

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

EXCALIBUR SPECIAL OPPORTUNITIES LP

Plaintiff

- and -

SCHWARTZ LEVITSKY FELDMAN LLP

Defendant

PROCEEDING UNDER THE *CLASS PROCEEDINGS ACT, 1992*

REPLY

1. The Plaintiff denies each and every allegation contained in the Statement of Defence, unless otherwise admitted herein or admitted in the Statement of Claim.
2. The Plaintiff has no knowledge of any of the allegations contained in paragraph 47 of the Statement of Defence and puts the Defendant to the strict proof thereof.
3. At no time whatsoever and under the terms of no agreement did the Plaintiff or the Class agree to exclusively litigate the issue of the Defendant's liability in negligence and negligent misrepresentation in the State of New York, or in any other foreign jurisdiction. The action is properly brought in Ontario, which is both the proper and convenient forum for the proceeding.
4. The Defendant is not a party to the Subscription Agreement between Expedite 4, Inc. ("Expedite") and the Plaintiff. The Plaintiff's claim is not a dispute arising

under that agreement, and the Plaintiff does not dispute the validity of the transaction by which it purchased investment units in Expedite.

5. Contrary to the allegations in paragraphs 6 and 17 of the Statement of Defence, the Plaintiff and the Class did not discover and could not have reasonably discovered through reasonable diligence that the representations contained in the First Audit Report were materially false or misleading, or that SLF was negligent in its audit until the Second Audit Report was published as part of the Form 10K annual report form which was publicly registered on December 23, 2010. The Plaintiff therefore denies that this proceeding is statute-barred.
6. As admitted by the Defendant, it engaged field contractors in the PRC to perform parts of its engagement as auditor. Contrary to the allegations in paragraph 20 of the Statement of Defence, SLF did not take all necessary steps to obtain sufficient and appropriate audit evidence in performing its audit of International's consolidated financial statements. Rather it contracted this work to individuals in the PRC over whom it exercised no supervision or control, or inadequate supervision and control. Further and contrary to the allegations in paragraph 21 of the Statement of Defence, SLF necessarily did rely on the opinions of its field staff contractors located in the PRC for the purposes of issuing its First Audit Report.
7. To the knowledge of SLF, the First Audit Report was prepared expressly for the purpose of effecting the reverse takeover transaction with Expedite 4, Inc. and for no other purpose. Southern China Livestock International, Inc. was created

expressly for this purpose on July 28, 2009 and the audit of its consolidated financial statements as at September 30, 2008 and 2009 had no other purpose than to be included in the Private Placement Memorandum. The First Audit Report set out in Note 2 to the consolidated financial statements for the years ended September 30, 2009 and 2008, that “subsequent events have been reviewed up to January 28, 2010”. The First Audit Report was timed to coincide with the Private Placement Memorandum on February 1, 2010.

8. Furthermore, SLF consented to the dissemination of the First Audit Report as an exhibit to the Private Placement Memorandum and thereby knew that the First Audit Report would be read and relied upon by the Plaintiff and the Class in making their decisions to invest in Expedite.
9. Despite the risk factors referenced by the Defendant in its Statement of Defence, none of the risk factors disclosed in the Private Placement Memorandum included the risk that the First Audit Report and the audited financial statements were not prepared in accordance with PCAOB standards or that the audited financial statements were not reliable. None of the disclosed risk factors included the risk that the Defendant had failed to adequately supervise its field staff contractors located in the PRC, or that it was not conducting the audit functions itself in the PRC. The stated risk factors did not include disclosure of the Defendant’s failure to adequately design audit procedures to take into consideration the lack of internal control over financial reporting at the subsidiaries of Southern China Livestock International Inc., or the fact that this

was an all cash business and that the Company had no control over the bank accounts operated by its employees.

10. Contrary to the allegations contained in paragraph 40 of the Statement of Defence, page 41 of the Private Placement Memorandum states:

“One of our main farms, Baita Farm, is appointed as “State Livestock Reserve Base” by Ministry of Commerce for its good quality of breeding in 2007. Therefore, the company enjoys government insurance of approximately 60 RMB per head for all the sows. In China, it is customary to settle live hog sales with cash and equivalents, virtually eliminating account receivables.”

Nothing in this paragraph alerts the potential investor to the fact that all transactions for Southern China Livestock subsidiaries were effected in cash by employees of the Company, and that the Company had no control over the bank accounts from which this cash was deposited and withdrawn. Rather, the paragraph is misleading in that its intended message is to assure investors that there is no risk of loss arising from the operations at Baita Farm.

11. Neither the Plaintiff, nor any member of the Class was made aware of the specific and general risks of investing in Expedite that arise from the Defendant’s negligence and failure to identify material risks of fraud in the First Audit Report.
12. Contrary to the allegation in paragraph 43 of the Statement of Defence, SLF was required to consider and take into account the internal controls of International

when conducting its audit of International's consolidated financial statements. SLF negligently failed to consider the lack of internal controls at International when designing audit procedures for International's consolidated financial statements.

13. The Plaintiff denies the allegations contained paragraph 46 of the Statement of Defence, and denies that it or any member of the Class was negligent as alleged therein, or at all. The Plaintiff and the Class did, and were entitled to, rely upon the representations contained in the Private Placement Memorandum and in particular the First Auditor Report and the audited financial statements approved by the Defendant for inclusion in the Private Placement Memorandum.
14. The Plaintiff is therefore entitled to the relief claimed in its Statement of Claim, and judgment should be granted accordingly.

October 1, 2013

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