solar's business and affairs, including the Misrepresentation and the other misrepresentations described herein, which were disseminated to the public through the documents referred to above and distributed by Canadian Solar, as well as by other means.

#### **VICARIOUS LIABILITY OF CANADIAN SOLAR**

95. Canadian Solar is vicariously liable for the acts and omissions of the Individual Defendants particularized herein.

96. The acts or omissions particularized and alleged herein to have been done by Canadian Solar were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Canadian Solar, while engaged in the management, direction, control and transaction of the business and affairs of Canadian Solar. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Canadian Solar.

97. At all material times, the Individual Defendants were officers and/or directors of Canadian Solar. As their acts and omissions are independently tortious, they are personally liable for the same to the Plaintiff and the other Class Members.

#### **REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO**

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

- (a) Canadian Solar is a responsible issuer in Ontario;
- (b) the misrepresentations alleged herein were disseminated from Ontario to Class Members resident in and outside Ontario;
- (c) a substantial proportion of the Class Members reside in Ontario;
- (d) Canadian Solar is headquartered in Ontario;
- (e) Canadian Solar carries on business in Ontario;
- (f) Canadian Solar's key personnel charged with oversight of the above conduct were domiciled in Ontario and undertook part of that effort from Ontario;
- (g) the Class Members' claims relate at least in part to property situated in Ontario, namely their shares of Canadian Solar, which is an Ontario-based corporation; and
- (h) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

#### **RELEVANT LEGISLATION**

99. The Plaintiff pleads and relies on the *CJA*, the *CPA*, the *OSA* and the *CBCA*.

**PLACE OF TRIAL**

100. The Plaintiff proposes that this action be tried in the City of Kitchener, in the Province of Ontario, as a proceeding under the *CPA*.

August 10, 2010,  
amended as of February 5, 2013,  
and ●

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Lawyers for the Plaintiff



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Kitchener

Proceeding under the *Class Proceedings Act, 1992*

**SECOND FRESH AS AMENDED  
STATEMENT OF CLAIM**

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SUPERIOR COURT OF JUSTICE**

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**ORDER  
(CERTIFICATION PURSUANT TO THE CLASS  
PROCEEDINGS ACT, 1992)**

**Siskinds LLP**

Barristers & Solicitors

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