

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

**SUPERIOR COURT
(Class Actions)**

NO.: 500-06-001164-215

STEVEN HOLCMAN

and

TARIQUE PLUMMER

Applicants

v.

**LIGHTSPEED COMMERCE INC., formerly
known as LIGHTSPEED POS INC.**

and

**DAX DASILVA, JEAN PAUL CHAUVET,
MARIE-JOSÉE LAMO[T]HE, PATRICK
PICHETTE, ROB WILLIAMS, PAUL
McFEETERS, MERLINE SAINTIL, DANIEL
MICAÏ, ASHA BAKSHANI, BRANDON
NUSSEY**

and

PRICEWATERHOUSECOOPERS LLP

Defendants

**RE-RE-AMENDED APPLICATION FOR AUTHORIZATION OF A CLASS ACTION AND
FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4
OF THE QUÉBEC SECURITIES ACT**

Table of Contents

I. DEFINITIONS.....	3
II. INTRODUCTION	12
A. Overview of the Proposed Class Action.....	12
III. THE PARTIES.....	13
A. The Applicants and the Class They Seek to Represent	13

B. Defendants	16
IV. FACTS GIVING RISE TO THE PRESENT ACTION.....	18
A. Initial Alarm Signal: The First Corrective Disclosure	19
B. The Second Corrective Disclosure	23
C. Independent Confirmation of the Misrepresentations	24
D. Misrepresentations Regarding Earnings and Revenue Disclosures.....	24
a. Context.....	24
b. Inflated Organic Growth.....	26
i. Acquisitions Without Goodwill Impairments	26
ii. Changing ARPU Definition	27
c. Allowance for Bad Debt Contrary to Industry Practice	28
d. Revenue Overstatement.....	28
e. Revenue Manipulation and Earnings Management.....	29
f. Anomalies	29
E. Misrepresentations Regarding Internal Controls	29
F. Individual Defendants' Misrepresentations	29
G. PwC's Violation of Applicable Standards	31
H. The Relationship between the Misrepresentations and the Price and Value of Lightspeed's Securities.....	32
V. RIGHTS OF ACTION.....	32
A. Statutory Right of Action for Misrepresentation in a Secondary Market Claim.....	33
B. Statutory Right of Action for Misrepresentation in a Primary Market Claim	34
C. Civil Liability Right of Action.....	35
D. No Safe Harbor	36
VI. THE CRITERIA OF ARTICLE 575 CCP.....	36
A. The Facts Alleged Appear to Justify the Conclusions Sought (art. 575 (2) CCP)	36
B. The Claims of the Members of the Class Raise Identical, Similar or Related Issues of Law or Fact (art. 575 (1) CCP)	37
C. The Composition of the Class (art. 575 (3) CCP).....	37
D. The Class Members Requesting to be Appointed as Representative Plaintiffs Are in a Position to Properly Represent Class Members (art. 575 (4) CCP).....	38
VII. NATURE OF THE ACTION AND CONCLUSIONS SOUGHT	39
VIII. JURISDICTION	39

IN SUPPORT OF THEIR APPLICATION FOR AUTHORIZATION PURSUANT TO THE QUÉBEC SECURITIES ACT AND FOR AUTHORIZATION TO INSTITUTE A CLASS ACTION, THE APPLICANTS RESPECTFULLY SUBMIT THE FOLLOWING:

I. DEFINITIONS

0.1 In addition to the terms that are defined elsewhere herein and within the *Securities Act*, the following terms have the following meanings:

- a) **"AIF"** means Annual Information Form;
- b) **"AMF"** means *Autorité des marchés financiers*;
- c) **"ARPU"** means average revenue per user;
- d) **"Auditor"** or **"PwC"** means the defendant PricewaterhouseCoopers LLP;
- e) **"Board"** means the board of directors of the defendant Lightspeed Commerce Inc.;
- f) **"Class"** and **"Class Members"** are comprised of the following, other than the Excluded Persons:
 - (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and
 - (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021;
- g) **"Class Period"** means the period spanning from March 7, 2019 to November 3, 2021, inclusively;
- h) **"CCP"** means the *Code of Civil Procedure*, CQLR c C-25.01;
- i) **"CCQ"** means the *Civil Code of Québec*, CQLR c CCQ-1991;
- j) **"Company"** means Lightspeed Commerce Inc., formerly known as Lightspeed POS Inc., or, as the context may require, its subsidiaries and affiliates;
- k) **"Core Documents"** (each being a "Core Document") refers to:

- i) the following documents included in the Canadian IPO Documents, defined below, Exhibit P-72 *en liasse*:
 - 1. Lightspeed's preliminary long form prospectus dated February 6, 2019;
 - 2. its February 22, 2019 amended and restated preliminary base prep prospectus;
 - 3. its March 7, 2019 final long form base prospectus;
 - 4. its March 8, 2019 supplemental prospectus;
- ii) the following Q4 2019 Lightspeed filings:
 - 1. Q4 2019 MD&A dated May 30, 2019, Exhibit P-20;
 - 2. 2019 audited annual financial statements dated May 30, 2019, Exhibit P-21;
 - 3. 2019 AIF dated May 30, 2019, Exhibit P-22;
- iii) the following documents included in the Second Offering Documents, defined below, Exhibit P-73 *en liasse*:
 - 1. Lightspeed's July 29, 2019 preliminary short form prospectus;
 - 2. its August 7, 2019 final short form prospectus;
 - 3. its August 12, 2019 draft shelf prospectus supplement;
 - 4. its August 15, 2019 prospectus (non pricing) supplement;
- iv) the following Q1 2020 Lightspeed filings:
 - 1. Q1 2020 MD&A dated August 7, 2019, Exhibit P-29;
 - 2. Q1 2020 interim financial statements dated August 7, 2019, Exhibit P-30;
- v) the following Q2 2020 Lightspeed filings:
 - 1. Q2 2020 MD&A dated November 7, 2019, Exhibit P-34;
 - 2. Q2 2020 interim financial statements dated November 7, 2019, Exhibit P-35;
- vi) the following Q3 2020 Lightspeed filings:
 - 1. Q3 2020 MD&A dated February 6, 2020, Exhibit P-37;

2. Q3 2020 interim financial statements dated February 6, 2020, Exhibit P-38;
- vii) the following documents included in the Third Offering Documents, defined below, Exhibit P-74 *en liasse*:
1. Lightspeed's amended and restated short form base prospectus dated February 6, 2020;
 2. its supplemental prospectus dated February 20, 2020;
- viii) the following Q4 2020 Lightspeed filings:
1. Q4 2020 MD&A dated May 21, 2020, Exhibit P-40;
 2. 2020 audited annual financial statements dated May 21, 2020, Exhibit P-9;
 3. 2020 AIF dated May 21, 2020, Exhibit P-41;
- ix) the following documents included in the Fourth Offering Documents, defined below, Exhibit P-75 *en liasse*:
1. Lightspeed's September 2, 2020 second amended and restated short form base shelf prospectus;
 2. its September 9, 2020 draft shelf prospectus supplement;
 3. [i]ts September 11, 2020 pricing supplement prospectus;
- x) the following Q1 2021 Lightspeed filings:
1. Q1 2021 MD&A dated August 6, 2020, Exhibit P-45;
 2. Q1 2021 interim financial statements dated August 6, 2020, Exhibit P-46;
- xi) the following Q2 2021 Lightspeed filings:
1. Q2 2021 MD&A dated November 5, 2020, Exhibit P-48;
 2. Q2 2021 interim financial statements dated November 5, 2020, Exhibit P-49;
- xii) the following Q3 2021 Lightspeed filings:
1. Q3 2021 MD&A dated February 4, 2021, Exhibit P-52;
 2. Q3 2021 interim financial statements dated February 4, 2021, Exhibit P-53;

xiii) the following documents included in the Fifth Offering Documents, defined below, Exhibit P-76 *en liasse*:

1. Lightspeed's February 8, 2021 draft shelf prospectus supplement;
2. [i]ts prospectus supplement dated February 10, 2021;

xiv) the following Q4 2021 Lightspeed filings:

1. Q4 2021 MD&A dated May 20, 2021, Exhibit P-55;
2. 2021 audited annual financial statements dated May 20, 2021, Exhibit P-56;
3. 2021 AIF dated May 20, 2021, Exhibit P-57;

xv) the following documents included in the Sixth Offering Documents, defined below, Exhibit P-77 *en liasse*:

1. Lightspeed's preliminary short form base shelf prospectus dated May 20, 2021;
2. its final short form base shelf prospectus dated May 27, 2021;
3. its draft shelf prospectus supplement dated August 9, 2021;
4. its prospectus non pricing supplement dated August 9, 2021;

xvi) the following Q1 2022 Lightspeed filings:

1. Q1 2022 MD&A dated August 5, 2021, Exhibit P-62; and
2. Q1 2022 interim financial statements dated August 5, 2021, Exhibit P-63;

l) **"Corrective Disclosures" or "Public Corrections"** (each being a "Corrective Disclosure" or "Public Correction") means (i) the report published by Spruce Point Capital Management, LLC on September 29, 2021 titled *"Putting the Brakes on Lightspeed"*, communicated herewith as **Exhibit P-4**, and (ii) Lightspeed's Q2 2022 press release, MD&A, and interim financial statements published on November 4, 2021, respectively communicated herewith as **Exhibit P-2**, **Exhibit P-14**, and **Exhibit P-16**;

m) **"DC&P"** means disclosure controls and procedures;

n) **"Defendants"** means, collectively, the Company, the Auditor, and the Individual Defendants;

o) **"EDGAR"** means the Electronic Data Gathering, Analysis, and Retrieval system, which performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others who are required by law to file forms with the U.S. Securities and Exchange Commission;

- p) **"Excluded Persons"** refers to Defendants and, at all relevant times, members of their immediate families, their legal representatives, heirs, successors and/or assigns, directors, officers, subsidiaries, and affiliates;
- q) **"Elitzur Report"** means the expert report of Dr. Ramy Elitzur discussing the applicable accounting, auditing, and financial standards and norms, to be communicated as **Exhibit P-17**;
- r) **"GAAP"** means the applicable generally accepted accounting principles;
- s) **"GTV"** means gross transaction volume;
- t) **"ICFR"** means internal control over financial reporting;
- u) **"Impugned Statements"** (each being an "Impugned Statement") refers to:
 - i) The Canadian IPO Documents, defined below, Exhibit P-72 *en liasse*;
 - ii) The Auditor's consent letters posted on SEDAR on March 7, 2019, August 7, 2019, February 6, 2020, September 2, 2020, and May 27, 2021, communicated herewith *en liasse* as **Exhibit P-18**;
 - iii) Lightspeed's Q4 2019 filings for the period spanning from January 1, 2019 to March 31, 2019, which include its:
 - a. Q4 2019 press release dated May 30, 2019, communicated herewith as **Exhibit P-19**;
 - b. Q4 2019 MD&A dated May 30, 2019, communicated herewith as **Exhibit P-20**;
 - c. 2019 audited annual financial statements dated May 30, 2019, communicated herewith as **Exhibit P-21**;
 - d. 2019 AIF dated May 30, 2019, communicated herewith as **Exhibit P-22**;
 - e. 2019 annual report dated May 31, 2019, communicated herewith as **Exhibit P-23**;
 - iv) The filing certifications signed by the defendant Dax Dasilva as CEO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021, communicated *en liasse* herewith as **Exhibit P-24**
 - v) The filing certifications signed by the defendant Brandon Nussey as CFO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021, communicated *en liasse* herewith as **Exhibit P-25**;
 - vi) A transcript of Lightspeed's Q4 2019 earnings call dated May 30, 2019, communicated herewith as **Exhibit P-26**;

- vii) Lightspeed's July 17, 2019 press release relating to the acquisition of iKentoo, communicated herewith as **Exhibit P-27**;
- viii) The Second Offering Documents, defined below, Exhibit P-73 *en liasse*;
- ix) Lightspeed's Q1 2020 filings for the period spanning from April 1, 2019 to June 30, 2019, which include its:
 - a. Q1 2020 press release dated August 7, 2019, communicated herewith as **Exhibit P-28**;
 - b. Q1 2020 MD&A dated August 7, 2019, communicated herewith as **Exhibit P-29**;
 - c. Q1 2020 interim financial statements dated August 7, 2019, communicated herewith as **Exhibit P-30**;
- x) Lightspeed's Q1 2020 earnings call transcript dated August 8, 2019, communicated herewith as **Exhibit P-31**;
- xi) Lightspeed's August 12, 2019 investor presentation, communicated herewith as **Exhibit P-32**;
- xii) Lightspeed's Q2 2020 filings for the period spanning from July 1, 2019 to September 30, 2019, which include its:
 - a. Q2 2020 press release dated November 7, 2019, communicated herewith as **Exhibit P-33**;
 - b. Q2 2020 MD&A dated November 7, 2019, communicated herewith as **Exhibit P-34**;
 - c. Q2 2020 interim financial statements dated November 7, 2019, communicated herewith as **Exhibit P-35**;
- xiii) Lightspeed's Q3 2020 filings for the period spanning from October 1, 2019 to December 31, 2019, which include its:
 - a. Q3 2020 press release dated February 6, 2020, communicated herewith as **Exhibit P-36**;
 - b. Q3 2020 MD&A dated February 6, 2020, communicated herewith as **Exhibit P-37**;
 - c. Q3 2020 interim financial statements dated February 6, 2020, communicated herewith as **Exhibit P-38**;
- xiv) The Third Offering Documents, defined below, Exhibit P-74 *en liasse*;
- xv) Lightspeed's Q4 and year-end 2020 filings for the period spanning from January 1, 2020 to March 31, 2020, which include its:

- a. Q4 2020 press release dated May 21, 2020, communicated herewith as **Exhibit P-39**;
 - b. Q4 2020 MD&A dated May 21, 2020, communicated herewith as **Exhibit P-40**;
 - c. 2020 audited annual financial statements dated May 21, 2020, communicated herewith as **Exhibit P-9**;
 - d. 2020 AIF dated May 21, 2020, communicated herewith as **Exhibit P-41**;
 - e. 2020 annual report dated May 21, 2020, communicated herewith as **Exhibit P-42**;
- xvi) Lightspeed's Q4 2020 earnings call transcript dated May 21, 2020, communicated herewith as **Exhibit P-43**;
- xvii) Lightspeed's Q1 2021 filings for the period spanning from April 1, 2020 to June 30, 2020, which include its:
- a. Q1 2021 press release dated August 6, 2020, communicated herewith as **Exhibit P-44**;
 - b. Q1 2021 MD&A dated August 6, 2020, communicated herewith as **Exhibit P-45**;
 - c. Q1 2021 interim financial statements dated August 6, 2020, communicated herewith as **Exhibit P-46**;
- xviii) The Fourth Offering Documents, defined below, Exhibit P-75 *en liasse*;
- xix) Lightspeed's Q2 2021 filings for the period spanning from April 1, 2020 to June 30, 2020, which include its:
- a. Q2 2021 press release dated November 5, 2020, communicated herewith as **Exhibit P-47**;
 - b. Q2 2021 MD&A dated November 5, 2020, communicated herewith as **Exhibit P-48**;
 - c. Q2 2021 interim financial statements dated November 5, 2020, communicated herewith as **Exhibit P-49**;
- xx) Lightspeed's Q2 2021 earnings call transcript dated November 5, 2020, communicated herewith as **Exhibit P-50**;
- xxi) Lightspeed's Q3 2021 filings for the period spanning from October 1, 2020 to December 31, 2020, which include its:
- a. Q3 2021 press release dated February 4, 2021, communicated herewith as **Exhibit P-51**;

- b. Q3 2021 MD&A dated February 4, 2021, communicated herewith as **Exhibit P-52**;
 - c. Q3 2021 interim financial statements dated February 4, 2021, communicated herewith as **Exhibit P-53**;
- xxii) The Fifth Offering Documents, defined below, Exhibit P-76 *en liasse*;
- xxiii) Lightspeed's Q4 and year-end 2021 filings for the period spanning from January 1, 2021 to March 31, 2021, which include its:
 - a. Q4 2021 press release dated May 20, 2021, communicated herewith as **Exhibit P-54**;
 - b. Q4 2021 MD&A dated May 20, 2021, communicated herewith as **Exhibit P-55**;
 - c. 2021 audited annual financial statements dated May 20, 2021, communicated herewith as **Exhibit P-56**;
 - d. 2021 AIF dated May 20, 2021, communicated herewith as **Exhibit P-57**;
 - e. 2021 annual report dated May 20, 2021, communicated herewith as **Exhibit P-58**;
- xxiv) Lightspeed's Q4 2021 earnings call transcript dated May 20, 2021, communicated herewith as **Exhibit P-59**;
- xxv) Lightspeed's Q4 2021 Investor Presentation dated May 20, 2021, a copy of which is communicated herewith as **Exhibit P-60**;
- xxvi) The Sixth Offering Documents, defined below, Exhibit P-77 *en liasse*;
- xxvii) Lightspeed's Q1 2022 filings for the period spanning from April 1, 2021 to June 30, 2022, which include its:
 - a. Q1 2022 press release dated August 5, 2021, communicated herewith as **Exhibit P-61**;
 - b. Q1 2022 MD&A dated August 5, 2021, communicated herewith as **Exhibit P-62**;
 - c. Q1 2022 interim financial statements dated August 5, 2021, communicated herewith as **Exhibit P-63**;
- xxviii) Lightspeed's Q1 2022 earnings call transcript dated August 5, 2021, communicated herewith as **Exhibit P-64**; and
- xxix) Lightspeed's September 29, 2021 news release relating to the Spruce Report, communicated herewith as **Exhibit P-10**;

- v) **"Individual Defendants"** (each being an "Individual Defendant") means Dax Dasilva (CEO / director), Brandon Nussey (CFO), and directors Jean-Paul Chauvet, Marie-Josée Lamo[t]he, Patrick Pichette, Rob Williams, Paul McFeeters, Merline Saintil, Daniel Micak, and Asha Bakshani;
- w) **"KPI"** means key performance indicator;
- x) **"Lightspeed"** means the Company;
- y) **"MD&A"** means the Company's Management Discussion and Analyses. Management Discussion and Analyses are a narrative explanation of how a company performed during the period covered by the financial statements, and of a company's financial condition and future prospects. The MD&A enables readers to assess material changes in the financial condition and operating results of a company and must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future;
- z) **"Module"** means a service add-on that a Lightspeed customer can purchase to enable different services and functionalities;
- aa) **"NI 51-102"** means the CSA's *National Instrument 51-102—Continuous Disclosure Obligations*, as amended;
- bb) **"NI 52-109"** means the CSA's *National Instrument 52-109—Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended;
- cc) **"NI 52-110"** means the CSA's *National Instrument NI 52-110—Audit Committees*, as amended;
- dd) **"NYSE"** means the New York Stock Exchange;
- ee) **"Offerings"** (each being an "Offering") means the offerings of the Company's securities during the Class Period including, but not limited to, an offering by way of a prospectus, short form base shelf prospectus, pricing supplement to a short form base shelf prospectus, private placement, or any document issued by Lightspeed through which it effects a distribution of its securities as defined in the QSA or other Securities Legislation;
- ff) **"PCAOB"** means the Public Standard Company Accounting Oversight Board;
- gg) **"Plaintiffs"** or **"Applicants"** mean, collectively, Steven Holcman and Tarique Plummer;
- hh) **"Q1"**, **"Q2"**, **"Q3"**, and **"Q4"** mean, respectively, the three-month interim period ended June 30, September 30, December 31, and March 31;
- ii) **"QSA"** means the Québec *Securities Act*, CQLR C V-1.1;
- jj) **"Securities Legislation"** means, collectively, the QSA; the *Securities Act*, RSO 1990, c S.5, as amended; 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*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;

kk) "**SEDAR**" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

ll) "**Spruce**" means Spruce Point Capital Management, LLC;

mm) "**Spruce Report**" means the report published by Spruce on September 29, 2021 titled "*Putting the Brakes on Lightspeed*", Exhibit P-4;

nn) "**TAM**" means total addressable market;

oo) "**Torchio Report**" means the expert report on materiality prepared by Frank C. Torchio, of the firm Forensic Economics, Inc., dated June 17, 2022, communicated herewith as **Exhibit P-65**; and

pp) "**TSX**" means the Toronto Stock Exchange;

II. INTRODUCTION

A. Overview of the Proposed Class Action

- 0.2 This action stems from Defendants' misrepresentations and failure to make periodic or timely disclosures of material facts or changes concerning Lightspeed's business, operations, revenues, earnings, earnings management, and internal control systems, including DC&P and ICFR;
- 0.3 Defendants' misrepresentations and omissions (collectively, "**misrepresentations**") had the effect of artificially inflating the price and value of Lightspeed's securities at the time they were purchased by putative Class Members;
- 0.4 When the truth finally came to light through a series of two Corrective Disclosures, the value and price of Lightspeed's securities plummeted, losing, for instance, \$57.46 per share or 40% of its value on the TSX between the market close prior to the first Corrective Disclosure (\$142.76 per share at closing on September 28, 2021) and the market close ten days after the last Corrective Disclosure (\$85.29 per share at closing on November 17, 2021);
- 0.5 Defendants' misrepresentations were first revealed by a short seller report produced by Spruce Point Capital Management LLC, an American investment firm that conducts in depth forensic research and has exposed billions of dollars of financial schemes globally over the years;
- 0.6 [...] Distilled down, the Spruce Report revealed that Defendants enabled and/or engaged in a pattern of material[ly] inflating the size, quality, earnings, and growth prospects of Lightspeed's business. For instance, they grossly overstated the Company's pre-IPO

customer count by 85%, its gross transaction volume (GTV) by at least 10%, its average revenue per user (ARPU), and, after having touted in March 2019 a total addressable market (TAM) of \$113B to grow to \$542B, they recently revised it down to \$16B (despite \$2.5B spent on acquisitions since the IPO);

- 0.7 The Spruce Report further revealed that, throughout the Class Period, Defendants had been hiding Lightspeed's massive organic decline, failing to make required goodwill impairments, and playing with the reporting of the Company's revenues and earnings, as well as with the definition of some of its key performance indicators (KPIs), in a way that misled investors;
- 0.8 The Auditor failed to disclose any and all of these issues, despite its obligation to do so;
- 0.9 Defendants also misleadingly attempted to reassure investors after the publication of the Spruce Report. Nevertheless, in the Company's quarterly filings that immediately followed, Defendants disclosed an updated earnings guidance that confirmed the accuracy of the misrepresentations revealed in the Spruce Report and further informed investors of the monetary impact (as estimated by Defendants) of their misrepresentations;
- 0.10 Defendants' misrepresentations were also independently confirmed by former employees of the Company and by Dr. Elitzur, a reputable expert in accounting, auditing, and finance;
- 0.11 Among other things, based on Dr. Elitzur's expert report, there is evidence of several violations by Defendants of the applicable accounting and financial standards governing disclosures, of revenue manipulation, earnings management, deficiencies in the Company's internal controls, and numerous violations by the Auditor of applicable standards;
- 0.12 Billions of dollars of the Company's market capitalization were wiped out as a result of Defendants' misrepresentations and violations of applicable standards;
- 0.13 This action seeks to obtain compensation for the losses suffered by the Applicants and the putative Class Members;

III. THE PARTIES

A. The Applicants and the Class They Seek to Represent

(i) The Class

- 1. The Applicants seek to institute a class action on behalf of the following Class of which they are members, namely, other than Excluded Persons:

- (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and

- (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021;

(ii) **Applicant Tarique Plummer**

- 1.1 Mr. Plummer's educational background includes a law degree, a master's in business administration (MBA), an undergraduate degree in biochemistry and biotechnology, and a postgraduate degree in immigration consulting [...];
- 1.2 Prior to being admitted to the Ontario Bar in June 2024, and becoming an attorney, he worked, *inter alia*, as a technical project manager in the tech and engineering industries [...];
- 1.2.1 He has extensive knowledge about Lightspeed's business, field, and competitors; he knows Spruce's business; and has an in-depth understanding of all intricacies of the proposed class action;
- 1.2.2 In making his investment decisions relevant to the case at hand, he relied, *inter alia*, on Lightspeed's MD&As, press releases, AIFs, prospectuses, and financial statements, among other public information, including (but not limited to) several exhibits in support of this application (for e.g., Exhibits P-2, P-4, P-5, P-8, P-10, P-14, P-15, P-16, and P-56);
- 1.3 Based *inter alia* on his analysis of the Motley Fool article, Exhibit P-8, pertaining to Lightspeed, between July 26, 2021 and September 10, 2021, applicant Plummer purchased a total of 696 Lightspeed shares on the TSX, as appears from a copy of his trading statements, communicated *en liasse* herewith as **Exhibit P-7**. His transactions are summarized in the table below:

Date Executed	# of shares	\$ per share	Total
26-Jul-21	9	\$107.22	\$964.98
27-Jul-21	225	\$110.32	\$24,822.50
28-Jul-21	100	\$110.40	\$11,040.00
18-Aug-21	107	\$114.95	\$12,300.00
30-Aug-21	40	\$137.72	\$5,508.80
02-Sep-21	35	\$148.19	\$5,186.65
02-Sep-21	1	\$148.50	\$148.50
09-Sep-21	75	\$156.14	\$11,710.50
10-Sep-21	65	\$158.85	\$10,325.25
10-Sep-21	33	\$156.41	\$5,161.53
10-Sep-21	4	\$156.50	\$626.00

10-Sep-21	2	\$157.24	\$314.48
TOTALS:	696		\$88,109.19

- 1.4 Mr. Plummer paid a total of \$88,109.19 for his shares (at an average cost of \$122.31 per share);
- 1.5 He held these shares until after the publication of the first Corrective Disclosure. Further to his analysis of the Spruce Report, Exhibit P-4, and of a related press release, Exhibit P-5, on October 4, 2021, he sold all of his Lightspeed shares for a total \$79,873.93, representing an average sale price of \$114.76 per share, and a loss of approximately \$8,235.26, as appears from Exhibit P-7 (first row of page 15-PDF);
- 1.6 After having been duped by Defendants' reassurances subsequent to the publication of the Spruce Report, contained in Lightspeed's press release, Exhibit P-10, Mr. Plummer repurchased 1,438 Lightspeed shares on November 3, 2021, for a total amount of \$175,888.28 (at an average cost price of \$122.31 per share), as appears from a copy of his November 2021 trading statement, communicated herewith as Exhibit P-13, and summarized below:

Date Executed	# of shares	\$ per share	Total
03-Nov-21	1300	\$122.30	\$158,990.00
03-Nov-21	120	\$122.47	\$14,695.80
03-Nov-21	18	\$122.36	\$2,202.48
TOTALS:	1438		\$175,888.28

- 1.7 After the publication of the final Corrective Disclosure, Lightspeed's Q2 2022 interim filings, Exhibits P-14, P-16, and P-2, which, in Mr. Plummer's view, confirmed the fears that the Spruce Report had raised, on November 4, 2021, Mr. Plummer completely lost faith in the public statements made by Defendants, and sold all of his Lightspeed shares for a total price of \$127,963.02, at an average sale price of \$88.99, that very day, as appears from Exhibit P-13, page 2-PDF at line 5;
- 1.8 As a result, Mr. Plummer lost \$47,952.26 in less than 24 hours (in addition to his previous loss of \$8,235.26), for a total loss of \$56,187.62, as appears *inter alia* from his sworn declaration dated June 16, 2022, communicated herewith as **Exhibit P-67**;

(iii) Applicant Steven Holcman

- 1.8.1 Mr. Holcman is an IT and mattress salesman;
- 1.8.2 He has been trading stocks for about 40 years, based on his general understanding of the stock market;
- 1.8.3 In making his investment decisions relevant to the case at hand, he relied on publicly available information about Lightspeed, namely summaries of Lightspeed's financial reports and other related news on Yahoo Finance, which informed him of the Company's growth prospects. He also reviewed Lightspeed's financial statements in support of this application, as well as the Spruce Report, Exhibit P-4, to make his

investment decisions;

- 1.8.4 He has a general understanding of what the Company does, and of the risks identified in the Spruce Report. He understands the general tenets of the proposed class action, which he initiated;
- 1.8.5 During the Class Period, applicant Holcman acquired Lightspeed shares on the TSX, and held them until after the first Corrective Disclosure. He sold his Lightspeed shares on October 7, 2022, as appears from a copy of his trading statements, communicated *en liasse* herewith as **Exhibit P-6**, as amended, and from a copy of his sworn declaration dated June 16, 2022, communicated herewith as **Exhibit P-66**;
- 1.8.6 Mr. Holcman purchased these shares at an inflated price due to the misrepresentations, thereby suffering a loss;

(iv) General Comments Regarding the Applicants

- 1.9 Both Applicants relied on Defendants' Impugned Statements to make their investment decisions;
- 1.9.1 Both Applicants understand the basic legal tenets behind their claim, are genuinely interested in pursuing it, and have brought it in good faith;
- 1.10 They both suffered monetary damages as the direct, immediate, and foreseeable result of Defendants' misrepresentations and omissions;
- 1.11 They seek authorization to bring an action pursuant to s. 225.4 QSA, and, if necessary, pursuant to the corresponding provisions in the Securities Legislation, as well as the status of representative of the Class to institute a class action pursuant to s. 574 of the CCP;

B. Defendants

(i) Lightspeed

- 2. The defendant Lightspeed Commerce Inc. is a Canadian corporation, with shares traded during the Class Period on the Toronto Stock Exchange (TSX:LSPD), the New York Stock Exchange (NYSE:LSPD), and/or the over-the-counter market in the United States;
- 2.1 Founded in 2005, the Company was initially known as Lightspeed POS Inc. until it changed its name to Lightspeed Commerce Inc. on August 9, 2021, as appears from a copy of a Certificate of Amendment dated August 9, 2021, communicated herewith as **Exhibit P-68**;
- 3. Lightspeed is a reporting issuer in Québec and is closely and significantly connected to Québec for the purposes of Title VIII, Chapter II, Division II of the Québec[c] *Securities Act*, CQLR c V-1.1 (the QSA);
- 3.1 As a reporting issuer in Québec, the Company is required to issue and file with the AMF and SEDAR:

- (i) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP;
 - (ii) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP;
 - (iii) contemporaneously with each of the above, an MD&A of each of the above financial statements; and
 - (iv) within 90 days of the end of the fiscal year, an AIF, including material information about the Company and its business at a point in time in the context of its historical and possible future development;
- 3.2. Lightspeed is also a registrant with the United States Securities and Exchange Commission, and files disclosure documents on EDGAR;
4. Lightspeed's head office is located at 700 Saint-Antoine Street East, Suite 300, in the City and District of Montréal, province of Québec, H2Y 1A6, as appears from the extract of the Québec Business Registry relating to Lightspeed, communicated herewith as **Exhibit P-1**;
5. Lightspeed describes itself as a commerce enabling software as a service (SaaS) platform for small and midsize businesses, including retailers, restaurants, bars, and golf course operators in Canada, the United States and around the world. Lightspeed's platform functionalities are said to include full omni-channel capabilities, order-ahead and curbside pickup, point of sale, product and menu management, employee and inventory management, analytics and reporting, multi-location connectivity, loyalty, customer management, and tailored financial solutions, as appears, *inter alia*, from its long form base prospectus dated March 7, 2019, included in the Canadian IPO Documents, Exhibit P-72 *en liasse*, and from the Company's website, an extract of which is communicated herewith as **Exhibit P-69**;
- 5.1 The Company went public on March 7, 2019, when it conducted its initial public offering ("IPO") on the TSX and issued 17,250,000 subordinate voting shares at a price of \$16 per share for total gross proceeds of \$276 million, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 2,250,000 additional subordinate voting shares, the whole as appears from the Canadian IPO Documents, Exhibit P-72 *en liasse*;
- 5.2 On September 11, 2020, the Company conducted its initial public offering in the United States, listing its shares on the NYSE for the first time, as well as another Canadian issuance. A total of 13,039,004 subordinate voting shares of Lightspeed were sold during this issuance, including 1,389,004 subordinate voting shares following the partial exercise by the underwriters of their overallotment option, at a price of US\$30.50 per share, for gross proceeds to the Company of US\$332.3 million and to selling shareholders of US\$65.4 million, the whole as appears from the Fourth Offering Documents, Exhibit P-75 *en liasse*;
- 5.3 In total, Lightspeed conducted six primary market issuances during the Class Period, as further discussed below. The price of the securities issued each time was inflated

as a result of Defendants' misrepresentations;

(ii) The Auditor PwC

6. The defendant PricewaterhouseCoopers LLP was Lightspeed's auditor during the Class Period. The extract of the Québec Business Registry for PwC is communicated herewith as **Exhibit P-3**;
- 6.1 Among other services rendered by PwC to Lightspeed during the Class Period, PwC (a) audited the Company's year-end consolidated balance sheets, consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year, as well as related notes, as appears, *inter alia*, from the Auditors' consent letters during the Class Period, Exhibit P-18 *en liasse*, (b) reviewed or should have reviewed the Company's interim filings; (c) assessed or should have assessed Lightspeed's internal controls over financial reporting, (d) performed services in connection with some or all of the Company's Offerings, as appears from the prospectuses filed; and (e) should have communicated to the public any weaknesses or problems that it identified, as appears, *inter alia*, from the Elitzur Report, Exhibit P-17;
- 6.2 In performing its engagements with Lightspeed, PwC was bound to comply with all applicable professional standards and norms, which it failed to do, as further discussed below;

(iii) The Individual Defendants

7. The remaining Defendants are directors and/or officers of Lightspeed and were all directors or officers of Lightspeed at the time of the release of the Impugned Statements. They authorized, permitted, acquiesced, or failed to prevent the release of these documents;
- 7.1 More particularly, at all relevant times, Defendants Dax Dasilva and Brandon Nussey were respectively Chief Executive Officer ("**CEO**") and Director, and Chief Financial Officer ("**CFO**") of the Company. They made statements, or caused documents to be released, containing misrepresentations and omissions; they certified that Lightspeed had effective internal controls over financial reporting, and that Lightspeed's Core Documents released during the Class Period were free of misrepresentations, whereas they knew or should have known that this was incorrect;
- 7.2 The other Individual Defendants (and Mr. Dasilva) were directors of the Company during the Class Period. As such, they, *inter alia*, had the responsibility of overseeing: (a) the quality and conduct of the Company's audits; (b) the quality and reporting of Lightspeed's Core Documents; (c) the quality and function of the Company's internal controls; (d) compliance with laws, regulations and guidelines; (e) governance; and (f) the adequate flow of information to the Board;
- 7.3 In addition to these general responsibilities, at all relevant times, directors Patrick Pichette and Paul McFeeters signed the Company's final prospectuses, as appears from Exhibits P-72 to P-77;

IV. FACTS GIVING RISE TO THE PRESENT ACTION

A. Initial Alarm Signal: The First Corrective Disclosure

- 7.4 Spruce Point Capital Management, LLC is a New York-based investment manager firm that focuses on short-selling, value, and special situation investment opportunities. It conducts in depth fundamental research and takes an activist approach to investing, as appears from an extract of Spruce's website, communicated herewith as **Exhibit P-70**;
- 7.5 Spruce was founded in 2009 by Ben Axler, a forensic financial researcher who has exposed billions of dollars of financial schemes globally. Prior to founding Spruce, Mr. Axler spent eight years as an investment banker with Credit Suisse and Barclays Capital where he structured and executed financing, derivative risk management, and M&A deals for leading Fortune 500 clients, as appears from an extract of Spruce's website, Exhibit P-70;
8. On September 29, 2021, Spruce published a report authored by Mr. Axler titled "*Putting the Brakes on Lightspeed*", disclosing, *inter alia*, that prior to becoming public in 2019, Lightspeed overstated its customer accounts by 85%, overstated its gross transaction volume by over 10%, and, as of its IPO, continued inflating its key metrics, and touting that over \$110 billion TAM (total addressable market) would grow to \$542B. TAM was recently revised down to \$16 billion (and that's even after Lightspeed made over \$2.5 billion in acquisitions), as appears from the Spruce Report, Exhibit P-4;
- 8.1 Spruce itself summarizes its report as follows:

After conducting a forensic financial and accounting review, Spruce Point believes shares of Lightspeed Commerce Inc. (TSX/NYSE: LSPD), a cash degenerative North American roll-up of point-of-sale commerce solutions, has covered up massive inflation of its Total Addressable Market (TAM), customer counts, and Gross Transaction Volume (GTV). In addition, Spruce Point believes LSPD is covering up increasing competitive pressures and double digit organic declines in its business with a flurry of acquisitions. Given numerous changes to the definition of its Average Revenue Per User (ARPU), its resilience to revenue loss and improvement in DSOs during peak COVID-19 while its restaurant and retail clients were pressured, and subtle accounting changes, we question LSPD's revenue quality. Initially it guided investors to its cash from operations (CFO) as the best way to measure its performance, and then quietly suspended guidance. Based on employee interviews, we believe its ARPU has actually been declining, not all acquisitions have been successful, and it appears LSPD is gaming its goodwill testing to avoid impairment. LSPD baits investors with its massive potential in its payments solution, but we believe it has not been transparent about competitive pressures and material margin decline. Now a \$17 billion company, we believe LSPD is crowding into Shopify's space, and will be forced to compete head-to-head with it, and new entrants such as Amazon. We believe LSPD will lose the battle and its astronomical 23x 2022E sales multiple will contract. We see 60%-80% downside risk to (\$22.50 – \$45.00 per share).

as appears from an extract of Spruce's website, Exhibit P-70;

9. The Spruce Report's allegations and findings – fully incorporated by reference herein to avoid lengthy repetition – further notably state the following:

- We find irrefutable evidence that LSPD overstated its customer count by 85%, while GTV, a measure of payment volume through its platform was overstated by at least 10%. Using the Wayback Machine to scrape customer and GTV counts suggests that LSPD's business was already stalling pre-IPO. LSPD has shifted its discussion from customers to locations:
 - ⇒ GTV overstatement identified as early as 2014 and revisions were made pre-IPO, reducing it by ~\$1.5 billion. A former employee told us to be careful of GTV as a metric, and that it is "smoke and mirrors"
 - ⇒ Customer overstatement from 50k to 27k verified by two methods, using GTV per customer and ARPU per customer
- At its IPO, LSPD's prospectus promoted a Total Addressable Market (TAM) of \$113bn to grow to \$542bn:
 - ⇒ Yet, after \$2.5bn spent on acquisitions since its IPO, its recent prospectus showed a current TAM of just \$16 billion (85% less)
- A compensation clawback policy was formally adopted at IPO for material misstatement of financials
- After its IPO, LSPD laid out its organic growth plan and listed "attracting new merchants" as its first objective in its year end conference call. On the following call it reported 2,000 net new merchants on its system. Thereafter, LSPD stopped disclosing net new merchant adds and it began a string of acquisitions
- Hardware margins have recently turned negative and deferred revenue quality has deteriorated. Hardware sales, formerly a profit center, is now a cost center as competition gives it away for free. LSPD used to get upfront payments from customers for long-term contracts and reported long-term deferred revenue. Now, it charges monthly payments and long-term deferred revenue is declining. A former employee told us definitively LSPD's ARPU has been declining, but management claims it is growing
- LSPD initially told investors that operating cash flow was the best way to measure its growth. However, it quickly suspended its cash flow guidance and didn't promptly call out the change to investors
- LSPD's income statement disclosures make it difficult to determine organic growth. However, balance sheet allocation from recent acquisitions gives us some insights:
 - ⇒ In Q3 2021, LSPD shifted towards larger acquisitions: ShopKeep (\$545m), Upserve (\$412m), and Vend (\$372m). By backing out each acquisition's contributions to deferred revenue and receivables, we find evidence of double digit organic decline. This contrasts with LSPD's claims of 42% organic software and payments revenue growth in its core business

[...]

- However, recent deals have come at escalating costs, and with little clear path to profitability. A few glaring issues surface:
 - ⇒ LSPD has said it won't buy old platforms, but that's exactly what we believe it's done: Example: ShopKeep was near bankruptcy and had limited growth, Upserve's business was in decline, and Vend was falling severely short of its financial expectations
 - ⇒ LSPD's ARPU has been bizarrely stable and growing while most acquisitions have come in at lower ARPUs
 - ⇒ GTV and customer numbers simply aren't adding up with the recent acquisition of Vend for \$372m. We estimate Vend either overstated transacting customers by 25% or reported customers that didn't exist
 - ⇒ Speaking with former employees, we find evidence that not all acquisitions have gone smoothly or met internal expectations, while some acquired platforms have been sunsetted
 - o Yet, LSPD has never taken a goodwill or intangible asset impairment, and recently changed its goodwill testing criteria to make it more liberal. There is a likelihood these changes were made to avoid impairments
- LSPD appears to have loosened its revenue recognition disclosure post IPO to allow for earlier recognition. There is evidence of a revenue restatement post IPO (along with COGS revisions), without explanation
- Revenues barely went down during the peak COVID-19 shutdowns, while other peers with retail and hospitality POS businesses saw revenues decline by 20% and DSOs worsen:
 - ⇒ LSPD's reported DSOs actually improved during this period
- The Company changed its story a year later about customers adding modules in early 2020, to now say in 2021 that customers who cut modules are coming back
- LSPD's allowance for bad debts as a % of gross receivables is 21% vs 3%-4% for peers. Despite admitting it tracks churn, CAC and LTV, LSPD doesn't disclose these metrics to investors. We believe it would expose a low quality customer base
- LSPD has constantly shifted Key Performance Indicators (KPIs): Notably it has presented three versions of its ARPU definition We believe LSPD hasn't been transparent about accounting revenue recognition changes from "net" to "gross" from recent acquisitions ShopKeep and Upserve that have artificially bolstered revenue growth [...]

as appears from the Spruce Report, Exhibit P-4, at pages 7-8;

- 9.1 As appears from the above, throughout the Class Period, in every Core Document (among other documents), Defendants omitted and failed to adequately disclose

Lightspeed's revenues, expenses, earnings, growth, business prospects, as well as the ineffectiveness of its internal controls;

- 9.2 The misrepresentations discussed herein were made or caused to be made by Defendants in every Impugned Statement listed in the Definitions section of this Application, above;
- 9.2 The market's reaction to the Spruce Report was swift and pronounced. All Lightspeed securities were materially negatively affected by this first Corrective Disclosure;
- 9.3 For instance, that very day, the Company's stock price lost \$16.76 per share, or 11.74% of its value, from its previous day's closing price of \$142.76 per share on the TSX, as appears from Lightspeed's pricing data history on the TSX during the Class Period, communicated herewith as **Exhibit P-12**, as amended, and from the Torchio Report, Exhibit P-65;
- 9.4 In the ten trading days following the market close on September 28, 2021, the Company lost \$27.76 per share or 19.4% of its value on the TSX, closing at \$115 on October 13, 2021, as appears from Lightspeed's share price history, Exhibit P-12, as amended;
10. After the market closed on September 29, 2021, Lightspeed filed a press release on SEDAR and EDGAR in which it denied the allegations contained in the Spruce Report, tried to discredit Spruce, boasted about its own "growth", and told investors not to rely on or to believe the Spruce Report:

The report contains numerous important inaccuracies and mischaracterizations which Lightspeed believes are misleading and clearly intended to benefit Spruce Point, which itself has disclosed that it stands to profit in the event that the stock price of Lightspeed declines. Lightspeed cautions investors to not make decisions based on this report and instead strongly encourages them to consult credible sources, including Lightspeed's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, prior to making their investment decisions.

Lightspeed is confident in its governance, financial reporting and business practices. Lightspeed has consistently delivered revenue growth since its initial listing on the Toronto Stock Exchange in March 2019. In the quarter ended June 30, 2021, revenue of \$115.9M increased 220% from the prior year quarter with organic software and transaction-based revenue growth of 78%.

The Company will not be providing further comment on the report at this time as it maintains its focus on building its business and delivering exceptional products and services for customers.

[Emphasis added]

as appears from a copy of this September 29, 2021 Lightspeed press release, Exhibit P-10, as amended;

11. Despite these additional misrepresentations made in an attempt to reassure investors, by September 30, 2021, Lightspeed's share price had lost more than 15%

on the TSX (representing more than \$2 billion in shareholder value), according to a CBC News article titled “*Canadian tech firm Lightspeed walloped by short-seller attack*”, disclosed herewith as **Exhibit P-5**;

- 11.1 The impact of the first Corrective Disclosure on the Company’s value would have been ever more dramatic had Defendants been transparent about the Company’s financial position, but at that point in time, faced with two contradictory stories, investors were understandably divided as to who to believe, as further appears from the CBC article, Exhibit P-5;

B. The Second Corrective Disclosure

12. On November 4, 2021, before the markets opened, Lightspeed published its MD&A and financial results for the three and six-month period ending September 30, 2021 (its “**Q2 2022 interim filings**”), as well as a press release, as appears from a copy of these documents, respectively, Exhibits P-14, P-16, and P-2;
13. Defendants Dasilva and Nussey certified that the Company’s Q2 2022 interim filings contained no misrepresentation and provided a fair representation of all material facts, as appears from the certifications of interim filings that they signed on November 4, 2021, communicated herewith *en liasse* as **Exhibit P-80**;
14. While the Company’s Q2 2022 reported revenue grew 193% on a year-over-year basis to \$133.2 million, a full half of that revenue came from new business acquisitions. Organic revenue in Lightspeed’s core segments – subscriptions and transcriptions – grew a mere 58%, which was more than 25% less than the 78% growth the Company had just touted in disputing the Spruce Report findings on September 29, 2021 (Exhibit P-10);
15. More critically, the Company’s guidance for the rest of its FY22 demonstrated that its earlier revenue growth had been driven primarily by the acquisitions as the Spruce Report had indicated, and that those tailwinds were now rapidly fading. For Q3 2022, Defendants were now only forecasting revenues in the range of \$140 million to \$145 million – or a meager 7% sequential revenue growth. And for FY22, the Company was now only guiding for revenues of \$520 million to \$535 million, implying no sequential growth whatsoever in Q4 2022, as appears from the Q2 2022 interim filings and from the related press report, Exhibits P-14, P-16, and P-2;
16. On this news – which confirmed the findings of the Spruce Report and detailed the specific harm to the Company’s financial results – the price and value of all of Lightspeed’s securities materially declined even further;
17. For instance, on the TSX, on November 4, 2021, Lightspeed shares lost \$33.83 per share, or -27.56% of their value, from the previous day’s closing price of \$122.76 per share, as appears from Lightspeed’s share price trading history, Exhibit P-12, as amended, and from the Torchio Report, Exhibit P-65;
18. In the ten trading days following the market close on November 3, 2021, the Company lost \$37.47 per share or 30.5% of its value on the TSX, closing at \$85.29 on November 17, 2021, as appears from Lightspeed’s share price history, Exhibit P-12, as amended;

C. Independent Confirmation of the Misrepresentations

19. The existence of Defendants' misrepresentations was also independently confirmed by former employees of the Company and by Dr. Ramy Elitzur, a reputable expert in accounting, auditing, and finance, as appears from a copy of notes of meetings between independent private investigators and former Lightspeed employees (whose identities shall remain confidential at the authorization stage), communicated confidential[ly] and *en liasse* herewith as **Exhibit P-71**, and from the Elitzur Report, Exhibit P-17;
- 19.1 Among other things, the Elitzur Report, Exhibit P-17, confirms the existence of (a) several violations by Defendants of the applicable accounting and financial standards governing disclosures, (b) revenue manipulation, (c) indications of earnings management, (d) deficiencies in the Company's internal controls, and (e) violations by the Auditor of applicable standards;
- 19.2 Although each misrepresentation alleged herein and in the Spruce Report forms the object of this action, the following misrepresentations constitute striking examples of the issues at hand;

D. Misrepresentations Regarding Earnings and Revenue Disclosures

a. Context

- 19.3 The Company operates cloud-based, omni-channel commerce-enabling SaaS platforms, which it markets as enabling its customers to engage with their own clients, manage their operations, and accept payments. Lightspeed's main source of revenue is subscriptions for its platforms. In addition, it generates revenue from payment processing services, payment residuals, professional services and sales of hardware. In the Company's November 4, 2021 MD&A, Defendants described the Company's revenues as follows:

- *Subscription Revenue*

We principally generate subscription-based revenue through the sale of subscription licenses to our software solutions. We offer pricing plans designed to meet the needs of our current and prospective customers that enable our solutions to scale with customers as they grow. Our subscription plans are sold as monthly, one-year or multi-year plans. Subscription plans for our cloud-based solutions include maintenance and support. Customers purchase subscription plans directly from us or through our channel partners. In addition to the core subscriptions and licenses outlined above, customers can purchase add-on services such as loyalty, delivery, order anywhere, advanced reporting, accounting and analytics.

In addition, we generate revenues through referral fees and revenue sharing agreements from our partners to whom we direct business or who sell their applications through our apps and themes marketplace.

- *Transaction-Based Revenue*

We generate transaction-based revenues by providing our customers with the functionality to accept payments from consumers. Such revenues come in the form of payment processing fees and transaction fees and represent a percentage of

GTV processed by our customers through our offered solutions. We generate transaction-based revenues from our payments solutions as well as our revenue sharing agreements with our integrated payment partners. The revenue sharing arrangements mainly predate the availability of Lightspeed Payments and are also the result of inherited revenue streams from some of our recent acquisitions. Since we do not act as the principal in these arrangements, we recognize revenue from this stream on a net basis in accordance with IFRS. It also means we earn inferior economics as a result when compared to payments solutions in respect of which we act as principal.

Lightspeed Payments allows our customers to accept electronic payments in-store, through connected terminals and online. (...)

- *Hardware and Other Revenue*

These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. We generate revenues through the sale of POS peripheral hardware such as our tablets, customer facing display, receipt printers, networking hardware, cash drawers, payment terminals, servers, stands, bar-code scanners, and an assortment of accessories.

Although our software solutions are intended to be turnkey solutions that can be used by the customer as delivered, we provide professional services to our hospitality customers in some circumstances in the form of on-site installations and implementations. (...)

as appears from a copy of Lightspeed's MD&A for Q2 2022, dated November 4, 2021, Exhibit P-14, at page 15;

- 19.4 On a quarterly basis, Defendants report on what they claim are "Key Performance Indicators" (KPIs) of the Company's success, which they say provide material information that investors should focus on in making their investment decisions. In the November 4, 2021 MD&A, Defendants, *inter alia*, stated the following:

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. These key performance indicators are also used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

"Average Revenue Per User" or **"ARPU"** represents the total subscription revenue and transaction-based revenue of the Company in the period divided by the number of Customer Locations of the Company in the period. (...)

"Customer Location" means a billing merchant location for which the term of services have not ended, or with which we are negotiating a renewal contract (...).

A single unique customer can have multiple Customer Locations including physical and eCommerce sites (...) We believe that our ability to increase the number of Customer Locations served by our platform is an indicator of our success in terms of market penetration and growth of our business. (...)

“Gross Transaction Volume” or **“GTV”** means the total dollar value of transactions processed through our cloud-based software-as-a-service platform, excluding amounts processed through the NuORDER solution, in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe GTV is an indicator of the success of our customers and the strength of our platform. GTV does not represent revenue earned by us. (...)

[Emphasis in original]

as appears from a copy of Lightspeed’s MD&A for Q2 2022, dated November 4, 2021, Exhibit P-14, at pages 5-6;

b. Inflated Organic Growth

i. Acquisitions Without Goodwill Impairments

- 19.5 After Lightspeed’s IPO, Defendants laid out the Company’s organic growth plan and listed “attracting new merchants” as their first objective, as appears from Lightspeed’s Q4 2019 earnings call, Exhibit P-26, its August 12, 2019 investor presentation, Exhibit P-32, and from pages 7 and 48 of the Spruce Report, Exhibit P-4;
- 19.6 On the following Q1 2020 earnings call, Defendants reported 2,000 net new merchants on Lightspeed’s system, as appears from Lightspeed’s Q1 2020 earnings call dated August 8, 2019, Exhibit P-31, at p. 4, and from its August 2019 Investor Presentation, Exhibit P-32;
- 19.7 Thereafter, Defendants stopped disclosing net new merchant additions and focused on acquiring companies to artificially increase Lightspeed’s customer base and mask a decline in organic growth, as appears from the Spruce Report, Exhibit P-4, p. 7 and 48, and from the confidential witness memoranda, Exhibit P-71;
- 19.8 Whereas Defendants represented to investors that their acquisition strategy was to acquire “high growth” companies, and not legacy platforms, the reality is that several of the acquired entities were losing money or had already peaked in their growth prior to being acquired by Lightspeed, as appears from the transcript of Lightspeed’s Q2 2021 earnings call, Exhibit P-50, and from pages 60 and 61 of the Spruce Report, Exhibit P-4;
- 19.9 For instance, as of Q3 2021, Defendants shifted towards larger acquisitions: ShopKeep (\$545M), Upserve (\$412M), and Vend (\$372M). Shopkeep was near bankruptcy and had limited growth; Upserve’s business was in decline; and Vend was falling short of financial expectations. Backing out each acquisition’s contributions to deferred revenue and receivables revealed evidence of double-digit organic decline, the whole as appears from pages 7, 8, 53, 54, 60 and 61 of the Spruce Report, Exhibit P-4;
- 19.10 This contrasts greatly with Defendants’ claim of 42% organic software and payments

revenue growth in its core business at that time, misrepresented *inter alia* in the Company's Q3 2021 MD&A (p. 17) and related press release filed on February 4, 2021, Exhibits P-52 and P-51, and highlighted in the Spruce Report, Exhibit P-4, at page 53;

- 19.11 Again, on the Q1 2022 earnings call, Defendants failed to reveal that without the contribution of receivables to its balance sheet from the Vend acquisition, Lightspeed's receivables had in fact declined quarter-over-quarter by 20%, as appears from page 54 of the Spruce Report, Exhibit P-4, and from the transcript of Lightspeed's Q1 2022 earnings call, Exhibit P-64. This information was also absent from the Company's related Q1 2022 filings, Exhibits P-61, P-62, and P-63;
- 19.12 Furthermore, the integration of the acquired companies was not always smooth, as appears from the Spruce Report, Exhibit P-4, at pages 63-65, and from the confidential witness memoranda, Exhibit P-71;
- 19.13 Some acquired platforms were sunsetted, yet no goodwill or intangible asset impairment was taken, as appears from the Spruce Report, Exhibit P-4, at pages 8, 63, and 66, and from the confidential witness memoranda, Exhibit P-71;
- 19.14 Failing to take these impairments is a violation of the applicable accounting or financial standards, as further explained in the Elitzur Report, Exhibit P-17;
- 19.15 Defendants knew or ought to have known that the information they were providing to the market with regard to Lightspeed's growth, earnings and revenues was misleading;

ii. Changing ARPU Definition

- 19.16 Defendants also quietly altered the definition of ARPU, for a total of three different definitions during the Class Period, burying these subtle changes within Lightspeed's filings, to make it seem as though ARPU continued to increase, as appears from pages 8, 25, and 26 of the Spruce Report, Exhibit P-4, Lightspeed's 2019 Annual Report, Exhibit P-23, p. 6, Lightspeed's Q4 2020 MD&A, Exhibit P-40, p. 3-4, and its Q2 2021 MD&A, Exhibit P-48;
- 19.17 [...]
- 19.18 Doing so was a violation of the applicable accounting and financial standards governing disclosure obligations, as appears from the Elitzur Report, Exhibit P-17, in addition to being an illegal misrepresentation from a statutory and civil standpoint;
- 19.19 The Spruce Report, Exhibit P-4, quotes a former Lightspeed employee saying that "ARPU as a whole has dropped significantly," despite the Company's claims to the contrary (at p. 26, 51). This has also been independently confirmed in the confidential memoranda of former Lightspeed employees, Exhibit P-71;
- 19.20 It is, furthermore, *prima facie* illogical that Defendants reported that Lightspeed's ARPU was growing during a period where acquisitions of companies with lower ARPUs were made, as appears from pages 77, 79, and 80 of the Spruce Report, Exhibit P-4; the press release entitled Serge Sozonoff: *iKentoo est la caisse*

enregistreuse du XX^e siècle, Le Temps, June 28, 2017, communicated herewith as **Exhibit P-78**; Lightspeed's July 17, 2019 press release relating to the acquisition of iKentoo, Exhibit P-27; and the Company's Q2 and Q3 2020 MD&A's, Exhibits P-34 and P-37;

- 19.21 After having misled the market into believing that Lightspeed's ARPU had increased even during COVID, Defendants later admitted that customers had, in fact, removed Modules during the pandemic. But this removal was not reflected in ARPU, as it should have been, as appears from page 32 of the Spruce Report, Exhibits P-4, and from the following extracts from CFO Nussey's statements during the Q4 2020 earnings call dated May 21, 2020, Exhibit P-43 (p. 9), and from defendant Chauvet's comments during the Q1 2022 earnings call dated August 5, 2021, Exhibit P-64;

(...) We've seen ARPU continue to grow historically double digits a year. That was true through Q4 as well. As we look into Q1, there's two competing things overall. We do have some customers on reduced subscription plans. And offsetting that, **we've got increased module uptake of things like Delivery and eCommerce and so on as well that's helping to offset that.** (...)

[Exhibit P-43, p. 9; emphasis added]

Absolutely. And I think also here what we saw is **a lot of customers who have removed some of the modules, went back to buying more modules from Lightspeed because of the reopening.**

[Exhibit P-64, p. 11; emphasis added]

- 19.22 Finally, ARPU was unduly inflated due to the change in revenue recognition from net to gross in connection with the acquisitions of ShopKeep and Upserve, as appears from the Spruce Report, Exhibit P-4, at pages 107-109, Lightspeed's Q4 2021 Investor Presentation dated May 20, 2021, Exhibit P-60, and from the Q4 2021 earnings call dated May 20, 2021, Exhibit P-59;

- 19.23 All of these changes contributed to giving investors a misrepresented sense of the growth, revenues, earnings, and success of the Company;

- 19.23.1 Irrespective of whether ARPU increased or decreased at specific times during the Class Period, the numbers reported by the Company were unreliable according to its own employees (P-71), and the way ARPU was reported was confusing for the market, and therefore in violation of Defendants' obligations;

c. Allowance for Bad Debt Contrary to Industry Practice

- 19.24 The Company's allowance for bad debts is high relative to the industry with regard to both its gross trade receivables and its sales, as appears from the Spruce Report, Exhibit P-4, at pages 8, 55-57, and as confirmed by the Elitzur Report, Exhibit P-17;

- 19.25 This also misrepresented Lightspeed's reported earnings throughout the Class Period;

d. Revenue Overstatement

- 19.26 The Company's reported revenues barely went down while its clients, including hotels,

brick and mortar retail stores, and restaurants were shut down during the pandemic, whereas the Company's peers experienced a 20% decline, as appears from the Spruce Report, Exhibit P-4, at pages 8, 28-30;

- 19.27 Between March and May 2019, Defendants further changed the timing at which revenue is captured for accounting purposes. Moreover, they revised their revenue recognition method changing from net to gross accounting from acquisitions, as appears from the Spruce Report, Exhibit P-4, pages 8, 33, 107-108, the March 7, 2019 prospectus, included in Exhibit P-72, Lightspeed's 2019 Annual Report, Exhibit P-23, and as confirmed by the Elitzur Report, Exhibit P-17;
- 19.28 All of these techniques were used and combined by Defendants to obfuscate and overstate Lightspeed's revenue during the Class Period;

e. Revenue Manipulation and Earnings Management

- 19.29 As appears from the Elitzur Report, Exhibit P-17, Dr. Elitzur concludes that there is a significant probability that Lightspeed's revenues were manipulated, and that earnings management occurred during the Class Period;

f. Anomalies

- 19.30 Dr. Elitzur also concludes that there were anomalies in many of the Company's quarterly filings during the Class Period, as further detailed in the Elitzur Report, Exhibit P-17;

E. Misrepresentations Regarding Internal Controls

- 19.31 Revenue manipulation and earnings management should have been flagged by the Company's ICFR and DC&P system, and by the Auditor, among other issues mentioned above;
- 19.32 During the Class Period, Defendants represented that Lightspeed's internal controls, including DC&P and ICFR, were effective;
- 19.33 Such statements, included in Lightspeed's public disclosures, were false and/or misleading;
20. Lightspeed's internal controls were ineffective or defective at all relevant times during the Class Period since they failed to ensure that all material information was disseminated to the investing public and in a timely manner;

F. Individual Defendants' Misrepresentations

21. Lightspeed's directors and officers failed to disclose material information regarding Lightspeed's business, as required by the *Québec Securities Act* and other Securities Legislation;
22. The Individual Defendants knew or ought to have known, at the time that each of the Impugned Statements was released (including or in addition to the documents containing misrepresentations or omissions referred to in the Spruce Report, Exhibit

P-4), that they contained an omission or a misrepresentation;

- 22.1 More particularly, as required by the AMF, Dax Dasilva (CEO) and Brandon Nussey (CFO) certified all interim and annual financial statements and MD&As filed (the "**Filings**") during the Class Period attesting to the veracity and fair representation of all material facts presented in the Filings, as appears from Exhibits P-24 and P-25 *en l'asse*;
- 22.2 Accordingly, at all relevant times, both the CEO and CFO defendants certified that:
- i) they reviewed the Filings;
 - ii) the Filings did not contain any untrue statements of material facts or omitted to state a material fact required to be stated or that was necessary to make a non-misleading statement in light of the circumstances under which it was made;
 - iii) the Filings fairly represented in all material respects the financial condition, performance and cash flows of Lightspeed;
 - iv) they were responsible for establishing and maintaining disclosure controls and procedures as well as internal control over financial reporting;
 - v) they have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that all material information relating to Lightspeed is made known to them and that information required to be disclosed by Lightspeed in its Filings or any other document submitted under a securities legislation is recorded, processed, summarized, and reported;
 - vi) they have designed, or caused to be designed under their supervision, internal control over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation specified in securities legislation; and
 - vii) they have evaluated, or caused to be evaluated under their supervision, the effectiveness of Lightspeed's disclosure controls and procedures as well as internal control over financial reporting at the financial year-end and that Lightspeed has disclosed their conclusions regarding effectiveness in its annual MD&A;
- 22.3 All Individual Defendants had the obligation to oversee the preparation and reporting of all Filings, other financial documents and disclosures to the public and knew or ought to have known of the alleged misrepresentations;
- 22.4 The Individual Defendants also authorized, permitted or consented to the release and publication of the Impugned Statements, during the Class Period, which contained misrepresentations;
- 22.5 Moreover, they violated the accounting standards related to the preparation and reporting of MD&A, listed in the Elitzur Report, Exhibit P-17;

G. PwC's Violation of Applicable Standards

- 22.6 At all material times, PwC was responsible for assessing whether Lightspeed's internal controls were effective, reviewing Lightspeed's interim filings, ensuring Lightspeed's annual filings were prepared in accordance with the PCAOB auditing standards and were compliant with GAAP, and flagging identified weaknesses and issues;
- 22.7 PwC acted as Lightspeed's auditor from 2017 to 2022, as appears from the Auditor's consent letters, Exhibit P-18 *en l'asse*, and from the annual financial statements during the Class Period, Exhibits P-9, P-21, and P-56;
- 22.8 By stating that Lightspeed's financial statements were compliant with GAAP, PwC:
- a. misrepresented that Lightspeed's revenue recognition practices were in accordance with GAAP, which resulted in an overstatement of revenue and earnings during the Class Period;
 - b. misrepresented that Lightspeed's internal controls were effective when they were in fact materially deficient and yielded inaccurate and materially misleading financial statements and misrepresented that Lightspeed's financial statements had been prepared based on Lightspeed's maintenance and application of appropriate internal financial controls;
 - c. omitted to report revenue manipulation within the Company, as well as earnings management; and
 - d. misrepresented that Lightspeed's financial statements accurately described, fairly presented and disclosed the true financial condition of Lightspeed;
- 22.9 Throughout the Class Period, PwC had the obligation to carefully review and analyze Lightspeed's reported revenue including its revenue generation and revenue recognition practices to ensure that the reported revenue was legitimate, complied with appropriate and effective internal controls, was collectible, and receivable and that all material risks arising from such revenue recognition practices and the sustainability of such revenue was properly and accurately disclosed;
- 22.10 Throughout the Class Period, PwC also had the obligation to audit the Company's reported earnings and to report when required impairments were not made;
23. PwC failed to comply with its statutory and civil obligations, in addition to the applicable auditing standards, as appears, in part, from the Elitzur Report, Exhibit P-17;
- 23.1 The Spruce Report specifically mentions that there was "worrisome auditing oversight" by PwC (Exhibit P-4, pages 9, 12 and 116). PwC should have had measures in place and detected the issues raised above;
24. PwC is liable in its capacity of an expert whose reports, statements or opinions were included, summarized or quoted from, with its written consent, in Lightspeed's Impugned Statements;

- 24.1 PwC violated the professional obligations applicable to its engagements with Lightspeed and contravened its statutory and civil law duties owed to the Applicants and Class members;

H. The Relationship between the Misrepresentations and the Price and Value of Lightspeed's Securities

- 24.2 [...] [I]nvestors of the Company [...] relied on Defendants for accurate information about the Company's business, operations, earnings, revenues, and internal controls;
25. The price and value of Lightspeed's securities were directly affected each time that Defendants disclosed (or omitted to fully and timely disclose) material facts about Lightspeed's business, finances, and operations, including the performance and synergies of Lightspeed's acquisitions, accounting policies, cash on hand, inventory, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of Lightspeed's issued and outstanding shares;
- 25.1 At all material times, Defendants were aware or should have been aware of the effect of Lightspeed's disclosures about its business, finances, and operations, including the performance and synergies of Lightspeed's acquisitions, cash on hand, inventory, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of Lightspeed's issued and outstanding securities, on the price of the Company's publicly-traded securities;
- 25.2 Defendants intended to and took advantage of the fact that the members of the Class, including the Applicants, would rely upon these disclosures, which they did to their detriment;
- 25.3 The disclosure documents referred to herein were filed with SEDAR and/or EDGAR and/or posted to Lightspeed's website or other websites, and thereby became immediately available to and were reproduced for inspection for the benefit of the Applicants and the other members of the Class, the public, financial analysts and the financial press through the internet and financial publications;
- 25.4 The price at which Lightspeed's securities traded on the TSX and NYSE, or on the over-the-counter market in the United States, and the price at which primary market securities were acquired, incorporated the information contained in the disclosure documents and statements referred to herein, including information about the performance and synergies of Lightspeed's acquisitions, cash on hand, inventory, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, and compensation of insiders and management;

V. RIGHTS OF ACTION

- 25.5 The Applicants assert three rights of action against Defendants:
- (a) A statutory right of action for misrepresentation in a secondary market (s. 225.4 *et seq.* QSA);

- (b) A statutory right of action for misrepresentation in a primary market (s. 217 *et seq.* QSA); and
- (c) A civil liability action (s. 1457 CCQ);

A. Statutory Right of Action for Misrepresentation in a Secondary Market Claim

- 25.6 Defendants' statements and omissions were materially false and misleading since they failed to disclose material adverse information and misrepresented the truth about Lightspeed's business, operations, earnings, revenues, and internal controls. Further, Lightspeed failed to make timely disclosures of material facts;
- 25.7 As a result of these misrepresentations, the Applicants assert a right of action under s. 225.8 *et seq.* of the QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against Defendants;
- 25.8 Lightspeed is registered to do business in Québec;
- 25.9 Lightspeed is a reporting issuer in Québec under s. 68 of the QSA, as appears from an extract from the AMF's Reporting Issuers List, communicated herewith as **Exhibit P-79**;
- 25.10 Lightspeed's securities were issued from Québec, and distributed in Québec and throughout the world;
- 25.11 The secondary market claim against Defendants is asserted in respect of all Impugned Statements which contained the misrepresentations alleged herein;
- 25.12 Defendants knew that the Impugned Statements would be reviewed by analysts, capital markets and the general public who would rely on these documents to make informed financial decisions;
- 25.13 The monetary damages suffered by the Applicants and Class Members are a direct result of Defendants' misrepresentations, which artificially-inflated the price of Lightspeed's securities;
- 25.14 Defendants authorized, permitted or acquiesced to the dissemination of false and misleading information, which they should have known was false and misleading at the relevant time, thus violating the QSA and concordant provisions of other Securities Legislation;
- 25.15 The Individual Defendants were officers and/or directors of Lightspeed during the release and publication of the Impugned Statements and, as such, were privy to Lightspeed's internal budgets, plans, projections, and reports, as well as the Company's finances, operations, prospects, and all documents filed in accordance with the applicable Securities Legislation;
- 25.16 The Auditor is an expert of Lightspeed, and its reports, statements or opinions contain PwC's consent in writing to the use of its reports, statements or opinions in several of the Impugned Statements;

- 25.17 At all relevant times during the Class Period, Defendants authorized, permitted or acquiesced to the release and publication of the Impugned Statements, which they knew or ought to have known contained false and misleading information;

B. Statutory Right of Action for Misrepresentation in a Primary Market Claim

- 25.18 Lightspeed raised equity through a total of six primary issuances during the Class Period;
- 25.19 On March 7, 2019, Lightspeed conducted its IPO of 17,250,000 subordinate voting shares at a price of \$16 per share for total gross proceeds of \$276 million, as appears from the Company's press release upon closing of the issuance on March 15, 2019, its March 8, 2019 supplemental prospectus, its long form base prospectus dated March 7, 2019, its February 22, 2019 amended and restated prelim prospectus, and its preliminary long form prospectus and press release dated February 6, 2019 (collectively, the "**Canadian IPO Documents**"), communicated *en l'asse* herewith as **Exhibit P-72**;
- 25.20 On August 22, 2019, Lightspeed announced the closing of a second Offering by certain selling shareholders in Canada of 6,209,542 subordinate voting shares, which Offering included the exercise in full by the underwriters of their over-allotment option to purchase up to 809,940 additional subordinate voting shares, as appears from Lightspeed's press release dated August 22, 2019, its supplemental prospectuses and investor presentations dated August 12 and 15, 2019, its August 7, 2019 final short form prospectus, and its July 29, 2019 preliminary short form prospectus and press release (collectively, the "**Second Offering Documents**"), communicated *en l'asse* herewith as **Exhibit P-73**;
- 25.21 On February 27, 2020, Lightspeed announced the closing of Lightspeed's third Offering in Canada, including a new issue and a secondary offering by some of its shareholders of an aggregate of 7,717,650 subordinate voting shares at a purchase price of C\$37.30 per subordinate voting share for aggregate gross proceeds of \$287.9 million to the Company and the selling shareholders, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 1,006,650 additional subordinate voting shares. 4,695,000 subordinate voting shares were issued from treasury and sold by Lightspeed for aggregate gross proceeds of C\$175.1 million and an aggregate of 3,022,650 subordinate voting shares were sold by the Selling Shareholders for aggregate gross proceeds of C\$112.7 million, the whole as appears from Lightspeed's press release dated February 27, 2020, its prospectus (non pricing) supplement dated February 20, 2020, its press release dated February 18, 2020, and its amended and restated short form base prospectus dated February 6, 2020 (collectively, the "**Third Offering Documents**"), communicated *en l'asse* herewith as **Exhibit P-74**;
- 25.22 On September 15, 2020, the Company closed its initial public Offering in the United States and its fourth Offering in Canada of a total of 13,039,004 subordinate voting shares, including 1,389,004 subordinate voting shares following the partial exercise by the underwriters of their overallotment option, at a price of US\$30.50 per share, for gross proceeds to the Company of US\$332.3 million and to selling shareholders of US\$65.4 million, as appears from the Company's September 15, 2020 press release, its September 11, 2020 pricing supplement prospectus and press release, its

September 9, 2020 draft shelf prospectus supplement and press release, and its September 2, 2020 second amended and restated short form base shelf prospectus (collectively, the “**Fourth Offering Documents**”), communicated *en liasse* herewith as **Exhibit P-75**;

25.23 On February 12, 2021, Lightspeed closed another Offering of subordinate voting shares in the United States and Canada. A total of 9,660,000 subordinate voting shares of Lightspeed were sold, including 1,260,000 subordinate voting shares following the exercise by the underwriters of their over-allotment option, at a price of US\$70.00 per share, for gross proceeds to the Company of US\$620.2 million and to selling shareholders of US\$56 million, as appears from Lightspeed’s February 12, 2021 press release, its prospectus supplement and press release dated February 10, 2021, and its February 8, 2021 draft shelf prospectus supplement and news release (collectively, the “**Fifth Offering Documents**”), communicated *en liasse* herewith as **Exhibit P-76**;

25.24 On August 11, 2021, the Company announced the closing of another Offering of subordinate voting shares in the United States and Canada. A total of 7,700,000 shares were issued from treasury and sold at a price to the public of US\$93.00 per share, for gross proceeds to the Company of US\$716.1 million before underwriting commission and offering costs. The Company also granted the underwriters an over-allotment option to purchase up to 1,155,000 additional subordinate voting shares, which was fully exercised on August 13, 2021, as appears from Company’s August 11 and 13 news releases, its prospectus non pricing supplement and draft shelf prospectus supplement dated August 9, 2021, its final short form base shelf prospectus dated May 27, 2021, and its preliminary short form base shelf prospectus dated May 20, 2021 (collectively, the “**Sixth Offering Documents**”), communicated *en liasse* herewith as **Exhibit P-77**;

25.25 All Offering documents contained the Defendants’ misrepresentations and omissions;

25.26 On behalf of all members of the Primary Market Sub-Class, the Applicants assert, as against all Defendants, the right of action found in sections 217 et seq. of the QSA, and, if necessary, the concordant provisions of other Securities Legislation;

C. Civil Liability Right of Action

25.27 The Applicants assert a civil right of action under art. 1457 of the CCQ, on behalf of themselves and all Class Members, against Defendants for breach of their [...] obligation to act as a reasonable person, with prudence and diligence, owed to all Class Members;

25.28 Lightspeed’s acts particularized herein were authorized, ordered and effected by the Individual Defendants, as well as other officers, agents, employees and representatives who were engaged in the management, direction, control and transaction of Lightspeed’s business, finances, and operations and are, therefore, acts and omissions for which Lightspeed is vicariously and solidarily liable;

25.29 The Auditor failed to comply with its obligations in its engagements with Lightspeed, and with the applicable accounting standards and norms;

- 25.30 Defendants failed to act as reasonable persons;
- 25.31 Defendants did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;
- 25.32 The Applicants and Class Members relied on Defendants' Impugned Statements;
- 25.33 The Applicants would not have acquired Lightspeed's securities or would not have acquired them at inflated prices had they been aware of Defendants' misrepresentations and omissions. The same is true of the Class as Lightspeed's misrepresentations and omissions of fact were material;
- 25.34 The Applicants and Class Members acquired Lightspeed's securities at artificially-inflated prices during the Class Period, held those securities until after Corrective Disclosures and suffered damages as a direct and immediate result of the misrepresentations affecting Lightspeed's securities;

D. No Safe Harbor

- 25.35 The statutory defence provided for by s. 225.22 and 225.23 of the QSA regarding forward-looking information in a document does not apply to any false and misleading statements alleged in the present claim since these statements relate to then-existing facts and conditions;
- 25.36 Defendants knew or should have known that their statements were misleading at the time they were made;

VI. THE CRITERIA OF ARTICLE 575 CCP

A. The Facts Alleged Appear to Justify the Conclusions Sought (art. 575 (2) CCP)

- 25.37 The QSA, the Securities Legislation, national instruments including NI 51-102, NI 52-109, NI 52-110, all informed Defendants of their obligations;
- 25.38 Defendants also owed to the Class Members the obligations imposed under the CCQ;
- 25.39 Defendants breached their obligations by making the misrepresentations particularized herein and, as such, committed faults against the Class Members;
- 25.40 The Individual Defendants oversaw the preparation of all filings and news releases, including the Impugned Statements, and knew or ought to have known of the alleged misrepresentations;
- 25.41 Consequently, not only is Lightspeed directly liable towards the Class Members for its own faults, but it is also liable for the faults committed by the Individual Defendants or any other officer, director, partner or employee;
- 25.42 The Auditor violated applicable standards and failed to report the misrepresentations, which it ought to have known about;

- 25.43 Investors rely on auditors to ensure that the Company is reporting all information accurately and completely;
- 25.44 In light of Defendants' misrepresentations, Lightspeed securities traded at artificially-inflated prices and did not reflect their true value at all relevant times during the Class Period, thereby causing a damage to the Applicants and Class Members;
- 25.45 Once the misrepresentations were corrected, the price of Lightspeed's securities plummeted causing, again, significant damages to the Applicants and Class Members;
- 25.46 The faults committed by Defendants were the direct and immediate cause of the Applicants' and Class Members' damages;
- 25.47 In light of the above, Defendants are solidarily liable to the Applicants and Class Members;

B. The Claims of the Members of the Class Raise Identical, Similar or Related Issues of Law or Fact (art. 575 (1) CCP)

- 26. By reason of Defendants' unlawful conduct, the Applicants and Class Members have suffered a prejudice, for which they wish to be compensated [...];
- 27. [...]
- 28. The recourses of the Class Members raise identical, similar or related questions of fact or law, namely:
 - a) During the Class Period, did Defendants publish documents or make statements that contained misrepresentations within the meaning of the QSA and, if necessary, other Securities Legislation?
 - b) If so, which document or statement contains which misrepresentation?
 - c) Were the misrepresentations intentional?
 - d) Are any of Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?
 - e) If so, which Defendant is liable and to whom?
 - f) Is Defendants' liability solidary? and
 - g) What is the amount of the damages sustained by the Class Members?

C. The Composition of the Class (art. 575 (3) CCP)

- 29. The composition of the Class makes it difficult or impracticable to apply the rules for mandates to take part in judicial proceedings on behalf of others or for consolidation of proceedings;

30. Lightspeed is a large corporation trading on the NYSE and on the TSX with an average volume of more than 600,000 shares traded daily;
31. There are [...] thousands of [...] investors that are members of the putative Class in Québec and throughout the world;
32. [...]
33. These facts demonstrate that it would be impractical, if not impossible, to contact each and every Class Member to obtain mandates and to join them in one action;
34. In these circumstances, a class action is the only appropriate procedure for all of the members of the Class to effectively pursue their respective rights and have access to justice without overburdening the court system;

D. The Class Members Requesting to be Appointed as Representative Plaintiffs Are in a Position to Properly Represent Class Members (art. 575 (4) CCP)

35. The Applicants request that they be appointed the status of representative plaintiffs for the following main reasons:
 - a) They are members of the Class and have a personal interest in seeking the conclusions that they propose herein;
 - b) They understand the basic legal tenets behind their claim and are genuinely interested in pursuing it [...];
 - c) Their interests are not antagonistic to those of other Class Members and their action is in good faith;
- 35.1 Furthermore, they have investment experience;
- 35.2 As a result of Defendants' misrepresentations, the Applicants purchased Lightspeed securities at an inflated price during the Class Period, thereby suffering a loss. They held their Lightspeed securities until after Corrective Disclosures, as appears from their respective trading statements, Exhibits P-6 *en liasse* and P-7;
- 35.3 After the misrepresentations were revealed by the Corrective Disclosures, the value of Mr. Plummer's securities plummeted and he again suffered damages as a result;
- 35.4 The Applicants contacted attorneys to discuss the best means of asserting their rights and the nature of a potential action, and have mandated those attorneys to investigate and bring this action forward;
- 35.5 The Applicants share common interests with the Class Members and have instituted the present claim in good faith;
- 35.6 They have the resources, knowledge, time, and dedication required to act as the representative plaintiffs of the Class and to advance the case on behalf of the Class;

- 35.7 The Applicants have no conflict of interest with other Class Members and are represented by counsel that are experienced at litigating securityholders' claims in class actions against multinational corporations that list their securities on multiple exchanges;

VII. NATURE OF THE ACTION AND CONCLUSIONS SOUGHT

36. The action that the Applicants seek to institute on behalf of the members of the Class is an action in damages;
37. The conclusions that the Applicants seek to introduce by way of an originating application are:

[...] **ALLOW** the class action of the Plaintiffs and the members of the Class against Defendants;

[...] **GRANT** the Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and article 1457 C.C.Q.;

[...] **CONDEMN** Defendants, solidarily, to pay the Plaintiffs and the Class Members damages in an amount to be determined;

[...] **ORDER** that the above condemnation be subject to collective recovery;

[...] **CONDEMN** Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action, and **ORDER** that this condemnation be subject to collective recovery;

[...] **CONDEMN** Defendants, solidarily, to bear the costs of the present action including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of experts required to establish the amount of the collective recovery orders;

38. The interests of justice favour that this Application be granted in accordance with its conclusions;

VIII. JURISDICTION

39. Lightspeed has its domicile in the district of Montréal. The Individual Defendants and the Auditor have a place of business in this district. The auditing work was conducted by PwC in Montréal (art. 3148(1) C.C.Q.).

FOR THESE REASONS, MAY IT PLEASE THE COURT:

[...] **AUTHORIZE** the bringing of a class action in the form of an originating application in damages;

[...] **APPOINT** the applicants Steven Holcman and Tarique Plummer the status of representative plaintiffs of the persons included in the Class herein described as:

"Class" and **"Class Members"** are comprised of the following, other than the Excluded Persons:

- (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and
- (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021;

[...] **DECLARE** that the following persons are excluded from the Class ("Excluded Persons"): Defendants and, at all relevant times, members of their immediate families, their legal representatives, heirs, successors and/or assigns, directors, officers, subsidiaries, and affiliates;

[...] **IDENTIFY** the principal questions of fact and law to be treated collectively as the following:

- a) During the Class Period, did Defendants publish documents or make statements that contained misrepresentations within the meaning of the QSA and, if necessary, other Securities Legislation?
- b) If so, which document or statement contains which misrepresentation?
- c) Were the misrepresentations intentional?
- d) Are any of Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?
- e) If so, which Defendant is liable and to whom?
- f) Is Defendants' liability solidary? and
- g) What is the amount of the damages sustained by the Class Members?

[...] **IDENTIFY** the conclusions sought by the class action to be instituted as being the following:

[...] **ALLOW** the class action of the Plaintiffs and the members of the Class against Defendants;

[...] **GRANT** the Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and article 1457 C.C.Q.;

[...] **CONDEMN** Defendants, solidarily, to pay the Plaintiffs and the Class Members damages in an amount to be determined;

[...] **ORDER** that the above condemnation be subject to collective recovery;

[...] **CONDEMN** Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action and **ORDER** that this condemnation be subject to collective recovery;

[...] **CONDEMN** Defendants, solidarily, to bear the costs of the present action including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of experts required to establish the amount of the collective recovery orders;

ORDER the publication of a notice to the class members in accordance with article 579 C.C.P., pursuant to a further order of the Court, and **ORDER** Defendants to pay for said publication costs;

FIX the delay of exclusion at sixty (60) days from the date of the publication of the notice to the members, date upon which the members of the Class that have not exercised their means of exclusion will be bound by any judgement to be rendered herein;

DECLARE that all members of the Class that have not requested their exclusion, be bound by any judgement to be rendered on the class action to be instituted in the manner provided for by law;

THE WHOLE with costs including publication fees and all costs of expertise.

Montréal, December 27, 2024

(S) Faguy & Co.

FAGUY & CO.

Mtre Elizabeth Meloche
Mtre Shawn K. Faguy
329 de la Commune Street West
Suite 200

(S) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran
276 Saint-Jacques Street, Suite 801
Montréal, Québec, H2Y 1N3

Montréal, Québec, H2Y 2E1
Telephone: (514) 285-8100
Telecopier: (514) 285-8050
Email: (skf@faguyco.com)
(emeloche@faguyco.com)

Ad litem counsel for the Applicants

Telephone: (514) 379-1572
Telecopier: (514) 221-4441 Email:
izukran@lpclex.com

Avocats-conseil for the Applicants

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉALSUPERIOR COURT
(Class Actions)

NO.: 500-06-001164-215

STEVEN HOLCMAN et al.

Applicants

v.

LIGHTSPEED COMMERCE INC. et al.

Defendants

**APPLICANTS' LIST OF EXHIBITS
IN SUPPORT OF THE RE-AMENDED APPLICATION FOR AUTHORIZATION OF A CLASS
ACTION AND FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION
225.4 OF THE QUÉBEC SECURITIES ACT**

- Exhibit P-1:** Copy of the Québec Business Registry for Lightspeed;
- Exhibit P-2:** (As amended) Lightspeed's Q2 2022 press release dated November 4, 2021;
- Exhibit P-3:** Copy of Québec Business Registry for PwC;
- Exhibit P-4:** Copy of the Spruce Point Capital Management, LLC report titled "*Putting the Brakes on Lightspeed*", dated September 29, 2021;
- Exhibit P-5:** Copy of CBC News article *Canadian tech firm Lightspeed walloped by short-seller attack*, dated September 30, 2021;
- Exhibit P-6:** (As amended) *En liasse*, copy of applicant Mr. Holcman's transaction confirmations regarding Lightspeed shares during the Class Period;
- Exhibit P-7:** *En liasse*, copies of Mr. Plummer's Wealth Simple statements for the period of July 26, 2021 to September 10, 2021, showing that he purchased a total of 696 Lightspeed shares;
- Exhibit P-8:** Copy of May 20, 2021 article titled "*Why Lightspeed Stock Spiked Today - Investors were happy to see strong results from the company in the fourth quarter*";
- Exhibit P-9:** (As amended) Lightspeed's 2020 audited annual financial statements dated May 21, 2020;

- Exhibit P-10:** (As amended) *En liasse*, copy of the September 29, 2021 Lightspeed press reports filed with the United States Securities and Exchange Commission and with the Canadian Securities Administrators titled “*Lightspeed comments on short seller report*”;
- Exhibit P-11:** Copy of October 7, 2021 filing by Lightspeed titled “*Lightspeed Announces Fiscal Second Quarter 2022 Financial Results Conference Call*”;
- Exhibit P-12:** (As amended) Copy of the historical pricing data for LSPD shares from March 7, 2019 to November 18, 2021;
- Exhibit P-13:** Copy of Mr. Plummer’s Wealth Simple statement for November 2021;
- Exhibit P-14:** (As amended) Lightspeed’s Q2 2022 MD&A dated November 4, 2021;
- Exhibit P-15:** Transcript of Lightspeed’s Q2 2022 Earnings Call of November 4, 2021;
- Exhibit P-16:** (As amended) Lightspeed’s Q2 2022 interim financial statements published on November 4, 2021;
- Exhibit P-17:** (As amended) Expert report of Dr. Ramy Elitzur discussing the applicable accounting, auditing, and financial standards and norms;
- Exhibit P-18:** (As amended) *En liasse*, auditor’s consent letters posted on SEDAR on March 7, 2019, August 7, 2019, February 6, 2020, September 2, 2020, and May 27, 2021;
- Exhibit P-19:** Lightspeed’s Q4 2019 press release dated May 30, 2019;
- Exhibit P-20:** Lightspeed’s Q4 2019 MD&A dated May 30, 2019;
- Exhibit P-21:** Lightspeed’s 2019 audited annual financial statements dated May 30, 2019;
- Exhibit P-22:** Lightspeed’s 2019 AIF dated May 30, 2019;
- Exhibit P-23:** Lightspeed’s 2019 annual report dated May 31, 2019;
- Exhibit P-24:** *En liasse*, filing certifications signed by the defendant Dax Dasilva as CEO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021;
- Exhibit P-25:** *En liasse*, filing certifications signed by the defendant Brandon Nussey as CFO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021;

- Exhibit P-26:** Transcript of Lightspeed's Q4 2019 earnings call dated May 30, 2019;
- Exhibit P-27:** Lightspeed's July 17, 2019 press release relating to the acquisition of iKentoo;
- Exhibit P-28:** Lightspeed's Q1 2020 press release dated August 7, 2019;
- Exhibit P-29:** Q1 2020 MD&A dated August 7, 2019;
- Exhibit P-30:** Q1 2020 interim financial statements dated August 7, 2019;
- Exhibit P-31:** Lightspeed's Q1 2020 earnings call transcript dated August 8, 2019;
- Exhibit P-32:** Lightspeed's August 12, 2019 investor presentation;
- Exhibit P-33:** Q2 2020 press release dated November 7, 2019;
- Exhibit P-34:** Q2 2020 MD&A dated November 7, 2019;
- Exhibit P-35:** Q2 2020 interim financial statements dated November 7, 2019;
- Exhibit P-36:** Q3 2020 press release dated February 6, 2020;
- Exhibit P-37:** Q3 2020 MD&A dated February 6, 2020;
- Exhibit P-38:** Q3 2020 interim financial statements dated February 6, 2020;
- Exhibit P-39:** Q4 2020 press release dated May 21, 2020;
- Exhibit P-40:** Q4 2020 MD&A dated May 21, 2020;
- Exhibit P-41:** 2020 AIF dated May 21, 2020;
- Exhibit P-42:** 2020 annual report dated May 21, 2020;
- Exhibit P-43:** Lightspeed's Q4 2020 earnings call transcript dated May 21, 2020;
- Exhibit P-44:** Q1 2021 press release dated August 6, 2020;
- Exhibit P-45:** Q1 2021 MD&A dated August 6, 2020;
- Exhibit P-46:** Q1 2021 interim financial statements dated August 6, 2020;
- Exhibit P-47:** Q2 2021 press release dated November 5, 2020;
- Exhibit P-48:** Q2 2021 MD&A dated November 5, 2020;
- Exhibit P-49:** Q2 2021 interim financial statements dated November 5, 2020;
- Exhibit P-50:** Lightspeed's Q2 2021 earnings call transcript dated November 5, 2020;
- Exhibit P-51:** Q3 2021 press release dated February 4, 2021;

- Exhibit P-52:** Q3 2021 MD&A dated February 4, 2021;
- Exhibit P-53:** Q3 2021 interim financial statements dated February 4, 2021;
- Exhibit P-54:** Q4 2021 press release dated May 20, 2021;
- Exhibit P-55:** Q4 2021 MD&A dated May 20, 2021;
- Exhibit P-56:** 2021 audited annual financial statements dated May 20, 2021;
- Exhibit P-57:** 2021 AIF dated May 20, 2021;
- Exhibit P-58:** 2021 annual report dated May 20, 2021;
- Exhibit P-59:** Lightspeed's Q4 2021 earnings call transcript dated May 20, 2021;
- Exhibit P-60:** Lightspeed's Q4 2021 Investor Presentation dated May 20, 2021
- Exhibit P-61:** Q1 2022 press release dated August 5, 2021;
- Exhibit P-62:** Q1 2022 MD&A dated August 5, 2021;
- Exhibit P-63:** Q1 2022 interim financial statements dated August 5, 2021;
- Exhibit P-64:** Lightspeed's Q1 2022 earnings call transcript dated August 5, 2021;
- Exhibit P-65:** Expert report prepared by Frank C. Torchio on materiality dated June 17, 2022,
- Exhibit P-66:** Copy of Mr. Steven Holcman's sworn declaration dated June 16, 2022;
- Exhibit P-67:** Copy of Mr. Tarique Plummer's sworn declaration dated June 16, 2022;
- Exhibit P-68:** Certificate of Amendment dated August 9, 2021;
- Exhibit P-69:** Extract from the Company's website;
- Exhibit P-70:** Extract of Spruce's website;
- Exhibit P-71:** **(Confidential)** *En liasse*, copy of notes of meetings between independent private investigators and former Lightspeed employees;
- Exhibit P-72:** *En liasse*, Lightspeed's press release upon closing of the issuance on March 15, 2019, its March 8, 2019 supplemental prospectus, its long form base prospectus dated March 7, 2019, its February 22, 2019 amended and restated prelim prospectus, and its preliminary long form prospectus and press release dated February 6, 2019 (collectively, the "Canadian IPO Documents");
- Exhibit P-73:** *En liasse*, Lightspeed's press release dated August 22, 2019, its supplemental prospectuses and investor presentations dated August 12 and 15, 2019, its August 7, 2019 final short form prospectus, and its July 29, 2019 preliminary short form prospectus and press release (collectively, the "Second Offering Documents");

- Exhibit P-74:** *En liasse*, Lightspeed’s press release dated February 27, 2020, its prospectus (non pricing) supplement dated February 20, 2020, its press release dated February 18, 2020, and its amended and restated short form base prospectus dated February 6, 2020 (collectively, the “Third Offering Documents”);
- Exhibit P-75:** *En liasse*, Lightspeed’s September 15, 2020 press release, its September 11, 2020 pricing supplement prospectus and press release, its September 9, 2020 draft shelf prospectus supplement and press release, and its September 2, 2020 second amended and restated short form base shelf prospectus (collectively, the “Fourth Offering Documents”);
- Exhibit P-76:** *En liasse*, Lightspeed’s February 12, 2021 press release, its prospectus supplement and press release dated February 10, 2021, and its February 8, 2021 draft shelf prospectus supplement and news release (collectively, the “Fifth Offering Documents”);
- Exhibit P-77:** *En liasse*, Lightspeed’s August 11 and 13 news releases, its prospectus non pricing supplement and draft shelf prospectus supplement dated August 9, 2021, its final short form base shelf prospectus dated May 27, 2021, and its preliminary short form base shelf prospectus dated May 20, 2021 (collectively, the “Sixth Offering Documents”);
- Exhibit P-78:** Serge Sozonoff: *iKentoo est la caisse enregistreuse du XXI^e siècle*, Le Temps, June 28, 2017;
- Exhibit P-79:** Extract from the AMF’s Reporting Issuers List; [...]
- Exhibit P-80:** *En liasse*, filing certifications signed by defendants Dasilva (CEO) and Nussey (CFO) on November 4, 2021; and
- Exhibit P-81:** Rebuttal Expert Report by Ramy Elitzur, Ph.D. dated December 23, 2024.

Montréal, December 27, 2024

(S) *Faguy & Co.*

FAGUY & CO.

Mtre Elizabeth Meloche
Mtre Shawn K. Faguy
329 de la Commune Street West
Suite 200
Montréal, Québec, H2Y 2E1
Telephone: (514) 285-8100
Telecopier: (514) 285-8050
Email: (skf@faguyco.com)
(emeloche@faguyco.com)

Ad litem counsel for the Applicants

(S) *LPC Avocat Inc.*

LPC AVOCAT INC.

Mtre Joey Zukran
276 Saint-Jacques Street, Suite 801
Montréal, Québec, H2Y 1N3
Telephone: (514) 379-1572
Telecopier: (514) 221-4441 Email:
jzukran@lpclex.com

Avocats-conseil for the Applicants

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

**SUPERIOR COURT
(Class Actions)**

NO.: 500-06-001164-215

STEVEN HOLCMAN, having an elected domicile at 276 Saint-Jacques Street, Suite 801, City and District of Montréal, Québec, H2Y 1N3

and

TARIQUE PLUMMER, having an elected domicile at 276 Saint-Jacques Street, Suite 801, City and District of Montréal, Québec, H2Y 1N3

Representative Plaintiffs

v.

LIGHTSPEED COMMERCE INC., formerly known as **LIGHTSPEED POS INC.**, legal person having its head office at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

DAX DASILVA, CEO, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

JEAN PAUL CHAUVET, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

MARIE-JOSÉE LAMOTHE, having her place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

PATRICK PICHETTE, having his place of employment at 700 Saint-Antoine Street East,

Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

ROB WILLIAMS, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

PAUL MCFEETERS, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

MERLINE SAINTIL, having her place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

DANIEL MICA**K**, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

ASHA BAKSHANI, having her place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

BRANDON NUSSEY, having his place of employment at 700 Saint-Antoine Street East, Suite 300, City and District of Montréal, Québec, H2Y 1A6

and

PRICEWATERHOUSECOOPERS LLP, legal person having a principal establishment at 1250 René-Lévesque Boulevard West, Suite 2500, City and District of Montréal, Québec, H3B 4Y1

Defendants

PROJECTED ORIGINATING APPLICATION INSTITUTING A CLASS ACTION
(Articles 583 et seq. CCP and 225.2 et seq. QSA)

TO THE HONOURABLE JUSTICE LUKASZ GRANOSIK, J.S.C., OF THE SUPERIOR COURT OF QUÉBEC, SITTING IN AND FOR THE DISTRICT OF MONTRÉAL, THE REPRESENTATIVE PLAINTIFFS RESPECTFULLY SUBMIT THE FOLLOWING:

TABLE OF CONTENTS

I. PREAMBLE	4
II. DEFINITIONS.....	5
III. INTRODUCTION	15
A. Overview of the Proposed Class Action.....	15
IV. THE PARTIES.....	16
A. The Applicants and the Class They Seek to Represent	16
(i) The Class	16
(ii) Applicant Tarique Plummer	16
(iii) Applicant Steven Holcman	18
(iv) General Comments Regarding the Applicants	18
B. Defendants	19
(i) Lightspeed.....	19
(ii) The Auditor PwC	20
(iii) The Individual Defendants	21
V. FACTS GIVING RISE TO THE PRESENT ACTION.....	21
A. Initial Alarm Signal: The First Corrective Disclosure	21
B. The Second Corrective Disclosure	25
C. Independent Confirmation of the Misrepresentations.....	26
D. Misrepresentations Regarding Earnings and Revenue Disclosures.....	26
a. Context.....	26
b. Inflated Organic Growth.....	28
i. Acquisitions Without Goodwill Impairments	28
ii. Changing ARPU Definition	29
c. Allowance for Bad Debt Contrary to Industry Practice	31
d. Revenue Overstatement.....	31
e. Revenue Manipulation and Earnings Management.....	31

f. Anomalies	31
E. Misrepresentations Regarding Internal Controls	31
F. Individual Defendants' Misrepresentations	32
G. PwC's Violation of Applicable Standards	33
H. The Relationship between the Misrepresentations and the Price and Value of Lightspeed's Securities	34
VI. RIGHTS OF ACTION	35
A. Statutory Right of Action for Misrepresentation in a Secondary Market Claim	35
B. Statutory Right of Action for Misrepresentation in a Primary Market Claim	36
C. Civil Liability Right of Action	37
D. No Safe Harbor	38
VII. JURISDICTION	38

I. PREAMBLE

1. On ●, a class action was authorized by the Honorable Justice Mr. Lukasz Granosik against the Defendants on behalf of the members of the class defined below, other than the Excluded Persons:
 - (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and
 - (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021.
2. Steven Holcman and Tarique Pummer were ascribed the status of representatives of the persons included in the class described above.
3. The authorization judgment identified the principal questions of fact and law to be dealt with collectively as:
 - a) During the Class Period, did Defendants publish documents or make statements that contained misrepresentations within the meaning of the Québec *Securities Act*, CQLR C V-1.1 (the "**QSA**") and, if necessary, other Securities Legislation?

- b) If so, which document or statement contains which misrepresentation?
 - c) Were the misrepresentations intentional?
 - d) Are any of Defendants liable to the Class or any of its Members under the QSA, and if necessary, any concordant provisions of the other Securities Legislation and/or under art. 1457 of the CCQ?
 - e) If so, which Defendant is liable and to whom?
 - f) Is Defendants' liability solidary? and
 - g) What are the Representative Plaintiff's and the Class Members' damages?
4. The conclusions sought in this class action are:

GRANT the Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and article 1457 C.C.Q.;

CONDEMN Defendants, solidarily, to pay the Plaintiffs and the Class Members compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the Code of Civil Procedure;

CONDEMN Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action and **ORDER** that this condemnation also be subject to collective recovery;

THE WHOLE with costs including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of expertise.

II. DEFINITIONS

5. In addition to the terms that are defined elsewhere herein and within the QSA, the following terms have the following meanings:
- a) "**AIF**" means Annual Information Form;
 - b) "**AMF**" means *Autorité des marchés financiers*;
 - c) "**ARPU**" means average revenue per user;
 - d) "**Auditor**" or "**PwC**" means the defendant PricewaterhouseCoopers LLP;
 - e) "**Board**" means the board of directors of the defendant Lightspeed Commerce Inc.;

- f) **"Class"** and **"Class Members"** are comprised of the following, other than the Excluded Persons:
- (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and
 - (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021;
- g) **"Class Period"** means the period spanning from March 7, 2019 to November 3, 2021, inclusively;
- h) **"CCP"** means the *Code of Civil Procedure*, CQLR c C-25.01;
- i) **"CCQ"** means the *Civil Code of Québec*, CQLR c CCQ-1991;
- j) **"Company"** means Lightspeed Commerce Inc., formerly known as Lightspeed POS Inc., or, as the context may require, its subsidiaries and affiliates;
- k) **"Core Documents"** (each being a "Core Document") refers to:
- i) the following documents included in the Canadian IPO Documents, defined below, Exhibit P-72 *en liasse*:
 1. Lightspeed's preliminary long form prospectus dated February 6, 2019;
 2. its February 22, 2019 amended and restated preliminary base prep prospectus;
 3. its March 7, 2019 final long form base prospectus;
 4. its March 8, 2019 supplemental prospectus;
 - ii) the following Q4 2019 Lightspeed filings:
 1. Q4 2019 MD&A dated May 30, 2019, Exhibit P-20;
 2. 2019 audited annual financial statements dated May 30, 2019, Exhibit P-21;

3. 2019 AIF dated May 30, 2019, Exhibit P-22;
- iii) the following documents included in the Second Offering Documents, defined below, Exhibit P-73 *en liasse*:
 1. Lightspeed's July 29, 2019 preliminary short form prospectus;
 2. its August 7, 2019 final short form prospectus;
 3. its August 12, 2019 draft shelf prospectus supplement;
 4. its August 15, 2019 prospectus (non pricing) supplement;
 - iv) the following Q1 2020 Lightspeed filings:
 1. Q1 2020 MD&A dated August 7, 2019, Exhibit P-29;
 2. Q1 2020 interim financial statements dated August 7, 2019, Exhibit P-30;
 - v) the following Q2 2020 Lightspeed filings:
 1. Q2 2020 MD&A dated November 7, 2019, Exhibit P-34;
 2. Q2 2020 interim financial statements dated November 7, 2019, Exhibit P-35;
 - vi) the following Q3 2020 Lightspeed filings:
 1. Q3 2020 MD&A dated February 6, 2020, Exhibit P-37;
 2. Q3 2020 interim financial statements dated February 6, 2020, Exhibit P-38;
 - vii) the following documents included in the Third Offering Documents, defined below, Exhibit P-74 *en liasse*:
 1. Lightspeed's amended and restated short form base prospectus dated February 6, 2020;
 2. its supplemental prospectus dated February 20, 2020;
 - viii) the following Q4 2020 Lightspeed filings:
 1. Q4 2020 MD&A dated May 21, 2020, Exhibit P-40;
 2. 2020 audited annual financial statements dated May 21, 2020, Exhibit P-9;
 3. 2020 AIF dated May 21, 2020, Exhibit P-41;

- ix) the following documents included in the Fourth Offering Documents, defined below, Exhibit P-75 *en liasse*:
 - 1. Lightspeed's September 2, 2020 second amended and restated short form base shelf prospectus;
 - 2. its September 9, 2020 draft shelf prospectus supplement;
 - 3. [i]ts September 11, 2020 pricing supplement prospectus;
- x) the following Q1 2021 Lightspeed filings:
 - 1. Q1 2021 MD&A dated August 6, 2020, Exhibit P-45;
 - 2. Q1 2021 interim financial statements dated August 6, 2020, Exhibit P-46;
- xi) the following Q2 2021 Lightspeed filings:
 - 1. Q2 2021 MD&A dated November 5, 2020, Exhibit P-48;
 - 2. Q2 2021 interim financial statements dated November 5, 2020, Exhibit P-49;
- xii) the following Q3 2021 Lightspeed filings:
 - 1. Q3 2021 MD&A dated February 4, 2021, Exhibit P-52;
 - 2. Q3 2021 interim financial statements dated February 4, 2021, Exhibit P-53;
- xiii) the following documents included in the Fifth Offering Documents, defined below, Exhibit P-76 *en liasse*:
 - 1. Lightspeed's February 8, 2021 draft shelf prospectus supplement;
 - 2. [i]ts prospectus supplement dated February 10, 2021;
- xiv) the following Q4 2021 Lightspeed filings:
 - 1. Q4 2021 MD&A dated May 20, 2021, Exhibit P-55;
 - 2. 2021 audited annual financial statements dated May 20, 2021, Exhibit P-56;
 - 3. 2021 AIF dated May 20, 2021, Exhibit P-57;
- xv) the following documents included in the Sixth Offering Documents, defined below, Exhibit P-77 *en liasse*:
 - 1. Lightspeed's preliminary short form base shelf prospectus dated May 20, 2021;

2. its final short form base shelf prospectus dated May 27, 2021;
3. its draft shelf prospectus supplement dated August 9, 2021;
4. its prospectus non pricing supplement dated August 9, 2021;

xvi) the following Q1 2022 Lightspeed filings:

1. Q1 2022 MD&A dated August 5, 2021, Exhibit P-62; and
2. Q1 2022 interim financial statements dated August 5, 2021, Exhibit P-63;

- l) **"Corrective Disclosures"** or **"Public Corrections"** (each being a "Corrective Disclosure" or "Public Correction") means (i) the report published by Spruce Point Capital Management, LLC on September 29, 2021 titled *"Putting the Brakes on Lightspeed"*, communicated herewith as **Exhibit P-4**, and (ii) Lightspeed's Q2 2022 press release, MD&A, and interim financial statements published on November 4, 2021, respectively communicated herewith as **Exhibit P-2**, **Exhibit P-14**, and **Exhibit P-16**;
- m) **"DC&P"** means disclosure controls and procedures;
- n) **"Defendants"** means, collectively, the Company, the Auditor, and the Individual Defendants;
- o) **"EDGAR"** means the Electronic Data Gathering, Analysis, and Retrieval system, which performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others who are required by law to file forms with the U.S. Securities and Exchange Commission;
- p) **"Excluded Persons"** refers to Defendants and, at all relevant times, members of their immediate families, their legal representatives, heirs, successors and/or assigns, directors, officers, subsidiaries, and affiliates;
- q) **"Elitzur Report"** means the expert report of Dr. Ramy Elitzur discussing the applicable accounting, auditing, and financial standards and norms, to be communicated as **Exhibit P-17**;
- r) **"GAAP"** means the applicable generally accepted accounting principles;
- s) **"GTV"** means gross transaction volume;
- t) **"ICFR"** means internal control over financial reporting;
- u) **"Impugned Statements"** (each being an "Impugned Statement") refers to:
- i) The Canadian IPO Documents, defined below, Exhibit P-72 *en l'asse*;
 - ii) The Auditor's consent letters posted on SEDAR on March 7, 2019, August 7, 2019, February 6, 2020, September 2, 2020, and May 27, 2021, communicated herewith *en l'asse* as **Exhibit P-18**;

- iii) Lightspeed's Q4 2019 filings for the period spanning from January 1, 2019 to March 31, 2019, which include its:
 - a. Q4 2019 press release dated May 30, 2019, communicated herewith as **Exhibit P-19**;
 - b. Q4 2019 MD&A dated May 30, 2019, communicated herewith as **Exhibit P-20**;
 - c. 2019 audited annual financial statements dated May 30, 2019, communicated herewith as **Exhibit P-21**;
 - d. 2019 AIF dated May 30, 2019, communicated herewith as **Exhibit P-22**;
 - e. 2019 annual report dated May 31, 2019, communicated herewith as **Exhibit P-23**;
- iv) The filing certifications signed by the defendant Dax Dasilva as CEO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021, communicated *en liasse* herewith as **Exhibit P-24**
- v) The filing certifications signed by the defendant Brandon Nussey as CFO on August 7, 2019, November 7, 2019, February 6, 2020, May 21, 2020, August 6, 2020, November 5, 2020, February 4, 2021, May 20, 2021, and August 5, 2021, communicated *en liasse* herewith as **Exhibit P-25**;
- vi) A transcript of Lightspeed's Q4 2019 earnings call dated May 30, 2019, communicated herewith as **Exhibit P-26**;
- vii) Lightspeed's July 17, 2019 press release relating to the acquisition of iKentoo, communicated herewith as **Exhibit P-27**;
- viii) The Second Offering Documents, defined below, Exhibit P-73 *en liasse*;
- ix) Lightspeed's Q1 2020 filings for the period spanning from April 1, 2019 to June 30, 2019, which include its:
 - a. Q1 2020 press release dated August 7, 2019, communicated herewith as **Exhibit P-28**;
 - b. Q1 2020 MD&A dated August 7, 2019, communicated herewith as **Exhibit P-29**;
 - c. Q1 2020 interim financial statements dated August 7, 2019, communicated herewith as **Exhibit P-30**;
- x) Lightspeed's Q1 2020 earnings call transcript dated August 8, 2019, communicated herewith as **Exhibit P-31**;

- xi) Lightspeed's August 12, 2019 investor presentation, communicated herewith as **Exhibit P-32**;
- xii) Lightspeed's Q2 2020 filings for the period spanning from July 1, 2019 to September 30, 2019, which include its:
 - a. Q2 2020 press release dated November 7, 2019, communicated herewith as **Exhibit P-33**;
 - b. Q2 2020 MD&A dated November 7, 2019, communicated herewith as **Exhibit P-34**;
 - c. Q2 2020 interim financial statements dated November 7, 2019, communicated herewith as **Exhibit P-35**;
- xiii) Lightspeed's Q3 2020 filings for the period spanning from October 1, 2019 to December 31, 2019, which include its:
 - a. Q3 2020 press release dated February 6, 2020, communicated herewith as **Exhibit P-36**;
 - b. Q3 2020 MD&A dated February 6, 2020, communicated herewith as **Exhibit P-37**;
 - c. Q3 2020 interim financial statements dated February 6, 2020, communicated herewith as **Exhibit P-38**;
- xiv) The Third Offering Documents, defined below, Exhibit P-74 *en liasse*;
- xv) Lightspeed's Q4 and year-end 2020 filings for the period spanning from January 1, 2020 to March 31, 2020, which include its:
 - a. Q4 2020 press release dated May 21, 2020, communicated herewith as **Exhibit P-39**;
 - b. Q4 2020 MD&A dated May 21, 2020, communicated herewith as **Exhibit P-40**;
 - c. 2020 audited annual financial statements dated May 21, 2020, communicated herewith as **Exhibit P-9**;
 - d. 2020 AIF dated May 21, 2020, communicated herewith as **Exhibit P-41**;
 - e. 2020 annual report dated May 21, 2020, communicated herewith as **Exhibit P-42**;
- xvi) Lightspeed's Q4 2020 earnings call transcript dated May 21, 2020, communicated herewith as **Exhibit P-43**;
- xvii) Lightspeed's Q1 2021 filings for the period spanning from April 1, 2020 to June 30, 2020, which include its:

- a. Q1 2021 press release dated August 6, 2020, communicated herewith as **Exhibit P-44**;
 - b. Q1 2021 MD&A dated August 6, 2020, communicated herewith as **Exhibit P-45**;
 - c. Q1 2021 interim financial statements dated August 6, 2020, communicated herewith as **Exhibit P-46**;
- xviii) The Fourth Offering Documents, defined below, Exhibit P-75 *en liasse*;
- xix) Lightspeed's Q2 2021 filings for the period spanning from April 1, 2020 to June 30, 2020, which include its:
- a. Q2 2021 press release dated November 5, 2020, communicated herewith as **Exhibit P-47**;
 - b. Q2 2021 MD&A dated November 5, 2020, communicated herewith as **Exhibit P-48**;
 - c. Q2 2021 interim financial statements dated November 5, 2020, communicated herewith as **Exhibit P-49**;
- xx) Lightspeed's Q2 2021 earnings call transcript dated November 5, 2020, communicated herewith as **Exhibit P-50**;
- xxi) Lightspeed's Q3 2021 filings for the period spanning from October 1, 2020 to December 31, 2020, which include its:
- a. Q3 2021 press release dated February 4, 2021, communicated herewith as **Exhibit P-51**;
 - b. Q3 2021 MD&A dated February 4, 2021, communicated herewith as **Exhibit P-52**;
 - c. Q3 2021 interim financial statements dated February 4, 2021, communicated herewith as **Exhibit P-53**;
- xxii) The Fifth Offering Documents, defined below, Exhibit P-76 *en liasse*;
- xxiii) Lightspeed's Q4 and year-end 2021 filings for the period spanning from January 1, 2021 to March 31, 2021, which include its:
- a. Q4 2021 press release dated May 20, 2021, communicated herewith as **Exhibit P-54**;
 - b. Q4 2021 MD&A dated May 20, 2021, communicated herewith as **Exhibit P-55**;
 - c. 2021 audited annual financial statements dated May 20, 2021, communicated herewith as **Exhibit P-56**;

- d. 2021 AIF dated May 20, 2021, communicated herewith as **Exhibit P-57**;
- e. 2021 annual report dated May 20, 2021, communicated herewith as **Exhibit P-58**;
- xxiv) Lightspeed's Q4 2021 earnings call transcript dated May 20, 2021, communicated herewith as **Exhibit P-59**;
- xxv) Lightspeed's Q4 2021 Investor Presentation dated May 20, 2021, a copy of which is communicated herewith as **Exhibit P-60**;
- xxvi) The Sixth Offering Documents, defined below, Exhibit P-77 *en liasse*;
- xxvii) Lightspeed's Q1 2022 filings for the period spanning from April 1, 2021 to June 30, 2022, which include its:
 - a. Q1 2022 press release dated August 5, 2021, communicated herewith as **Exhibit P-61**;
 - b. Q1 2022 MD&A dated August 5, 2021, communicated herewith as **Exhibit P-62**;
 - c. Q1 2022 interim financial statements dated August 5, 2021, communicated herewith as **Exhibit P-63**;
- xxviii) Lightspeed's Q1 2022 earnings call transcript dated August 5, 2021, communicated herewith as **Exhibit P-64**; and
- xxix) Lightspeed's September 29, 2021 news release relating to the Spruce Report, communicated herewith as **Exhibit P-10**;
- v) **"Individual Defendants"** (each being an "Individual Defendant") means Dax Dasilva (CEO / director), Brandon Nussey (CFO), and directors Jean-Paul Chauvet, Marie-Josée Lamo[t]he, Patrick Pichette, Rob Williams, Paul McFeeters, Merline Saintil, Daniel Micak, and Asha Bakshani;
- w) **"KPI"** means key performance indicator;
- x) **"Lightspeed"** means the Company;
- y) **"MD&A"** means the Company's Management Discussion and Analyses. Management Discussion and Analyses are a narrative explanation of how a company performed during the period covered by the financial statements, and of a company's financial condition and future prospects. The MD&A enables readers to assess material changes in the financial condition and operating results of a company and must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future;

- z) **"Module"** means a service add-on that a Lightspeed customer can purchase to enable different services and functionalities;
- aa) **"NI 51-102"** means the CSA's *National Instrument 51-102—Continuous Disclosure Obligations*, as amended;
- bb) **"NI 52-109"** means the CSA's *National Instrument 52-109—Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended;
- cc) **"NI 52-110"** means the CSA's *National Instrument NI 52-110—Audit Committees*, as amended;
- dd) **"NYSE"** means the New York Stock Exchange;
- ee) **"Offerings"** (each being an "Offering") means the offerings of the Company's securities during the Class Period including, but not limited to, an offering by way of a prospectus, short form base shelf prospectus, pricing supplement to a short form base shelf prospectus, private placement, or any document issued by Lightspeed through which it effects a distribution of its securities as defined in the QSA or other Securities Legislation;
- ff) **"PCAOB"** means the Public Standard Company Accounting Oversight Board;
- gg) **"Plaintiffs"** or **"Applicants"** mean, collectively, Steven Holcman and Tarique Plummer;
- hh) **"Q1"**, **"Q2"**, **"Q3"**, and **"Q4"** mean, respectively, the three-month interim period ended June 30, September 30, December 31, and March 31;
- ii) **"QSA"** means the Québec *Securities Act*, CQLR C V-1.1;
- jj) **"Securities Legislation"** means, collectively, the QSA; the *Securities Act*, RSO 1990, c S.5, as amended; 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*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- kk) **"SEDAR"** means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;
- ll) **"Spruce"** means Spruce Point Capital Management, LLC;
- mm) **"Spruce Report"** means the report published by Spruce on September 29, 2021 titled *"Putting the Brakes on Lightspeed"*, Exhibit P-4;
- nn) **"TAM"** means total addressable market;

oo) "**Torchio Report**" means the expert report on materiality prepared by Frank C. Torchio, of the firm Forensic Economics, Inc., dated June 17, 2022, communicated herewith as **Exhibit P-65**; and

pp) "**TSX**" means the Toronto Stock Exchange;

III. INTRODUCTION

A. Overview of the Proposed Class Action

6. This action stems from Defendants' misrepresentations and failure to make periodic or timely disclosures of material facts or changes concerning Lightspeed's business, operations, revenues, earnings, earnings management, and internal control systems, including DC&P and ICFR;
7. Defendants' misrepresentations and omissions (collectively, "**misrepresentations**") had the effect of artificially inflating the price and value of Lightspeed's securities at the time they were purchased by putative Class Members;
8. When the truth finally came to light through a series of two Corrective Disclosures, the value and price of Lightspeed's securities plummeted, losing, for instance, \$57.46 per share or 40% of its value on the TSX between the market close prior to the first Corrective Disclosure (\$142.76 per share at closing on September 28, 2021) and the market close ten days after the last Corrective Disclosure (\$85.29 per share at closing on November 17, 2021);
9. Defendants' misrepresentations were first revealed by a short seller report produced by Spruce Point Capital Management LLC, an American investment firm that conducts in depth forensic research and has exposed billions of dollars of financial schemes globally over the years;
10. Distilled down, the Spruce Report revealed that Defendants enabled and/or engaged in a pattern of material[ly] inflating the size, quality, earnings, and growth prospects of Lightspeed's business. For instance, they grossly overstated the Company's pre-IPO customer count by 85%, its gross transaction volume (GTV) by at least 10%, its average revenue per user (ARPU), and, after having touted in March 2019 a total addressable market (TAM) of \$113B to grow to \$542B, they recently revised it down to \$16B (despite \$2.5B spent on acquisitions since the IPO);
11. The Spruce Report further revealed that, throughout the Class Period, Defendants had been hiding Lightspeed's massive organic decline, failing to make required goodwill impairments, and playing with the reporting of the Company's revenues and earnings, as well as with the definition of some of its key performance indicators (KPIs), in a way that misled investors;
12. The Auditor failed to disclose any and all of these issues, despite its obligation to do so;
13. Defendants also misleadingly attempted to reassure investors after the publication of the Spruce Report. Nevertheless, in the Company's quarterly filings that immediately followed, Defendants disclosed an updated earnings guidance that confirmed the accuracy of the misrepresentations revealed in the Spruce Report and further informed investors of the monetary impact (as estimated by Defendants) of their misrepresentations;

14. Defendants' misrepresentations were also independently confirmed by former employees of the Company and by Dr. Elitzur, a reputable expert in accounting, auditing, and finance;
15. Among other things, based on Dr. Elitzur's expert report, there is evidence of several violations by Defendants of the applicable accounting and financial standards governing disclosures, of revenue manipulation, earnings management, deficiencies in the Company's internal controls, and numerous violations by the Auditor of applicable standards;
16. Billions of dollars of the Company's market capitalization were wiped out as a result of Defendants' misrepresentations and violations of applicable standards;
17. This action seeks to obtain compensation for the losses suffered by the Applicants and the putative Class Members;

IV. THE PARTIES

A. The Applicants and the Class They Seek to Represent

(i) The Class

18. The Applicants seek to institute a class action on behalf of the following Class of which they are members, namely, other than Excluded Persons:

- (i) **Primary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding United States residents who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities in an Offering in the United States between September 11, 2020 and September 28, 2021; and
- (ii) **Secondary Market Sub-Class:** All persons and entities who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on the secondary market on or after March 7, 2019, and held some or all of those securities until after the close of trading on (1) September 28, 2021 or (2) November 3, 2021, excluding investors who acquired Lightspeed Commerce Inc. or Lightspeed POS Inc. securities on a U.S. exchange between September 11, 2020 and September 28, 2021;

(ii) Applicant Tarique Plummer

19. Mr. Plummer's educational background includes a law degree, a master's in business administration (MBA), an undergraduate degree in biochemistry and biotechnology, and a postgraduate degree in immigration consulting;
20. Prior to being admitted to the Ontario Bar in June 2024, and becoming an attorney, he worked, *inter alia*, as a technical project manager in the tech and engineering industries;

21. He has extensive knowledge about Lightspeed's business, field, and competitors; he knows Spruce's business; and has an in-depth understanding of all intricacies of the proposed class action;
22. In making his investment decisions relevant to the case at hand, he relied, *inter alia*, on Lightspeed's MD&As, press releases, AIFs, prospectuses, and financial statements, among other public information, including (but not limited to) several exhibits in support of this application (for e.g., Exhibits P-2, P-4, P-5, P-8, P-10, P-14, P-15, P-16, and P-56);
23. Based *inter alia* on his analysis of the Motley Fool article, Exhibit P-8, pertaining to Lightspeed, between July 26, 2021 and September 10, 2021, applicant Plummer purchased a total of 696 Lightspeed shares on the TSX, as appears from a copy of his trading statements, communicated *en liasse* herewith as **Exhibit P-7**. His transactions are summarized in the table below:

Date Executed	# of shares	\$ per share	Total
26-Jul-21	9	\$107.22	\$964.98
27-Jul-21	225	\$110.32	\$24,822.50
28-Jul-21	100	\$110.40	\$11,040.00
18-Aug-21	107	\$114.95	\$12,300.00
30-Aug-21	40	\$137.72	\$5,508.80
02-Sep-21	35	\$148.19	\$5,186.65
02-Sep-21	1	\$148.50	\$148.50
09-Sep-21	75	\$156.14	\$11,710.50
10-Sep-21	65	\$158.85	\$10,325.25
10-Sep-21	33	\$156.41	\$5,161.53
10-Sep-21	4	\$156.50	\$626.00
10-Sep-21	2	\$157.24	\$314.48
TOTALS:	696		\$88,109.19

24. Mr. Plummer paid a total of \$88,109.19 for his shares (at an average cost of \$122.31 per share);
25. He held these shares until after the publication of the first Corrective Disclosure. Further to his analysis of the Spruce Report, Exhibit P-4, and of a related press release, Exhibit P-5, on October 4, 2021, he sold all of his Lightspeed shares for a total \$79,873.93, representing an average sale price of \$114.76 per share, and a loss of approximately \$8,235.26, as appears from Exhibit P-7 (first row of page 15-PDF);
26. After having been duped by Defendants' reassurances subsequent to the publication of the Spruce Report, contained in Lightspeed's press release, Exhibit P-10, Mr. Plummer repurchased 1,438 Lightspeed shares on November 3, 2021, for a total amount of \$175,888.28 (at an average cost price of \$122.31 per share), as appears from a copy of his November 2021 trading statement, communicated herewith as **Exhibit P-13**, and summarized below:

Date Executed	# of shares	\$ per share	Total
03-Nov-21	1300	\$122.30	\$158,990.00
03-Nov-21	120	\$122.47	\$14,695.80
03-Nov-21	18	\$122.36	\$2,202.48
TOTALS:	1438		\$175,888.28

27. After the publication of the final Corrective Disclosure, Lightspeed's Q2 2022 interim filings, Exhibits P-14, P-16, and P-2, which, in Mr. Plummer's view, confirmed the fears that the Spruce Report had raised, on November 4, 2021, Mr. Plummer completely lost faith in the public statements made by Defendants, and sold all of his Lightspeed shares for a total price of \$127,963.02, at an average sale price of \$88.99, that very day, as appears from Exhibit P-13, page 2-PDF at line 5;
28. As a result, Mr. Plummer lost \$47,952.26 in less than 24 hours (in addition to his previous loss of \$8,235.26), for a total loss of \$56,187.62, as appears *inter alia* from his sworn declaration dated June 16, 2022, communicated herewith as **Exhibit P-67**;

(iii) Applicant Steven Holcman

29. Mr. Holcman is an IT and mattress salesman;
30. He has been trading stocks for about 40 years, based on his general understanding of the stock market;
31. In making his investment decisions relevant to the case at hand, he relied on publicly available information about Lightspeed, namely summaries of Lightspeed's financial reports and other related news on Yahoo Finance, which informed him of the Company's growth prospects. He also reviewed Lightspeed's financial statements in support of this application, as well as the Spruce Report, Exhibit P-4, to make his investment decisions;
32. He has a general understanding of what the Company does, and of the risks identified in the Spruce Report. He understands the general tenets of the proposed class action, which he initiated;
33. During the Class Period, applicant Holcman acquired Lightspeed shares on the TSX, and held them until after the first Corrective Disclosure. He sold his Lightspeed shares on October 7, 2022, as appears from a copy of his trading statements, communicated *en l'asse* herewith as **Exhibit P-6**, as amended, and from a copy of his sworn declaration dated June 16, 2022, communicated herewith as **Exhibit P-66**;
34. 1.8.6 Mr. Holcman purchased these shares at an inflated price due to the misrepresentations, thereby suffering a loss;

(iv) General Comments Regarding the Applicants

35. Both Applicants relied on Defendants' Impugned Statements to make their investment decisions;

36. Both Applicants understand the basic legal tenets behind their claim, are genuinely interested in pursuing it, and have brought it in good faith;
37. They both suffered monetary damages as the direct, immediate, and foreseeable result of Defendants' misrepresentations and omissions;
38. They seek authorization to bring an action pursuant to s. 225.4 QSA, and, if necessary, pursuant to the corresponding provisions in the Securities Legislation, as well as the status of representative of the Class to institute a class action pursuant to s. 574 of the CCP;

B. Defendants

(i) Lightspeed

39. The defendant Lightspeed Commerce Inc. is a Canadian corporation, with shares traded during the Class Period on the Toronto Stock Exchange (TSX:LSPD), the New York Stock Exchange (NYSE:LSPD), and/or the over-the-counter market in the United States;
40. Founded in 2005, the Company was initially known as Lightspeed POS Inc. until it changed its name to Lightspeed Commerce Inc. on August 9, 2021, as appears from a copy of a Certificate of Amendment dated August 9, 2021, communicated herewith as **Exhibit P-68**;
41. Lightspeed is a reporting issuer in Québec and is closely and significantly connected to Québec for the purposes of Title VIII, Chapter II, Division II of the Québec[c] *Securities Act*, CQLR c V-1.1 (the QSA);
42. As a reporting issuer in Québec, the Company is required to issue and file with the AMF and SEDAR:
 - (i) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP;
 - (ii) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP;
 - (iii) contemporaneously with each of the above, an MD&A of each of the above financial statements; and
 - (iv) within 90 days of the end of the fiscal year, an AIF, including material information about the Company and its business at a point in time in the context of its historical and possible future development;
43. Lightspeed is also a registrant with the United States Securities and Exchange Commission, and files disclosure documents on EDGAR;

44. Lightspeed's head office is located at 700 Saint-Antoine Street East, Suite 300, in the City and District of Montréal, province of Québec, H2Y 1A6, as appears from the extract of the Québec Business Registry relating to Lightspeed, communicated herewith as **Exhibit P-1**;
45. Lightspeed describes itself as a commerce enabling software as a service (SaaS) platform for small and midsize businesses, including retailers, restaurants, bars, and golf course operators in Canada, the United States and around the world. Lightspeed's platform functionalities are said to include full omni-channel capabilities, order-ahead and curbside pickup, point of sale, product and menu management, employee and inventory management, analytics and reporting, multi-location connectivity, loyalty, customer management, and tailored financial solutions, as appears, *inter alia*, from its long form base prospectus dated March 7, 2019, included in the Canadian IPO Documents, Exhibit P-72 *en liasse*, and from the Company's website, an extract of which is communicated herewith as **Exhibit P-69**;
46. The Company went public on March 7, 2019, when it conducted its initial public offering ("IPO") on the TSX and issued 17,250,000 subordinate voting shares at a price of \$16 per share for total gross proceeds of \$276 million, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 2,250,000 additional subordinate voting shares, the whole as appears from the Canadian IPO Documents, Exhibit P-72 *en liasse*;
47. On September 11, 2020, the Company conducted its initial public offering in the United States, listing its shares on the NYSE for the first time, as well as another Canadian issuance. A total of 13,039,004 subordinate voting shares of Lightspeed were sold during this issuance, including 1,389,004 subordinate voting shares following the partial exercise by the underwriters of their overallotment option, at a price of US\$30.50 per share, for gross proceeds to the Company of US\$332.3 million and to selling shareholders of US\$65.4 million, the whole as appears from the Fourth Offering Documents, Exhibit P-75 *en liasse*;
48. In total, Lightspeed conducted six primary market issuances during the Class Period, as further discussed below. The price of the securities issued each time was inflated as a result of Defendants' misrepresentations;

(ii) The Auditor PwC

49. The defendant PricewaterhouseCoopers LLP was Lightspeed's auditor during the Class Period. The extract of the Québec Business Registry for PwC is communicated herewith as **Exhibit P-3**;
50. Among other services rendered by PwC to Lightspeed during the Class Period, PwC (a) audited the Company's year-end consolidated balance sheets, consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the year, as well as related notes, as appears, *inter alia*, from the Auditors' consent letters during the Class Period, Exhibit P-18 *en liasse*, (b) reviewed or should have reviewed the Company's interim filings; (c) assessed or should have assessed Lightspeed's internal controls over financial reporting, (d) performed services in connection with some or all of the Company's Offerings, as appears from the prospectuses filed; and (e) should have communicated to the public any weaknesses or problems that it identified, as appears, *inter alia*, from the Elitzur Report, Exhibit P-17;

51. In performing its engagements with Lightspeed, PwC was bound to comply with all applicable professional standards and norms, which it failed to do, as further discussed below;

(iii) The Individual Defendants

52. The remaining Defendants are directors and/or officers of Lightspeed and were all directors or officers of Lightspeed at the time of the release of the Impugned Statements. They authorized, permitted, acquiesced, or failed to prevent the release of these documents;
53. More particularly, at all relevant times, Defendants Dax Dasilva and Brandon Nussey were respectively Chief Executive Officer (“**CEO**”) and Director, and Chief Financial Officer (“**CFO**”) of the Company. They made statements, or caused documents to be released, containing misrepresentations and omissions; they certified that Lightspeed had effective internal controls over financial reporting, and that Lightspeed’s Core Documents released during the Class Period were free of misrepresentations, whereas they knew or should have known that this was incorrect;
54. The other Individual Defendants (and Mr. Dasilva) were directors of the Company during the Class Period. As such, they, *inter alia*, had the responsibility of overseeing: (a) the quality and conduct of the Company’s audits; (b) the quality and reporting of Lightspeed’s Core Documents; (c) the quality and function of the Company’s internal controls; (d) compliance with laws, regulations and guidelines; (e) governance; and (f) the adequate flow of information to the Board;
55. In addition to these general responsibilities, at all relevant times, directors Patrick Pichette and Paul McFeeters signed the Company’s final prospectuses, as appears from Exhibits P-72 to P-77;

V. FACTS GIVING RISE TO THE PRESENT ACTION

A. Initial Alarm Signal: The First Corrective Disclosure

56. Spruce Point Capital Management, LLC is a New York-based investment manager firm that focuses on short-selling, value, and special situation investment opportunities. It conducts in depth fundamental research and takes an activist approach to investing, as appears from an extract of Spruce’s website, communicated herewith as **Exhibit P-70**;
57. Spruce was founded in 2009 by Ben Axler, a forensic financial researcher who has exposed billions of dollars of financial schemes globally. Prior to founding Spruce, Mr. Axler spent eight years as an investment banker with Credit Suisse and Barclays Capital where he structured and executed financing, derivative risk management, and M&A deals for leading Fortune 500 clients, as appears from an extract of Spruce’s website, Exhibit P-70;
58. On September 29, 2021, Spruce published a report authored by Mr. Axler titled “*Putting the Brakes on Lightspeed*”, disclosing, *inter alia*, that prior to becoming public in 2019, Lightspeed overstated its customer accounts by 85%, overstated its gross transaction volume by over 10%, and, as of its IPO, continued inflating its key metrics, and touting that

over \$110 billion TAM (total addressable market) would grow to \$542B. TAM was recently revised down to \$16 billion (and that's even after Lightspeed made over \$2.5 billion in acquisitions), as appears from the Spruce Report, Exhibit P-4;

59. Spruce itself summarizes its report as follows:

After conducting a forensic financial and accounting review, Spruce Point believes shares of Lightspeed Commerce Inc. (TSX/NYSE: LSPD), a cash degenerative North American roll-up of point-of-sale commerce solutions, has covered up massive inflation of its Total Addressable Market (TAM), customer counts, and Gross Transaction Volume (GTV). In addition, Spruce Point believes LSPD is covering up increasing competitive pressures and double digit organic declines in its business with a flurry of acquisitions. Given numerous changes to the definition of its Average Revenue Per User (ARPU), its resilience to revenue loss and improvement in DSOs during peak COVID-19 while its restaurant and retail clients were pressured, and subtle accounting changes, we question LSPD's revenue quality. Initially it guided investors to its cash from operations (CFO) as the best way to measure its performance, and then quietly suspended guidance. Based on employee interviews, we believe its ARPU has actually been declining, not all acquisitions have been successful, and it appears LSPD is gaming its goodwill testing to avoid impairment. LSPD baits investors with its massive potential in its payments solution, but we believe it has not been transparent about competitive pressures and material margin decline. Now a \$17 billion company, we believe LSPD is crowding into Shopify's space, and will be forced to compete head-to-head with it, and new entrants such as Amazon. We believe LSPD will lose the battle and its astronomical 23x 2022E sales multiple will contract. We see 60%-80% downside risk to (\$22.50 – \$45.00 per share).

as appears from an extract of Spruce's website, Exhibit P-70;

60. The Spruce Report's allegations and findings – fully incorporated by reference herein to avoid lengthy repetition – further notably state the following:

- We find irrefutable evidence that LSPD overstated its customer count by 85%, while GTV, a measure of payment volume through its platform was overstated by at least 10%. Using the Wayback Machine to scrape customer and GTV counts suggests that LSPD's business was already stalling pre-IPO. LSPD has shifted its discussion from customers to locations:
 - ⇒ GTV overstatement identified as early as 2014 and revisions were made pre-IPO, reducing it by ~\$1.5 billion. A former employee told us to be careful of GTV as a metric, and that it is "smoke and mirrors"
 - ⇒ Customer overstatement from 50k to 27k verified by two methods, using GTV per customer and ARPU per customer
- At its IPO, LSPD's prospectus promoted a Total Addressable Market (TAM) of \$113bn to grow to \$542bn:
 - ⇒ Yet, after \$2.5bn spent on acquisitions since its IPO, its recent prospectus showed a current TAM of just \$16 billion (85% less)

- A compensation clawback policy was formally adopted at IPO for material misstatement of financials
- After its IPO, LSPD laid out its organic growth plan and listed “attracting new merchants” as its first objective in its year end conference call. On the following call it reported 2,000 net new merchants on its system. Thereafter, LSPD stopped disclosing net new merchant adds and it began a string of acquisitions
- Hardware margins have recently turned negative and deferred revenue quality has deteriorated. Hardware sales, formerly a profit center, is now a cost center as competition gives it away for free. LSPD used to get upfront payments from customers for long-term contracts and reported long-term deferred revenue. Now, it charges monthly payments and long-term deferred revenue is declining. A former employee told us definitively LSPD's ARPU has been declining, but management claims it is growing
- LSPD initially told investors that operating cash flow was the best way to measure its growth. However, it quickly suspended its cash flow guidance and didn't promptly call out the change to investors
- LSPD's income statement disclosures make it difficult to determine organic growth. However, balance sheet allocation from recent acquisitions gives us some insights:
 - ⇒ In Q3 2021, LSPD shifted towards larger acquisitions: ShopKeep (\$545m), Upserve (\$412m), and Vend (\$372m). By backing out each acquisition's contributions to deferred revenue and receivables, we find evidence of double digit organic decline. This contrasts with LSPD's claims of 42% organic software and payments revenue growth in its core business
 - [...]
- However, recent deals have come at escalating costs, and with little clear path to profitability. A few glaring issues surface:
 - ⇒ LSPD has said it won't buy old platforms, but that's exactly what we believe it's done: Example: ShopKeep was near bankruptcy and had limited growth, Upserve's business was in decline, and Vend was falling severely short of its financial expectations
 - ⇒ LSPD's ARPU has been bizarrely stable and growing while most acquisitions have come in at lower ARPUs
 - ⇒ GTV and customer numbers simply aren't adding up with the recent acquisition of Vend for \$372m. We estimate Vend either overstated transacting customers by 25% or reported customers that didn't exist
 - ⇒ Speaking with former employees, we find evidence that not all acquisitions have gone smoothly or met internal expectations, while some acquired platforms have been sunsetted

o Yet, LSPD has never taken a goodwill or intangible asset impairment, and recently changed its goodwill testing criteria to make it more liberal. There is a likelihood these changes were made to avoid impairments

- LSPD appears to have loosened its revenue recognition disclosure post IPO to allow for earlier recognition. There is evidence of a revenue restatement post IPO (along with COGS revisions), without explanation
- Revenues barely went down during the peak COVID-19 shutdowns, while other peers with retail and hospitality POS businesses saw revenues decline by 20% and DSOs worsen:

⇒ LSPD's reported DSOs actually improved during this period

- The Company changed its story a year later about customers adding modules in early 2020, to now say in 2021 that customers who cut modules are coming back
- LSPD's allowance for bad debts as a % of gross receivables is 21% vs 3%-4% for peers. Despite admitting it tracks churn, CAC and LTV, LSPD doesn't disclose these metrics to investors. We believe it would expose a low quality customer base
- LSPD has constantly shifted Key Performance Indicators (KPIs): Notably it has presented three versions of its ARPU definition We believe LSPD hasn't been transparent about accounting revenue recognition changes from "net" to "gross" from recent acquisitions ShopKeep and Upserve that have artificially bolstered revenue growth [...]

as appears from the Spruce Report, Exhibit P-4, at pages 7-8;

61. As appears from the above, throughout the Class Period, in every Core Document (among other documents), Defendants omitted and failed to adequately disclose Lightspeed's revenues, expenses, earnings, growth, business prospects, as well as the ineffectiveness of its internal controls;
62. The misrepresentations discussed herein were made or caused to be made by Defendants in every Impugned Statement listed in the Definitions section of this Application, above;
63. The market's reaction to the Spruce Report was swift and pronounced. All Lightspeed securities were materially negatively affected by this first Corrective Disclosure;
64. For instance, that very day, the Company's stock price lost \$16.76 per share, or 11.74% of its value, from its previous day's closing price of \$142.76 per share on the TSX, as appears from Lightspeed's pricing data history on the TSX during the Class Period, communicated herewith as **Exhibit P-12**, as amended, and from the Torchio Report, Exhibit P-65;
65. In the ten trading days following the market close on September 28, 2021, the Company lost \$27.76 per share or 19.4% of its value on the TSX, closing at \$115 on October 13, 2021, as appears from Lightspeed's share price history, Exhibit P-12, as amended;

66. After the market closed on September 29, 2021, Lightspeed filed a press release on SEDAR and EDGAR in which it denied the allegations contained in the Spruce Report, tried to discredit Spruce, boasted about its own “growth”, and told investors not to rely on or to believe the Spruce Report:

The report contains numerous important inaccuracies and mischaracterizations which Lightspeed believes are misleading and clearly intended to benefit Spruce Point, which itself has disclosed that it stands to profit in the event that the stock price of Lightspeed declines. Lightspeed cautions investors to not make decisions based on this report and instead strongly encourages them to consult credible sources, including Lightspeed’s filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission, prior to making their investment decisions.

Lightspeed is confident in its governance, financial reporting and business practices. Lightspeed has consistently delivered revenue growth since its initial listing on the Toronto Stock Exchange in March 2019. In the quarter ended June 30, 2021, revenue of \$115.9M increased 220% from the prior year quarter with organic software and transaction-based revenue growth of 78%.

The Company will not be providing further comment on the report at this time as it maintains its focus on building its business and delivering exceptional products and services for customers.

[Emphasis added]

as appears from a copy of this September 29, 2021 Lightspeed press release, Exhibit P-10, as amended;

67. Despite these additional misrepresentations made in an attempt to reassure investors, by September 30, 2021, Lightspeed’s share price had lost more than 15% on the TSX (representing more than \$2 billion in shareholder value), according to a CBC News article titled “*Canadian tech firm Lightspeed walloped by short-seller attack*”, disclosed herewith as **Exhibit P-5**;
68. 11.1 The impact of the first Corrective Disclosure on the Company’s value would have been ever more dramatic had Defendants been transparent about the Company’s financial position, but at that point in time, faced with two contradictory stories, investors were understandably divided as to who to believe, as further appears from the CBC article, Exhibit P-5;

B. The Second Corrective Disclosure

69. On November 4, 2021, before the markets opened, Lightspeed published its MD&A and financial results for the three and six-month period ending September 30, 2021 (its “**Q2 2022 interim filings**”), as well as a press release, as appears from a copy of these documents, respectively, Exhibits P-14, P-16, and P-2;
70. Defendants Dasilva and Nussey certified that the Company’s Q2 2022 interim filings contained no misrepresentation and provided a fair representation of all material facts, as appears from the certifications of interim filings that they signed on November 4, 2021, communicated herewith *en liasse* as **Exhibit P-80**;

71. While the Company's Q2 2022 reported revenue grew 193% on a year-over-year basis to \$133.2 million, a full half of that revenue came from new business acquisitions. Organic revenue in Lightspeed's core segments – subscriptions and transcriptions – grew a mere 58%, which was more than 25% less than the 78% growth the Company had just touted in disputing the Spruce Report findings on September 29, 2021 (Exhibit P-10);
72. More critically, the Company's guidance for the rest of its FY22 demonstrated that its earlier revenue growth had been driven primarily by the acquisitions as the Spruce Report had indicated, and that those tailwinds were now rapidly fading. For Q3 2022, Defendants were now only forecasting revenues in the range of \$140 million to \$145 million – or a meager 7% sequential revenue growth. And for FY22, the Company was now only guiding for revenues of \$520 million to \$535 million, implying no sequential growth whatsoever in Q4 2022, as appears from the Q2 2022 interim filings and from the related press report, Exhibits P-14, P-16, and P-2;
73. On this news – which confirmed the findings of the Spruce Report and detailed the specific harm to the Company's financial results – the price and value of all of Lightspeed's securities materially declined even further;
74. For instance, on the TSX, on November 4, 2021, Lightspeed shares lost \$33.83 per share, or -27.56% of their value, from the previous day's closing price of \$122.76 per share, as appears from Lightspeed's share price trading history, Exhibit P-12, as amended, and from the Torchio Report, Exhibit P-65;
75. In the ten trading days following the market close on November 3, 2021, the Company lost \$37.47 per share or 30.5% of its value on the TSX, closing at \$85.29 on November 17, 2021, as appears from Lightspeed's share price history, Exhibit P-12, as amended;

C. Independent Confirmation of the Misrepresentations

76. The existence of Defendants' misrepresentations was also independently confirmed by former employees of the Company and by Dr. Ramy Elitzur, a reputable expert in accounting, auditing, and finance, as appears from a copy of notes of meetings between independent private investigators and former Lightspeed employees (whose identities shall remain confidential at the authorization stage), communicated confidentially and *en l'asse* herewith as **Exhibit P-71**, and from the Elitzur Report, Exhibit P-17;
77. Among other things, the Elitzur Report, Exhibit P-17, confirms the existence of (a) several violations by Defendants of the applicable accounting and financial standards governing disclosures, (b) revenue manipulation, (c) indications of earnings management, (d) deficiencies in the Company's internal controls, and (e) violations by the Auditor of applicable standards;
78. Although each misrepresentation alleged herein and in the Spruce Report forms the object of this action, the following misrepresentations constitute striking examples of the issues at hand;

D. Misrepresentations Regarding Earnings and Revenue Disclosures

a. Context

79. The Company operates cloud-based, omni-channel commerce-enabling SaaS platforms, which it markets as enabling its customers to engage with their own clients, manage their operations, and accept payments. Lightspeed's main source of revenue is subscriptions for its platforms. In addition, it generates revenue from payment processing services, payment residuals, professional services and sales of hardware. In the Company's November 4, 2021 MD&A, Defendants described the Company's revenues as follows:

- *Subscription Revenue*

We principally generate subscription-based revenue through the sale of subscription licenses to our software solutions. We offer pricing plans designed to meet the needs of our current and prospective customers that enable our solutions to scale with customers as they grow. Our subscription plans are sold as monthly, one-year or multi-year plans. Subscription plans for our cloud-based solutions include maintenance and support. Customers purchase subscription plans directly from us or through our channel partners. In addition to the core subscriptions and licenses outlined above, customers can purchase add-on services such as loyalty, delivery, order anywhere, advanced reporting, accounting and analytics.

In addition, we generate revenues through referral fees and revenue sharing agreements from our partners to whom we direct business or who sell their applications through our apps and themes marketplace.

- *Transaction-Based Revenue*

We generate transaction-based revenues by providing our customers with the functionality to accept payments from consumers. Such revenues come in the form of payment processing fees and transaction fees and represent a percentage of GTV processed by our customers through our offered solutions. We generate transaction-based revenues from our payments solutions as well as our revenue sharing agreements with our integrated payment partners. The revenue sharing arrangements mainly predate the availability of Lightspeed Payments and are also the result of inherited revenue streams from some of our recent acquisitions. Since we do not act as the principal in these arrangements, we recognize revenue from this stream on a net basis in accordance with IFRS. It also means we earn inferior economics as a result when compared to payments solutions in respect of which we act as principal.

Lightspeed Payments allows our customers to accept electronic payments in-store, through connected terminals and online. (...)

- *Hardware and Other Revenue*

These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. We generate revenues through the sale of POS peripheral hardware such as our tablets, customer facing display, receipt printers, networking hardware, cash drawers, payment terminals, servers, stands, bar-code scanners, and an assortment of accessories.

Although our software solutions are intended to be turnkey solutions that can be used by the customer as delivered, we provide professional services to our hospitality customers in some circumstances in the form of on-site installations and implementations. (...)

as appears from a copy of Lightspeed's MD&A for Q2 2022, dated November 4, 2021, Exhibit P-14, at page 15;

80. On a quarterly basis, Defendants report on what they claim are "Key Performance Indicators" (KPIs) of the Company's success, which they say provide material information that investors should focus on in making their investment decisions. In the November 4, 2021 MD&A, Defendants, *inter alia*, stated the following:

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. These key performance indicators are also used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

"**Average Revenue Per User**" or "**ARPU**" represents the total subscription revenue and transaction-based revenue of the Company in the period divided by the number of Customer Locations of the Company in the period. (...)

"**Customer Location**" means a billing merchant location for which the term of services have not ended, or with which we are negotiating a renewal contract (...). A single unique customer can have multiple Customer Locations including physical and eCommerce sites (...) We believe that our ability to increase the number of Customer Locations served by our platform is an indicator of our success in terms of market penetration and growth of our business. (...)

"**Gross Transaction Volume**" or "**GTV**" means the total dollar value of transactions processed through our cloud-based software-as-a-service platform, excluding amounts processed through the NuORDER solution, in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe GTV is an indicator of the success of our customers and the strength of our platform. GTV does not represent revenue earned by us. (...)

[Emphasis in original]

as appears from a copy of Lightspeed's MD&A for Q2 2022, dated November 4, 2021, Exhibit P-14, at pages 5-6;

b. Inflated Organic Growth

i. Acquisitions Without Goodwill Impairments

81. After Lightspeed's IPO, Defendants laid out the Company's organic growth plan and listed "attracting new merchants" as their first objective, as appears from Lightspeed's Q4 2019 earnings call, Exhibit P-26, its August 12, 2019 investor presentation, Exhibit P-32, and from pages 7 and 48 of the Spruce Report, Exhibit P-4;

82. On the following Q1 2020 earnings call, Defendants reported 2,000 net new merchants on Lightspeed's system, as appears from Lightspeed's Q1 2020 earnings call dated August 8, 2019, Exhibit P-31, at p. 4, and from its August 2019 Investor Presentation, Exhibit P-32;
83. Thereafter, Defendants stopped disclosing net new merchant additions and focused on acquiring companies to artificially increase Lightspeed's customer base and mask a decline in organic growth, as appears from the Spruce Report, Exhibit P-4, p. 7 and 48, and from the confidential witness memoranda, Exhibit P-71;
84. Whereas Defendants represented to investors that their acquisition strategy was to acquire "high growth" companies, and not legacy platforms, the reality is that several of the acquired entities were losing money or had already peaked in their growth prior to being acquired by Lightspeed, as appears from the transcript of Lightspeed's Q2 2021 earnings call, Exhibit P-50, and from pages 60 and 61 of the Spruce Report, Exhibit P-4;
85. For instance, as of Q3 2021, Defendants shifted towards larger acquisitions: ShopKeep (\$545M), Upserve (\$412M), and Vend (\$372M). Shopkeep was near bankruptcy and had limited growth; Upserve's business was in decline; and Vend was falling short of financial expectations. Backing out each acquisition's contributions to deferred revenue and receivables revealed evidence of double-digit organic decline, the whole as appears from pages 7, 8, 53, 54, 60 and 61 of the Spruce Report, Exhibit P-4;
86. This contrasts greatly with Defendants' claim of 42% organic software and payments revenue growth in its core business at that time, misrepresented *inter alia* in the Company's Q3 2021 MD&A (p. 17) and related press release filed on February 4, 2021, Exhibits P-52 and P-51, and highlighted in the Spruce Report, Exhibit P-4, at page 53;
87. Again, on the Q1 2022 earnings call, Defendants failed to reveal that without the contribution of receivables to its balance sheet from the Vend acquisition, Lightspeed's receivables had in fact declined quarter-over-quarter by 20%, as appears from page 54 of the Spruce Report, Exhibit P-4, and from the transcript of Lightspeed's Q1 2022 earnings call, Exhibit P-64. This information was also absent from the Company's related Q1 2022 filings, Exhibits P-61, P-62, and P-63;
88. Furthermore, the integration of the acquired companies was not always smooth, as appears from the Spruce Report, Exhibit P-4, at pages 63-65, and from the confidential witness memoranda, Exhibit P-71;
89. Some acquired platforms were sunsetted, yet no goodwill or intangible asset impairment was taken, as appears from the Spruce Report, Exhibit P-4, at pages 8, 63, and 66, and from the confidential witness memoranda, Exhibit P-71;
90. Failing to take these impairments is a violation of the applicable accounting or financial standards, as further explained in the Elitzur Report, Exhibit P-17;
91. Defendants knew or ought to have known that the information they were providing to the market with regard to Lightspeed's growth, earnings and revenues was misleading;

ii. Changing ARPU Definition

92. Defendants also quietly altered the definition of ARPU, for a total of three different definitions during the Class Period, burying these subtle changes within Lightspeed's filings, to make it seem as though ARPU continued to increase, as appears from pages 8, 25, and 26 of the Spruce Report, Exhibit P-4, Lightspeed's 2019 Annual Report, Exhibit P-23, p. 6, Lightspeed's Q4 2020 MD&A, Exhibit P-40, p. 3-4, and its Q2 2021 MD&A, Exhibit P-48;
93. Doing so was a violation of the applicable accounting and financial standards governing disclosure obligations, as appears from the Elitzur Report, Exhibit P-17, in addition to being an illegal misrepresentation from a statutory and civil standpoint;
94. The Spruce Report, Exhibit P-4, quotes a former Lightspeed employee saying that "ARPU as a whole has dropped significantly," despite the Company's claims to the contrary (at p. 26, 51). This has also been independently confirmed in the confidential memoranda of former Lightspeed employees, Exhibit P-71;
95. It is, furthermore, *prima facie* illogical that Defendants reported that Lightspeed's ARPU was growing during a period where acquisitions of companies with lower ARPUs were made, as appears from pages 77, 79, and 80 of the Spruce Report, Exhibit P-4; the press release entitled Serge Sozonoff: *iKentoo est la caisse enregistreuse du XXI^e siècle*, Le Temps, June 28, 2017, communicated herewith as **Exhibit P-78**; Lightspeed's July 17, 2019 press release relating to the acquisition of iKentoo, Exhibit P-27; and the Company's Q2 and Q3 2020 MD&A's, Exhibits P-34 and P-37;
96. After having misled the market into believing that Lightspeed's ARPU had increased even during COVID, Defendants later admitted that customers had, in fact, removed Modules during the pandemic. But this removal was not reflected in ARPU, as it should have been, as appears from page 32 of the Spruce Report, Exhibits P-4, and from the following extracts from CFO Nussey's statements during the Q4 2020 earnings call dated May 21, 2020, Exhibit P-43 (p. 9), and from defendant Chauvet's comments during the Q1 2022 earnings call dated August 5, 2021, Exhibit P-64;

(...) We've seen ARPU continue to grow historically double digits a year. That was true through Q4 as well. As we look into Q1, there's two competing things overall. We do have some customers on reduced subscription plans. And offsetting that, **we've got increased module uptake of things like Delivery and eCommerce and so on as well that's helping to offset that.** (...)

[Exhibit P-43, p. 9; emphasis added]

Absolutely. And I think also here what we saw is **a lot of customers who have removed some of the modules, went back to buying more modules from Lightspeed because of the reopening.**

[Exhibit P-64, p. 11; emphasis added]

97. Finally, ARPU was unduly inflated due to the change in revenue recognition from net to gross in connection with the acquisitions of ShopKeep and Upserve, as appears from the Spruce Report, Exhibit P-4, at pages 107-109, Lightspeed's Q4 2021 Investor Presentation dated May 20, 2021, Exhibit P-60, and from the Q4 2021 earnings call dated May 20, 2021, Exhibit P-59;

98. All of these changes contributed to giving investors a misrepresented sense of the growth, revenues, earnings, and success of the Company;
99. Irrespective of whether ARPU increased or decreased at specific times during the Class Period, the numbers reported by the Company were unreliable according to its own employees (P-71), and the way ARPU was reported was confusing for the market, and therefore in violation of Defendants' obligations;

c. Allowance for Bad Debt Contrary to Industry Practice

100. The Company's allowance for bad debts is high relative to the industry with regard to both its gross trade receivables and its sales, as appears from the Spruce Report, Exhibit P-4, at pages 8, 55-57, and as confirmed by the Elitzur Report, Exhibit P-17;
101. This also misrepresented Lightspeed's reported earnings throughout the Class Period;

d. Revenue Overstatement

102. The Company's reported revenues barely went down while its clients, including hotels, brick and mortar retail stores, and restaurants were shut down during the pandemic, whereas the Company's peers experienced a 20% decline, as appears from the Spruce Report, Exhibit P-4, at pages 8, 28-30;
103. Between March and May 2019, Defendants further changed the timing at which revenue is captured for accounting purposes. Moreover, they revised their revenue recognition method changing from net to gross accounting from acquisitions, as appears from the Spruce Report, Exhibit P-4, pages 8, 33, 107-108, the March 7, 2019 prospectus, included in Exhibit P-72, Lightspeed's 2019 Annual Report, Exhibit P-23, and as confirmed by the Elitzur Report, Exhibit P-17;
104. All of these techniques were used and combined by Defendants to obfuscate and overstate Lightspeed's revenue during the Class Period;

e. Revenue Manipulation and Earnings Management

105. As appears from the Elitzur Report, Exhibit P-17, Dr. Elitzur concludes that there is a significant probability that Lightspeed's revenues were manipulated, and that earnings management occurred during the Class Period;

f. Anomalies

106. Dr. Elitzur also concludes that there were anomalies in many of the Company's quarterly filings during the Class Period, as further detailed in the Elitzur Report, Exhibit P-17;

E. Misrepresentations Regarding Internal Controls

107. Revenue manipulation and earnings management should have been flagged by the Company's ICFR and DC&P system, and by the Auditor, among other issues mentioned above;

108. During the Class Period, Defendants represented that Lightspeed's internal controls, including DC&P and ICFR, were effective;
109. Such statements, included in Lightspeed's public disclosures, were false and/or misleading;
110. Lightspeed's internal controls were ineffective or defective at all relevant times during the Class Period since they failed to ensure that all material information was disseminated to the investing public and in a timely manner;

F. Individual Defendants' Misrepresentations

111. Lightspeed's directors and officers failed to disclose material information regarding Lightspeed's business, as required by the *Québec Securities Act* and other Securities Legislation;
112. The Individual Defendants knew or ought to have known, at the time that each of the Impugned Statements was released (including or in addition to the documents containing misrepresentations or omissions referred to in the Spruce Report, Exhibit P-4), that they contained an omission or a misrepresentation;
113. More particularly, as required by the AMF, Dax Dasilva (CEO) and Brandon Nussey (CFO) certified all interim and annual financial statements and MD&As filed (the "**Filings**") during the Class Period attesting to the veracity and fair representation of all material facts presented in the Filings, as appears from Exhibits P-24 and P-25 *en liasse*;
114. Accordingly, at all relevant times, both the CEO and CFO defendants certified that:
 - (a) they reviewed the Filings;
 - (b) the Filings did not contain any untrue statements of material facts or omitted to state a material fact required to be stated or that was necessary to make a non-misleading statement in light of the circumstances under which it was made;
 - (c) the Filings fairly represented in all material respects the financial condition, performance and cash flows of Lightspeed;
 - (d) they were responsible for establishing and maintaining disclosure controls and procedures as well as internal control over financial reporting;
 - (e) they have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that all material information relating to Lightspeed is made known to them and that information required to be disclosed by Lightspeed in its Filings or any other document submitted under a securities legislation is recorded, processed, summarized, and reported;
 - (f) they have designed, or caused to be designed under their supervision, internal control over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation specified in securities legislation; and

- (g) they have evaluated, or caused to be evaluated under their supervision, the effectiveness of Lightspeed's disclosure controls and procedures as well as internal control over financial reporting at the financial year-end and that Lightspeed has disclosed their conclusions regarding effectiveness in its annual MD&A;
- 115. All Individual Defendants had the obligation to oversee the preparation and reporting of all Filings, other financial documents and disclosures to the public and knew or ought to have known of the alleged misrepresentations;
- 116. The Individual Defendants also authorized, permitted or consented to the release and publication of the Impugned Statements, during the Class Period, which contained misrepresentations;
- 117. Moreover, they violated the accounting standards related to the preparation and reporting of MD&A, listed in the Elitzur Report, Exhibit P-17;

G. PwC's Violation of Applicable Standards

- 118. At all material times, PwC was responsible for assessing whether Lightspeed's internal controls were effective, reviewing Lightspeed's interim filings, ensuring Lightspeed's annual filings were prepared in accordance with the PCAOB auditing standards and were compliant with GAAP, and flagging identified weaknesses and issues;
- 119. PwC acted as Lightspeed's auditor from 2017 to 2022, as appears from the Auditor's consent letters, Exhibit P-18 *en l'asse*, and from the annual financial statements during the Class Period, Exhibits P-9, P-21, and P-56;
- 120. By stating that Lightspeed's financial statements were compliant with GAAP, PwC:
 - (a) misrepresented that Lightspeed's revenue recognition practices were in accordance with GAAP, which resulted in an overstatement of revenue and earnings during the Class Period;
 - (b) misrepresented that Lightspeed's internal controls were effective when they were in fact materially deficient and yielded inaccurate and materially misleading financial statements and misrepresented that Lightspeed's financial statements had been prepared based on Lightspeed's maintenance and application of appropriate internal financial controls;
 - (c) omitted to report revenue manipulation within the Company, as well as earnings management; and
 - (d) misrepresented that Lightspeed's financial statements accurately described, fairly presented and disclosed the true financial condition of Lightspeed;
- 121. Throughout the Class Period, PwC had the obligation to carefully review and analyze Lightspeed's reported revenue including its revenue generation and revenue recognition practices to ensure that the reported revenue was legitimate, complied with appropriate and effective internal controls, was collectible, and receivable and that all material risks

arising from such revenue recognition practices and the sustainability of such revenue was properly and accurately disclosed;

122. Throughout the Class Period, PwC also had the obligation to audit the Company's reported earnings and to report when required impairments were not made;
123. PwC failed to comply with its statutory and civil obligations, in addition to the applicable auditing standards, as appears, in part, from the Elitzur Report, Exhibit P-17;
124. The Spruce Report specifically mentions that there was "worrisome auditing oversight" by PwC (Exhibit P-4, pages 9, 12 and 116). PwC should have had measures in place and detected the issues raised above;
125. PwC is liable in its capacity of an expert whose reports, statements or opinions were included, summarized or quoted from, with its written consent, in Lightspeed's Impugned Statements;
126. PwC violated the professional obligations applicable to its engagements with Lightspeed and contravened its statutory and civil law duties owed to the Applicants and Class members;

H. The Relationship between the Misrepresentations and the Price and Value of Lightspeed's Securities

127. Investors of the Company relied on Defendants for accurate information about the Company's business, operations, earnings, revenues, and internal controls;
128. The price and value of Lightspeed's securities were directly affected each time that Defendants disclosed (or omitted to fully and timely disclose) material facts about Lightspeed's business, finances, and operations, including the performance and synergies of Lightspeed's acquisitions, accounting policies, cash on hand, inventory, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of Lightspeed's issued and outstanding shares;
129. At all material times, Defendants were aware or should have been aware of the effect of Lightspeed's disclosures about its business, finances, and operations, including the performance and synergies of Lightspeed's acquisitions, cash on hand, inventory, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, compensation of insiders and management, and the number of Lightspeed's issued and outstanding securities, on the price of the Company's publicly-traded securities;
130. Defendants intended to and took advantage of the fact that the members of the Class, including the Applicants, would rely upon these disclosures, which they did to their detriment;
131. The disclosure documents referred to herein were filed with SEDAR and/or EDGAR and/or posted to Lightspeed's website or other websites, and thereby became immediately available to and were reproduced for inspection for the benefit of the Applicants and the

other members of the Class, the public, financial analysts and the financial press through the internet and financial publications;

132. The price at which Lightspeed's securities traded on the TSX and NYSE, or on the over-the-counter market in the United States, and the price at which primary market securities were acquired, incorporated the information contained in the disclosure documents and statements referred to herein, including information about the performance and synergies of Lightspeed's acquisitions, cash on hand, inventory, accounting policies, revenue recognition policies, guaranteed future sales, future revenue prospects, revenue growth percentages, and compensation of insiders and management;

VI. RIGHTS OF ACTION

133. The Applicants assert three rights of action against Defendants:

- (a) A statutory right of action for misrepresentation in a secondary market (s. 225.4 *et seq.* QSA);
- (b) A statutory right of action for misrepresentation in a primary market (s. 217 *et seq.* QSA); and
- (c) A civil liability action (s. 1457 CCQ);

A. Statutory Right of Action for Misrepresentation in a Secondary Market Claim

134. Defendants' statements and omissions were materially false and misleading since they failed to disclose material adverse information and misrepresented the truth about Lightspeed's business, operations, earnings, revenues, and internal controls. Further, Lightspeed failed to make timely disclosures of material facts;
135. As a result of these misrepresentations, the Applicants assert a right of action under s. 225.8 *et seq.* of the QSA and, if necessary, the concordant provisions of other Securities Legislation, on behalf of all Class Members against Defendants;
136. Lightspeed is registered to do business in Québec;
137. Lightspeed is a reporting issuer in Québec under s. 68 of the QSA, as appears from an extract from the AMF's Reporting Issuers List, communicated herewith as **Exhibit P-79**;
138. Lightspeed's securities were issued from Québec, and distributed in Québec and throughout the world;
139. The secondary market claim against Defendants is asserted in respect of all Impugned Statements which contained the misrepresentations alleged herein;
140. Defendants knew that the Impugned Statements would be reviewed by analysts, capital markets and the general public who would rely on these documents to make informed financial decisions;

141. The monetary damages suffered by the Applicants and Class Members are a direct result of Defendants' misrepresentations, which artificially-inflated the price of Lightspeed's securities;
142. Defendants authorized, permitted or acquiesced to the dissemination of false and misleading information, which they should have known was false and misleading at the relevant time, thus violating the QSA and concordant provisions of other Securities Legislation;
143. The Individual Defendants were officers and/or directors of Lightspeed during the release and publication of the Impugned Statements and, as such, were privy to Lightspeed's internal budgets, plans, projections, and reports, as well as the Company's finances, operations, prospects, and all documents filed in accordance with the applicable Securities Legislation;
144. The Auditor is an expert of Lightspeed, and its reports, statements or opinions contain PwC's consent in writing to the use of its reports, statements or opinions in several of the Impugned Statements;
145. At all relevant times during the Class Period, Defendants authorized, permitted or acquiesced to the release and publication of the Impugned Statements, which they knew or ought to have known contained false and misleading information;

B. Statutory Right of Action for Misrepresentation in a Primary Market Claim

146. Lightspeed raised equity through a total of six primary issuances during the Class Period;
147. On March 7, 2019, Lightspeed conducted its IPO of 17,250,000 subordinate voting shares at a price of \$16 per share for total gross proceeds of \$276 million, as appears from the Company's press release upon closing of the issuance on March 15, 2019, its March 8, 2019 supplemental prospectus, its long form base prospectus dated March 7, 2019, its February 22, 2019 amended and restated prelim prospectus, and its preliminary long form prospectus and press release dated February 6, 2019 (collectively, the "**Canadian IPO Documents**"), communicated *en liasse* herewith as **Exhibit P-72**;
148. On August 22, 2019, Lightspeed announced the closing of a second Offering by certain selling shareholders in Canada of 6,209,542 subordinate voting shares, which Offering included the exercise in full by the underwriters of their over-allotment option to purchase up to 809,940 additional subordinate voting shares, as appears from Lightspeed's press release dated August 22, 2019, its supplemental prospectuses and investor presentations dated August 12 and 15, 2019, its August 7, 2019 final short form prospectus, and its July 29, 2019 preliminary short form prospectus and press release (collectively, the "**Second Offering Documents**"), communicated *en liasse* herewith as **Exhibit P-73**;
149. On February 27, 2020, Lightspeed announced the closing of Lightspeed's third Offering in Canada, including a new issue and a secondary offering by some of its shareholders of an aggregate of 7,717,650 subordinate voting shares at a purchase price of C\$37.30 per subordinate voting share for aggregate gross proceeds of \$287.9 million to the Company and the selling shareholders, which includes the exercise in full by the underwriters of their over-allotment option to purchase up to 1,006,650 additional subordinate voting shares. 4,695,000 subordinate voting shares were issued from treasury and sold by Lightspeed

for aggregate gross proceeds of C\$175.1 million and an aggregate of 3,022,650 subordinate voting shares were sold by the Selling Shareholders for aggregate gross proceeds of C\$112.7 million, the whole as appears from Lightspeed's press release dated February 27, 2020, its prospectus (non pricing) supplement dated February 20, 2020, its press release dated February 18, 2020, and its amended and restated short form base prospectus dated February 6, 2020 (collectively, the "**Third Offering Documents**"), communicated *en liasse* herewith as **Exhibit P-74**;

150. On September 15, 2020, the Company closed its initial public Offering in the United States and its fourth Offering in Canada of a total of 13,039,004 subordinate voting shares, including 1,389,004 subordinate voting shares following the partial exercise by the underwriters of their over-allotment option, at a price of US\$30.50 per share, for gross proceeds to the Company of US\$332.3 million and to selling shareholders of US\$65.4 million, as appears from the Company's September 15, 2020 press release, its September 11, 2020 pricing supplement prospectus and press release, its September 9, 2020 draft shelf prospectus supplement and press release, and its September 2, 2020 second amended and restated short form base shelf prospectus (collectively, the "**Fourth Offering Documents**"), communicated *en liasse* herewith as **Exhibit P-75**;
151. On February 12, 2021, Lightspeed closed another Offering of subordinate voting shares in the United States and Canada. A total of 9,660,000 subordinate voting shares of Lightspeed were sold, including 1,260,000 subordinate voting shares following the exercise by the underwriters of their over-allotment option, at a price of US\$70.00 per share, for gross proceeds to the Company of US\$620.2 million and to selling shareholders of US\$56 million, as appears from Lightspeed's February 12, 2021 press release, its prospectus supplement and press release dated February 10, 2021, and its February 8, 2021 draft shelf prospectus supplement and news release (collectively, the "**Fifth Offering Documents**"), communicated *en liasse* herewith as **Exhibit P-76**;
152. On August 11, 2021, the Company announced the closing of another Offering of subordinate voting shares in the United States and Canada. A total of 7,700,000 shares were issued from treasury and sold at a price to the public of US\$93.00 per share, for gross proceeds to the Company of US\$716.1 million before underwriting commission and offering costs. The Company also granted the underwriters an over-allotment option to purchase up to 1,155,000 additional subordinate voting shares, which was fully exercised on August 13, 2021, as appears from Company's August 11 and 13 news releases, its prospectus non pricing supplement and draft shelf prospectus supplement dated August 9, 2021, its final short form base shelf prospectus dated May 27, 2021, and its preliminary short form base shelf prospectus dated May 20, 2021 (collectively, the "**Sixth Offering Documents**"), communicated *en liasse* herewith as **Exhibit P-77**;
153. All Offering documents contained the Defendants' misrepresentations and omissions;
154. On behalf of all members of the Primary Market Sub-Class, the Applicants assert, as against all Defendants, the right of action found in sections 217 et seq. of the QSA, and, if necessary, the concordant provisions of other Securities Legislation;

C. Civil Liability Right of Action

155. The Applicants assert a civil right of action under art. 1457 of the CCQ, on behalf of themselves and all Class Members, against Defendants for breach of their obligation to act as a reasonable person, with prudence and diligence, owed to all Class Members;
156. Lightspeed's acts particularized herein were authorized, ordered and effected by the Individual Defendants, as well as other officers, agents, employees and representatives who were engaged in the management, direction, control and transaction of Lightspeed's business, finances, and operations and are, therefore, acts and omissions for which Lightspeed is vicariously and solidarily liable;
157. The Auditor failed to comply with its obligations in its engagements with Lightspeed, and with the applicable accounting standards and norms;
158. Defendants failed to act as reasonable persons;
159. Defendants did not fulfill the legal obligations warranted by their relationship with the Class Members as required by law;
160. The Applicants and Class Members relied on Defendants' Impugned Statements;
161. The Applicants would not have acquired Lightspeed's securities or would not have acquired them at inflated prices had they been aware of Defendants' misrepresentations and omissions. The same is true of the Class as Lightspeed's misrepresentations and omissions of fact were material;
162. The Applicants and Class Members acquired Lightspeed's securities at artificially-inflated prices during the Class Period, held those securities until after Corrective Disclosures and suffered damages as a direct and immediate result of the misrepresentations affecting Lightspeed's securities;

D. No Safe Harbor

163. The statutory defence provided for by s. 225.22 and 225.23 of the QSA regarding forward-looking information in a document does not apply to any false and misleading statements alleged in the present claim since these statements relate to then-existing facts and conditions;
164. Defendants knew or should have known that their statements were misleading at the time they were made;

VII. JURISDICTION

165. Lightspeed has its domicile in the district of Montréal. The Individual Defendants and the Auditor have a place of business in this district. The auditing work was conducted by PwC in Montréal (art. 3148(1) C.C.Q.).

FOR THESE REASONS, MAY IT PLEASE THE COURT:

GRANT the Plaintiffs' action against Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and

article 1457 C.C.Q.;

CONDEMN Defendants, solidarily, to pay the Plaintiffs and the Class Members compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the Code of Civil Procedure;

CONDEMN Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action and **ORDER** that this condemnation also be subject to collective recovery;

THE WHOLE with costs including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of expertise.

Montréal, [date]

(S) Faguy & Co.

FAGUY & CO.

Mtre Elizabeth Meloche
Mtre Shawn K. Faguy
329 de la Commune Street West
Suite 200
Montréal, Québec, H2Y 2E1
Telephone: (514) 285-8100
Telecopier: (514) 285-8050
Email: (skf@faguyco.com)
(emeloche@faguyco.com)

Ad litem counsel for the
Representative Plaintiffs

(S) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran
276 Saint-Jacques Street, Suite 801
Montréal, Québec, H2Y 1N3
Telephone: (514) 379-1572
Telecopier: (514) 221-4441 Email:
jzukran@lpclex.com

Avocats-conseil for the Representative
Plaintiffs

SUPERIOR COURT (Class Action) Province of Québec District of Montréal N°: 500-06-001164-215	
STEVEN HOLCMAN ET AL. Applicants v. LIGHTSPEED COMMERCE INC. ET AL. Defendants	
RE-RE-AMENDED APPLICATION FOR AUTHORIZATION OF A CLASS ACTION AND FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE QUÉBEC <i>SECURITIES ACT</i>	
ORIGINAL	
FAGUY & Co. BARRISTERS & SOLICITORS INC. Mtre Elizabeth Meloche Mtre Shawn K. Faguy emeloche@faguyco.com sfaguy@faguyco.com 329 de la Commune Street West, S. 200 Montréal, Québec H2Y 2E1 Canada Telephone: (514) 285-8100 Fax: (514) 285-8050 BM-1125	LPC AVOCAT INC. Mtre Joey Zukran 276 Saint-Jacques Street, Suite 801 Montréal, Québec, H2Y 1N3 Telephone: (514) 379-1572 Telecopier: (514) 221-4441 Email: jzukran@lpclex.com