

C A N A D A

PROVINCE OF QUEBEC
DISTRICT OF TERREBONNE

NO: 700-06-000012-205

SUPERIOR COURT
(Class Actions)

RAN LEVY, domiciled at [REDACTED]
[REDACTED]

Applicant

vs.

LOOP INDUSTRIES INC., legal person
having its head office at 480 Fernand-Poitras
Street, Terrebonne, district of Terrebonne,
Quebec, J6Y 1Y4

and

LOOP CANADA INC., legal person having its
head office at 480 Fernand-Poitras Street,
Terrebonne, district of Terrebonne, Quebec,
J6Y 1Y4

[...]

and

DANIEL SOLOMITA, having his place of
employment at 480 Fernand-Poitras Street,
Terrebonne, district of Terrebonne, Quebec,
J6Y 1Y4

and

JAY STUBINA, having his place of
employment at 480 Fernand-Poitras Street,
Terrebonne, district of Terrebonne, Quebec,
J6Y 1Y4

and

LAURENCE SELLYN, having his place of
employment at 480 Fernand-Poitras Street,
Terrebonne, district of Terrebonne, Quebec,

J6Y 1Y4

and

ANDREW LAPHAM, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

NELSON GENTILETTI, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

Defendants

AMENDED APPLICATION FOR AUTHORIZATION OF A CLASS ACTION AND FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE QUEBEC SECURITIES ACT

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN AND FOR THE DISTRICT OF TERREBONNE, YOUR APPLICANT STATES:

1. Applicant wishes to institute a class action on behalf of the following class of which he is a member, namely:

Class:

All persons and entities that acquired LOOP Industries Inc. securities [...].

or any other Class to be determined by the Court;

I. THE DEFENDANTS

2. The Defendant, Loop Industries Inc. (hereinafter "LOOP") is a publicly traded corporation on the NASDAQ (stock symbol LOOP), is a reporting issuer in Quebec and is closely and significantly connected to Quebec for the purposes of Title VIII, Chapter II, Division II of Quebec's Securities Act, CQLR c V-1.1 (the "QSA");
3. LOOP's head office is at 480 Fernand-Poitras Street, Terrebonne, in the judicial

district of Terrebonne, in the province of Quebec, as it appears from the Quebec Business Registry, **Exhibit P-1**, as well as LOOP's public filings with the United States Securities and Exchange Commission, **Exhibit P-2**;

4. All of LOOP's business operations and decision-making take place in the judicial district of Terrebonne, in the province of Quebec;
5. The Defendant, Loop Canada Inc., is a subsidiary of LOOP, with its head office at 480 Fernand-Poitras Street, Terrebonne, in the judicial district of Terrebonne, in the province of Quebec, as it appears from the Quebec Business Registry, **Exhibit P-3** (as well as from LOOP's Securities and Exchange Commission filings, Exhibit P-2);
6. The remaining Defendants are directors and/or officers of LOOP and were all directors or officers of LOOP at the relevant times of the release of the documents purporting to have contained misrepresentations (as alleged herein) and they authorized, permitted or acquiesced in the release of these documents;

II. **THE ISSUE**

7. On October 13, 2020, several media outlets published articles stating that LOOP's business "is smoke and mirrors" and that LOOP was inflating its technological capabilities;
8. One such article appearing in the Business Insider and communicated herewith as **Exhibit P-4** reported the following:

In a report released on Tuesday, Hindenburg Research alleged that Loop Industries was peddling plastic-recycling technology that didn't work.

...

Hindenburg said that "in other words, the company claims to have discovered how to turn worthless trash into pure gold, a feat that multi-billion chemical companies such as DuPont, Dow Chemical, and 3M have been unable to achieve on a large scale despite years of efforts."

Hindenburg said that Loop Industries had never generated any revenue and that nothing had materialized from its announced partnerships.

The firm said that it didn't expect Loop Industries to "generate any meaningful revenue" and that it saw 100% downside potential in the stock.

9. The Hindenburg Report, communicated herewith as **Exhibit P-5**, notably states the following:

- Loop Industries has never generated revenue, yet calls itself a technology innovator with a “proven” solution that is “leading the sustainable plastic revolution”. Our research indicates that Loop is smoke and mirrors with no viable technology.
- As part of our investigation, we interviewed former employees, competitors, industry experts, and company partners. We also reviewed extensive company documentation and litigation records.
- Former employees revealed that Loop operated two labs: one reserved for the company’s two twenty-something lead scientist brothers and their father, where incredible results were achieved, and a separate lab where rank-and-file employees were unable to replicate the supposedly breakthrough results.
- The two brothers who act as lead scientists for Loop and who co-invented Loop’s recycling process appear to have no post-graduate education in chemistry and list no work experience other than Loop.
- A former Loop employee told us that Loop’s scientists, under pressure from CEO Daniel Solomita, were tacitly encouraged to lie about the results of the company’s process internally. We have obtained internal documents and photographs to support their claims.
- Loop focuses on recycling a common form of plastic called “PET”. According to a former employee, Loop’s previous claims of breaking PET down to its base chemicals at a recovery rate of 100% were “technically and industrially impossible”. The same employee told us the company’s claims of producing “industrial grade purity” base chemicals from PET were false.
- According to litigation records, Loop’s CEO, Daniel Solomita hired a convict, who had previously pled guilty to stock manipulation, to help raise Loop’s startup capital. That convict introduced Solomita to another convict who facilitated Loop’s first investment.
- Solomita has no apparent formal science education but has a history of stock promotion at another publicly traded company that subsequently imploded.
- Executives from a division of key partner Thyssenkrupp, who Loop entered into a “global alliance agreement” with in December 2018, told us their partnership is on “indefinite” hold and that Loop “underestimated” both costs and complexities of its process.
- We contacted Loop’s other partners, including Coca-Cola and PepsiCo, most of whom refused to divulge whether any plastic had been recycled as part of their partnerships with Loop. Comments from Danone, owner of the Evian brand, suggested it had not bought any PET from Loop thus far. We suspect these partnerships have gone nowhere.
- Loop’s JV with PET and chemical company Indorama, promoted frequently over the last two years as an imminent revenue stream, is

“still being finalized”, according to an employee, despite being announced in 2018. An Indorama employee told us no production has taken place thus far.

- We expect Loop will never generate any meaningful revenue. With a market cap of ~\$515 million, we see 100% downside to Loop once it burns through its ~\$48 million in balance sheet cash.
- We have submitted our findings to regulators.

10. At all relevant times during the Class Period, the Defendants made misrepresentations of material facts through affirmative false and/or misleading statements and through their failure to disclose the above. These include misrepresentations giving rise to the Applicant’s claims under the QSA;
11. The Defendants, based out of and operating from Terrebonne, Quebec, duped investors, including the Applicant and caused them financial losses. This includes them making misrepresentations in core documents (such as in their prospectuses, filings and reports, including the report filed for demonstration purposes – at this stage – as Exhibit P-2);
- 11.1 These misrepresentations were consistently made by LOOP to the public in several ways, including on its website and in public documents, as it appears from a document available on LOOP’s website¹ titled “Loop Industries Leading the Sustainable Plastic Revolution (July 2020)”, disclosed as **Exhibit P-8**. At page 5 of this document, LOOP falsely states that patents were published in 2017 in the USA and globally for “**Loop’s revolutionary technology**”, when in reality there is nothing revolutionary about its technology; Page 23 of this document states that “Loop has developed a **proven, patent-protected technology...**”, which is also false;
- 11.2 On October 20, 2020, Clare Goldsberry wrote an article titled: “*Loop Industries: Pay No Attention to the Man Behind the Curtain*”, in which she states notably the following, as it appears from the article disclosed herewith as **Exhibit P-9**:

Loop Industries’ claim that its rPET is infinitely recyclable without losing any of its properties sounded too good to be true. And you know what they say about that!

...

Another article appearing in *Forbes* (July 24, 2018) noted that Loop Industries was making headlines for its novel depolymerization method. Loop was also making big promises. But **while the company was making headlines and promises, was it actually making any virgin-like PET from post-consumer waste at the company’s pilot plant in Montreal?** That seems to be the question people are starting to ask.

...

¹ [www.loopindustries.com/assets/docs/Loop Industries Investor Presentation July 2020.pdf?708131996](http://www.loopindustries.com/assets/docs/Loop%20Industries%20Investor%20Presentation%20July%202020.pdf?708131996).

While Solomita was working in his “garage” in Quebec, an immigrant, Dr. Essaddam, who Solomita described as a “quirky ‘mad scientist” from Tunisia, appeared at his door along with his two sons. “[They] came to my house with a bundle of chemicals and beakers. In my garage, they showed me the process and began to tinker. They had discovered how to depolymerize PET, to deconstruct it to monomers,” he told Forbes

Amazing! From out of nowhere, this Dr. Essaddam shows up with his two sons, Adel and Fares, who, according to their profiles and Hindenburg Research, **have no polymer chemistry background**, along with a “bundle of chemicals and beakers” and voilà — depolymerization of PET! How simple is that? I’ll bet Dow, DuPont, Eastman, and other big chemicals and resin companies wished they had known all these years just how easy this really was. Imagine all the money these global companies have spent on polymer engineers and chemists, huge R&D laboratories, only to find out it just takes a “bundle of chemicals and beakers.” Oh, and don’t forget the Chemcad 7 computer modeling software the company obtained in 2019.

An update to Hindenburg’s report that appeared a day later in a Roth Capital Partners newsletter claimed that the “short report misses or misconstrues key facts from SEC filings” and takes “direct aim at Loop’s technology, questioning its authenticity based on two former employees, one of whom questions whether the technology even exists.” Roth insists that “based on our own due diligence with CPG [Consumer Products Groups], investors, and in particular Indorama, we question these claims.”

The most “obvious” is the fact that “multi-national manufacturing companies would likely perform copious amounts of diligence prior to entering into agreements around JVs....

Loop is correct in stating that large global companies perform extensive audits on companies seeking to be suppliers, and that process can take several months, even up to a year, to complete. I **have written both to PepsiCo and to Coca-Cola**, asking them about the “extensive testing” performed on materials supplied by Loop, and how engineers from these two global beverage makers worked with Loop engineers to validate Loop’s process and the results.

11.3 Indeed, in the days following the Hindenburg Report, Coca-Cola cancelled its contract with LOOP, as it appears from a November 4, 2020, La Presse article titled “Loop Industries perd Coke et 10 %”, disclosed herewith as **Exhibit P-10**:

III. CONDITIONS REQUIRED TO AUTHORIZE THIS CLASS ACTION AND TO APPOINT THE STATUS OF REPRESENTATIVE PLAINTIFF

A) THE FACTS ALLEGED APPEAR TO JUSTIFY THE CONCLUSIONS SOUGHT:

12. On June 18, 2018, the Applicant purchased 300 shares of LOOP for \$10.15 USD per share (plus a \$9.99 USD commission), as it appears from **Exhibit P-6**;
13. The net transaction amount was \$3,054.99 USD;
14. Following the release of the Hindenburg Report on October 13, 2020, LOOP's share price plummeted by 39% (closing on October 12, 2020 at \$11.61 and trading as low as \$7.13 on October 13, 2020);
15. At the time of writing, the Applicant's 300 LOOP shares are now worth only \$2,304.00 USD, as it appears from **Exhibit P-7**;
16. At the time of his purchase the Applicant was unaware that LOOP had made misrepresentations, fabricated its business model and lied to the public and shareholders;
- 16.1 For instance, in a core document filed by LOOP with the U.S. Securities and Exchange Commission (“SEC”) on May 14, 2018 (i.e. prior to the Applicant's purchase of LOOP shares), LOOP made the following misrepresentations, as it appears from the Form 8-K disclosed as **Exhibit P-11**:

- Loop™ Industries, Inc. (NASDAQ: LOOP) (the “Company” or “Loop”), an innovative technology company **leading the sustainable plastic revolution**, today announced financial results for its fourth quarter and fiscal year ended February 28, 2018.
- “We continue to make meaningful progress towards the expected **commercialization of our revolutionary technology**,” said Daniel Solomita, Loop's Founder and CEO.
- Loop's mission is to accelerate the world's shift toward sustainable plastic and away from our dependence on fossil fuels. **Loop has created a revolutionary technology** poised to disrupt the plastics industry. This **ground-breaking technology** decouples plastic from fossil fuels by depolymerizing waste polyester plastic to its base building

blocks (monomers). The monomers are then repolymerized to create virgin-quality polyester plastic that meets FDA requirements for use in food-grade packaging. Loop™ branded polyester resin enables consumer goods companies to meet and exceed their stated sustainability goals and circular ambitions.

16.2 The Applicant also hereby alleges that the Defendants made misrepresentations regarding the ethical business conduct of LOOP and LOOP's directors, officers and employees and discloses herewith a copy of LOOP's "Code of Ethics" as Exhibit P-12, which includes the following:

- Loop Industries, Inc. (the "Company") is committed to the highest level of ethical behavior. The Company's business success depends upon the reputation of the Company and its directors, officers, and employees to perform with the highest level of integrity and principled business conduct;
- This Code of Ethics ("Code") applies to all directors, officers, and employees of the Company, including the Company's principal executive officer and principal financial officer (collectively, the "Covered Persons"). This Code is designed to deter wrongdoing and to promote all of the following: (see list at page 1 of Exhibit P-12).

16.3 LOOP's directors, officers and employees violated the above policies (as listed in Exhibit P-12) in their dealings with and in conducting LOOP's business, in particular, by consistently falsely stating in core documents that it has a "proven" solution that LOOP is "leading the sustainable plastic revolution". As alleged above, the Hindenburg Report concluded that LOOP is "smoke and mirrors with no viable technology";

16.4 LOOP's directors, officers and employees further violated these policies by failing to disclose material information regarding the true nature of LOOP's "technology", as required by the *Quebec Securities Act* and other securities law;

16.5 LOOP and the individual Defendants knew, at the time that each of the documents referred to above were released, that they contained a misrepresentation or deliberately avoided acquiring such knowledge at or before that time;

17. Applicant is entitled to and hereby does claim damages as a result of LOOP's (and the other Defendants') misrepresentation on his behalf and on behalf of all class members, including those available under the QSA;

B) THE CLAIMS OF THE MEMBERS OF THE CLASS RAISE IDENTICAL, SIMILAR OR RELATED ISSUES OF LAW OR FACT:

18. By reason of LOOP's unlawful conduct, the Applicant and Class members have suffered a prejudice, which they wish to claim;
19. Individual questions, if any, pale by comparison to the common questions that are significant to the outcome of the present Application;
20. **The recourses of the Class members raise identical, similar or related questions of fact or law, namely:**
 - a) Are class members entitled to damages and in what amount?
 - b) Did any of the Defendants commit a fault, including under article 1457 C.C.Q.?
 - c) Did the impugned documents contain one or more misrepresentations within the meaning of the QSA?
 - d) Are any of the Defendants liable to Class Members under Title VIII, Chapter II (Division I or Division II) of the QSA?

C) THE COMPOSITION OF THE CLASS

21. 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;
22. LOOP is a large corporation trading on the NASDAQ;
23. There are likely tens of thousands of class members who can sue in the province of Quebec pursuant to article 3148(1) C.C.Q.;
24. Class members are very numerous and are dispersed across the province, across Canada and elsewhere;
25. 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;
26. 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 MEMBER REQUESTING TO BE APPOINTED AS REPRESENTATIVE PLAINTIFF IS IN A POSITION TO PROPERLY REPRESENT THE CLASS MEMBERS

27. The Applicant requests that he be appointed the status of representative plaintiff for the following main reasons:
- a) He is a member of the Class and has a personal interest in seeking the conclusions that he proposes herein;
 - b) He is competent, in that he has the potential to be the mandatary of the action if it had proceeded under article 91 of the *Code of Civil Procedure*;
 - c) His interests are not antagonistic to those of other Class members;

IV. NATURE OF THE ACTION AND CONCLUSIONS SOUGHT

28. The action that the Applicant wishes to institute on behalf of the members of the Class is an action in damages;
29. The conclusions that the Applicant wishes to introduce by way of an originating application are:

ALLOW the class action of the Plaintiff and the members of the Class against the Defendants

GRANT the Applicant's action against the 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 the Defendants, solidarily, to pay the Plaintiff and the Class Members damages in an amount to be determined;

ORDER that the above condemnation be subject to collective recovery;

CONDEMN the 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;

ORDER the Defendants, solidarily, to deposit in the office of this Court the totality of the sums which forms part of the collective recovery, with interest and costs;

ORDER that the claims of individual Class members be the object of collective liquidation if the proof permits and alternately, by individual liquidation;

CONDEMN the 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;

RENDER any other order that this Honourable Court shall determine;

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

V. JURISDICTION

31. The Applicant suggests that this class action be exercised before the Superior Court of the province of Quebec, in the district of Terrebonne, because all of the Defendants have their domicile there (art. 3148(1) CCQ).

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 Applicant the status of representative plaintiff of the persons included in the Class herein described as:

Class:

All persons and entities that acquired LOOP Industries Inc. securities [...].

or any other Class to be determined by the Court;

IDENTIFY the principle questions of fact and law to be treated collectively as the following:

- a) Are class members entitled to damages and in what amount?
- b) Did any of the Defendants commit a fault, including under article 1457 C.C.Q.?
- c) Did the impugned documents contain one or more misrepresentations within the meaning of the QSA?
- d) Are any of the Defendants liable to Class Members under Title VIII, Chapter II (Division I or Division II) of the QSA?

IDENTIFY the conclusions sought by the class action to be instituted as being the following:

ALLOW the class action of the Plaintiff and the members of the Class against the Defendant;

GRANT the Applicant's action against the 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 the Defendants, solidarily, to pay the Plaintiff and the Class Members damages in an amount to be determined;

ORDER that the above condemnation be subject to collective recovery;

CONDEMN the 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;

ORDER the Defendants, solidarily, to deposit in the office of this Court the totality of the sums which forms part of the collective recovery, with interest and costs;

ORDER that the claims of individual Class members be the object of collective liquidation if the proof permits and alternately, by individual liquidation;

CONDEMN the 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;

RENDER any other order that this Honourable Court shall determine;

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 the law;

FIX the delay of exclusion at thirty (30) 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;

ORDER the publication of a notice to the members of the Class in accordance with article 579 C.C.P. within sixty (60) days from the judgement to be rendered herein in the "News" sections of the Saturday editions of the Journal de Montréal and the Montreal Gazette;

ORDER that said notice be published on LOOP's website, Facebook page and Twitter account, in a conspicuous place, with a link stating "Notice of a Class Action";

ORDER the Defendants to send an Abbreviated Notice by e-mail to each Class member, to their last known e-mail address and physical address, with the subject line "Notice of a Class Action";

RENDER any other order that this Honourable Court shall determine;

THE WHOLE with costs including publication fees.

Montreal, December 13, 2020

(s) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran

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C A N A D A

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ANDREW LAPHAM
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Defendants

AMENDED LIST OF EXHIBITS

- Exhibit P-1:** Copy of Quebec Business Registry for Loop Industries Inc.;
- Exhibit P-2:** Copy of LOOP's October 2020 public filing with the United States Securities and Exchange Commission;
- Exhibit P-3:** Copy of Quebec Business Registry for Loop Canada Inc.;
- Exhibit P-4:** Copy of Business Insider article titled "*Loop Industries plummets 39% after a short-seller report claims its plastic-recycling technology doesn't work*" dated October 13, 2020;
- Exhibit P-5:** Copy of the Hindenburg Report dated October 13, 2020;
- Exhibit P-6:** Copy of Applicant's purchase confirmation of 300 LOOP shares on

June 18, 2018;

Exhibit P-7: Value of Applicant's 300 LOOP shares on October 13, 2020;

Exhibit P-8: LOOP document titled "Loop Industries Leading the Sustainable Plastic Revolution (July 2020)";

Exhibit P-9: Copy of October 20, 2020 article by Clare Goldsberry titled: "Loop Industries: Pay No Attention to the Man Behind the Curtain";

Exhibit P-10: Copy of November 4, 2020, La Presse article titled "Loop Industries perd Coke et 10 %";

Exhibit P-11: Copy of Form 8K filed by LOOP on May 14, 2018;

Exhibit P-12: Copy of LOOP's Code of Ethics.

These exhibits are available on request.

Montreal, December 13, 2020

(s) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran

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RAN LEVY

Applicant

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Defendants

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ORIGINAL

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