

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF TERREBONNE
No.: 700-11-022385-241

SUPERIOR COURT
Commercial Division

IN THE MATTER OF THE PLAN OF
ARRANGEMENT OR COMPROMISE OF:

THE LION ELECTRIC COMPANY

- and -

LION ELECTRIC FINANCE CANADA INC.

- and -

LION ELECTRIC VEHICLE FINANCE CANADA
INC.

- and -

LION ELECTRIC HOLDING USA INC.

- and -

NORTHERN GENESIS ACQUISITION CORP.

- and -

THE LION ELECTRIC CO. USA INC.

- and -

LION ELECTRIC MANUFACTURING USA INC.

- and -

LION ELECTRIC FINANCE USA INC.

Applicants

- and -

DELOITTE RESTRUCTURING INC.

Monitor

APPLICATION FOR THE ISSUANCE OF
AN APPROVAL AND REVERSE VESTING ORDER
(Sections 9, 10, 11, 11.02(2), 11.03 and 36 of the *Companies' Creditors Arrangement
Act*)

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TO THE HONOURABLE MICHEL A. PINSONNAULT, J.S.C. OF THE SUPERIOR COURT,
SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF
TERREBONNE, THE APPLICANTS RESPECTFULLY SUBMIT THE FOLLOWING:

1. **ORDERS SOUGHT**

1. The Applicants, which are comprised of The Lion Electric Company ("**Lion Electric**"), Lion Electric Finance Canada Inc. ("**Lion Finance Canada**"), Lion Electric Vehicle Finance Canada Inc. ("**Lion Vehicle Finance Canada**"), Lion Electric Holding USA Inc. ("**Lion Holding USA**"), Northern Genesis Acquisition Corp. ("**Northern Genesis**"), The Lion Electric Co. USA Inc. ("**Lion Electric USA**"), Lion Electric Manufacturing USA Inc. ("**Lion Manufacturing USA**") and Lion Electric Finance USA Inc. ("**Lion Finance USA**" and, together with Lion Electric, Lion Finance Canada, Lion Vehicle Finance Canada, Lion Holding USA, Northern Genesis, Lion Electric USA and Lion Manufacturing USA, the "**Lion Group**" or the "**Applicants**"), hereby submit the present *Application for the Issuance of an Approval and Reverse Vesting Order* (the "**Application**"), by which the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, (the "**CCAA**" and the proceedings commenced thereunder, the "**CCAA Proceedings**"), seek, from the Superior Court of Québec (Commercial Division) (the "**Court**"), the issuance of an approval and reverse vesting order (the "**Approval and Reverse Vesting Order**"), substantially in the form of the draft Approval and Reverse Vesting Order communicated herewith as **Exhibit R-1**,¹ providing for, *inter alia*, the following relief:

- (a) Approval of a Subscription Agreement. The authorization for Lion Electric to execute a Subscription Agreement as of May 14, 2025 (the "**Subscription Agreement**") with 9539-5034 Québec Inc. (the "**Purchaser**"), which is the purchasing vehicle for a group of investors led by Mr. Pierre Wilkie, a member of the board of directors of Lion Electric, and Mr. Vincent Chiara (the "**Investors**"), and the approval of the transactions contemplated under the Subscription Agreement, including the Reorganization (as defined below) described therein (collectively, the "**Transactions**"). A non-redacted copy of the Subscription Agreement is communicated herewith, under seal, as **Exhibit R-2A**, and a redacted copy of such Subscription Agreement is communicated herewith as **Exhibit R-2B**;
- (b) Vesting of the Excluded Assets, Excluded Contracts and Excluded Liabilities. The transfer and vesting of all Excluded Liabilities, Excluded Employees and Excluded Contracts (as these terms are defined in the Subscription Agreement) in 9541-1666 Québec Inc. ("**NewCo**") and the transfer and vesting of all Excluded Assets (as this term is defined in the Subscription Agreement) in 9541-1799 Québec Inc. ("**ResidualCo**"), and the release of the "**Lion Entities**"², from any and all obligations in relation to the Excluded Contracts, the Excluded Liabilities, and the Excluded Assets;
- (c) Releases. The release (the "**Releases**") of all present and future claims and liabilities against the Lion Group's present and former directors and officers

¹ A copy of a redline document comparing the proposed Approval and Reverse Vesting Order to the model Approval and Vesting Order of the Superior Court of Québec (Commercial Division), is communicated herewith as **Exhibit R-1A**.

² The "Lion Entities" is defined to include Lion Electric, Lion Electric Finance Canada Inc., Lion Electric Vehicle Finance Canada Inc., Lion Electric Co. USA Inc., Lion Electric Holding USA Inc. and Lion Electric Manufacturing USA Inc.

(the "**D&Os**") for which they may be liable for any act, omission or representations in their capacity as D&Os of the Applicants, with the exception of claims for fraud or wilful misconduct, claims that are not permitted to be released pursuant to section 5.1(2) of the CCAA and claims that are covered by any insurance policy of the Lion group (only to the extent of any such available insurance);

- (d) Stay Extension. An extension of the Stay Period (as defined below) until July 31, 2025;
 - (e) WEPPA Relief. A declaration from the Court that for the purpose of the *Wage Earner Protection Program Act*, SC 2005, c 47, s. 1 (the "**WEPPA**"), NewCo is the employer of the Excluded Employees following their transfer to NewCo, and following their deemed termination, shall be considered as the former employer of all Excluded Employees; and
 - (f) Sealing Order. The sealing of the non-redacted copy of the Subscription Agreement (Exhibit 2A) and the non-redacted copy of the CDPQ-Finalta Agreement (Exhibit R-3A).
- 2. As previously discussed in the Applicants' *Application for the Issuance of a Stay Extension Order* dated May 10, 2025, after having conducted the SISP (as defined below), the Applicants, together with the Monitor, and in consultation with the Interim Lenders, had selected, on April 6, 2025, the Investors as the "Successful Bidder" and their bid as "Successful Bid" in accordance with the SISP Procedures (as defined below). However, such "Successful Bid" was conditional upon, *inter alia*, an investment to be made by the Quebec government and certainty with respect to the continuity of the *Programme d'Électrification du Transport Scolaire* ("**PETS**").
 - 3. Over the course of the following weeks, the Applicants and the Investors proceeded to negotiate and finalize the definitive transaction agreements reflecting the terms of the "Successful Bid", while the Investors engaged in parallel discussions with the Quebec government.
 - 4. In the evening of April 30, 2025, as the Applicants and the Investors were preparing to finalize the aforementioned definitive transaction documents, the Quebec government announced, that it would ultimately not be providing any further funding or investment and that it would not be in a position to provide any certainty with respect to the continuity of the PETS, thereby preventing the implementation of a transaction with the Investors and the Purchaser, in respect of the Applicants' business and assets (the "**April 30, 2025 Announcement**").
 - 5. Following the April 30, 2025 Announcement, the Applicants were forced to temporarily lay off the majority of its remaining employees.
 - 6. Since then, the Applicants, together with the Monitor, and in consultation with the Interim Lenders, have assessed all potential options and scenarios, and have engaged in discussions with the Investors and other potentially interested parties with respect to a potential revised transaction, as well as with potential liquidators.
 - 7. On May 9, 2025, the Applicants were advised that the Investors had pursued their discussions with the Quebec government and either reached an agreement with it, or otherwise received comfort from the latter, with respect to the potential continuity of

the PETS, which would allow for the Investors to submit a revised offer to the Applicants with minimal conditions.

8. On May 9, 2025, the Investors submitted a revised offer (the "**Revised Offer**") to the Applicants, which contemplated a revised transaction (the "**Revised Transaction**") in respect of a portion of the Applicants' business and assets, which Revised Transaction would allow for the continuation of a portion of the Applicants' business as a going concern and, therefore, the preservation of a portion of their workforce.
9. After careful consideration, the Applicants, in consultation with the Monitor and the Interim Lenders, accepted the Revised Offer, and the Purchaser and the Applicants moved to finalize all definitive documentation in connection with the Revised Transaction, including the Subscription Agreement.
10. As will be further discussed below, the execution of the Subscription Agreement represents the culmination of extensive and robust solicitation processes which were conducted by the Applicants with the assistance of their financial advisor, National Bank Financial Inc. ("**NBF**" or the "**Financial Advisor**"), both prior to and after the commencement of the CCAA Proceedings, as well as extensive negotiations with the Investors both prior to and after the April 30, 2025 Announcement, and the Transactions contemplated under the Subscription Agreement represent the best available outcome for the Applicants and their stakeholders in the circumstances, as it will allow for the preservation of a portion of their businesses as a going concern, and the maintenance the Applicants' core business and operations in Quebec.
11. The "reverse vesting structure" of the Transactions is essential to allowing the Applicants, whose operations largely consist of manufacturing, selling and maintaining electric buses, to maintain existing licences, permits, certifications, regulatory approvals and other requirements essential to its businesses.
12. The Applicants understand that Deloitte Restructuring Inc. ("**Deloitte**"), in its capacity as monitor of the Applicants (the "**Monitor**"), will be filing a Fifth Report in advance of the hearing on the present Application (the "**Fifth Report**") setting out its observations on the relief sought in this Application, and confirming its support for the granting of such relief by the Court.
13. Unless indicated otherwise, all references to currency in this Application are in United States dollars.

2. PROCEDURAL BACKGROUND

14. On December 17, 2024, the Applicants commenced the present proceedings under the CCAA by filing an application entitled *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and a Sale and Investment Solicitation Process Order* (the "**Initial Application**").
15. On December 18, 2024, the Honourable Michel A. Pinsonnault, J.S.C. partially granted the Initial Application and issued, pursuant to the CCAA, the following orders:
 - (a) an Initial Order (the "**Initial Order**"), which provided for, *inter alia*, the following relief:

- (i) a stay of proceedings against the Applicants, their respective assets, undertakings and properties (collectively, the "**Property**") and their D&Os (the "**Stay of Proceedings**") for an initial period of ten (10) days (the "**Stay Period**"), which Stay Period would be deemed to be extended until the "*comeback hearing*" scheduled on January 7, 2025, unless a party filed an opposition to such "*deemed extension*" by no later than December 23, 2024 at 11:00 a.m.;
 - (ii) the appointment of Deloitte as the Monitor of the Applicants;
 - (iii) the approval of an interim financing loan agreement (the "**Interim Facility**") entered into between the Applicants and National Bank of Canada, Fédération des Caisses Desjardins du Québec and Bank of Montreal (the "**Interim Lenders**"), and the authorization for the Applicants to borrow thereunder an initial amount of up to a maximum of US\$6,000,000, secured by super-priority charge against the Property in an initial amount of US\$7,200,000 (the "**Interim Lenders' Charge**");
 - (iv) the approval of a super-priority charge against the Property in an initial amount of US\$800,000 (the "**Administration Charge**") to secure the Applicants' obligations towards the undersigned counsel and Troutman Pepper Locke LLP, as legal advisors to the Applicants, Deloitte, as Monitor to the Applicants, and Deloitte's legal advisors, NBF as Financial Advisor to the Applicants, and, if required, financial advisors of the Interim Lenders;
 - (v) the approval of a super-priority charge in an initial amount of US\$2,500,000 (the "**D&O Charge**") to secure the Applicants' indemnification obligations towards their respective D&Os in connection with potential liabilities that could arise as and from the issuance of the Initial Order, to the extent that such potential liabilities are not covered by existing insurance policies;
 - (vi) the approval of a Key Employee Retention Plan providing for various retention bonuses to be paid to certain key employees and executives that are considered to be essential for the successful conduct of these CCAA Proceedings, and the establishment of a super-priority charge against the Property in an amount of US\$1,500,000 to secure the Applicants' obligations thereunder; and
 - (vii) a declaration that Canada is the "*centre of main interest*" of the Applicants;
- (b) a Sale and Investment Solicitation Process Order (the "**SISP Order**"), which provided for, *inter alia*, the following relief:
- (i) the authorization for Applicants and the Monitor (collectively, the "**SISP Team**"), in consultation with the Interim Lenders and with the assistance of NBF, to conduct and implement a sale and investment solicitation process (the "**SISP**") in accordance with the procedures annexed to the SISP Order (the "**SISP Procedures**"); and

- (ii) the appointment of NBF as Financial Advisor to the Applicants with the mandate to assist the Applicants in the conduct of the SISF, and the establishment of a super-priority charge against the Property in favour of NBF in an amount of US\$4,000,000 to secure the Applicants' obligations towards the Financial Advisor.
- 16. On December 20, 2024, the United States Bankruptcy Court for the Northern District of Illinois (the "**US Court**"), granted a provisional order recognizing, among other things, the CCAA Proceedings and giving full force and effect, in the United States, to the Initial Order on an interim basis, including, without limitation, the sale procedures and financing provisions, as well as the Stay of Proceedings, as well as an order authorizing the joint administration and consolidation of the foreign recognition proceedings of the Applicants in the United States pursuant to Chapter 15 of the United States Bankruptcy Code.
- 17. On December 23, 2024, no opposition was filed with respect to "*deemed extension*" of the Stay Period, as set out in the Initial Order, such that the Stay Period was deemed to be extended until January 7, 2025.
- 18. On January 7, 2025, the Applicants attended the "*comeback hearing*" on their Initial Application, following which the Honourable Michel A. Pinsonnault, J.S.C. granted the balance of the relief sought by the Applicants in the Initial Application, and issued an Amended and Restated Initial Order (the "**ARIO**"), which provided for, *inter alia*, the following relief:
 - (a) an extension of the Stay Period until February 14, 2025;
 - (b) an increase in the Interim Facility up to a maximum aggregate amount of US\$10,000,000, and a corresponding increase to the quantum of the Interim Lenders' Charge to an aggregate amount of US\$12,000,000;
 - (c) an increase in the quantum of the Administration Charge to a total amount of US\$1,300,000; and
 - (d) a reduction in the quantum of the D&O Charge to a total amount of US\$1,900,000.
- 19. On January 21, 2025, the US Court granted the final recognition order, which, *inter alia*, recognized the CCAA Proceedings as the foreign main proceedings, and granted and gave full force and effect in the United States, on a final basis, to the relief sought under the Initial Order, the ARIO and the SISF Order.
- 20. On February 12, 2025, the Applicants submitted to this Court an *Application for the Issuance of a Second Amended and Restated Initial Order* (the "**Second ARIO Application**"), essentially seeking an extension of the Stay Period as well as an increase in the amount of the Interim Facility and of the Interim Lenders' Charge.
- 21. On February 14, 2025, the Honourable Michel A. Pinsonnault, J.S.C. granted the Second ARIO Application and issued a Second Amended and Restated Initial Order (the "**Second ARIO**"), which provided for, *inter alia*, the following relief:
 - (a) an extension of the Stay Period until April 4, 2025;

- (b) the approval of supplemental interim financing in accordance with the terms and conditions set forth in an Amended and Restated Interim Financing Loan Agreement entered into between the Applicants and the Interim Lenders, and the authorization for the Applicants to borrow from the Interim Lenders an additional amount of up to US\$7,000,000, for an Interim Facility in the aggregate amount of US\$17,000,000, secured by an increased Interim Lenders' Charge against the Property in an additional amount of US\$8,400,000, for an Interim Lenders' Charge in the aggregate amount of US\$20,400,000, subject to the ranking set out in the Second ARIO; and
 - (c) the authority for Lion Electric to incur no further expenses in relation to any securities filings and declare that none of the directors, officers, employees and other representatives of the Lion Group, or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by Lion Electric to make the securities filings.
- 22. On February 26, 2025, the US Court granted a motion, which, *inter alia*, recognized the Second ARIO, and gave full force and effect in the United States to the relief granted in the Second ARIO.
- 23. On March 31, 2025, the Applicants submitted to this Court an *Application for the Issuance of a Stay Extension Order* essentially seeking an extension to the Stay Period until April 25, 2025.
- 24. On April 3, 2025, the Honourable Michel A. Pinsonnault, J.S.C. granted the above application and issued an order extending the Stay Period until April 25, 2025.
- 25. On April 22, 2025, the Applicants submitted to this Court another *Application for the Issuance of a Stay Extension Order* seeking a further extension to the Stay Period until April 30, 2025, and advising all parties on the Service List that unless a written contestation was received by no later than April 24, 2025, at noon, the Court would grant such application without a court hearing, *sur le vu du dossier*.
- 26. On April 25, 2025, given that no written contestation in respect of the above application was received by April 24, 2025, at noon, the Honourable Michel A. Pinsonnault, J.S.C. granted such application and issued an order extending the Stay Period until April 30, 2025, *sur le vu du dossier*.
- 27. On April 28, 2025, the Applicants submitted to this Court another *Application for the Issuance of a Stay Extension Order* seeking, once again, a further extension to the Stay Period until May 5, 2025, and advising all parties on the Service List that unless a written contestation was received by no later than April 29, 2025, at 3 p.m., the Court would grant such application without a court hearing, *sur le vu du dossier*.
- 28. On April 30, 2025, given that no written contestation in respect of the above application was received by April 29, 2025, at 3 p.m., the Honourable Michel A. Pinsonnault, J.S.C. granted the above stay extension application *sur le vu du dossier* and issued, once again, an order extending the Stay Period until May 5, 2025.
- 29. On May 2, 2025, following the April 30, 2025 Announcement, the Applicants were forced to submit to this Court, once again, another *Application for the Issuance of a Stay Extension Order* seeking a further extension to the Stay Period until May 12, 2025

in order to allow them, in consultation with the Monitor and the Interim lenders, to assess all possible options and scenarios in the circumstances.

30. On May 5, 2025, the Honourable Michel A. Pinsonnault, J.S.C. granted the above stay extension application and issued an order extending the Stay Period until May 12, 2025.
31. On the same date, the Honourable Michel A. Pinsonnault, J.S.C. also granted an *Order Lifting of the Stay of Proceedings on a Partial and Limited Basis*, which provided for the temporary lifting of the Stay of Proceedings for the sole purpose of allowing, *nunc pro tunc*, Adam B. Mulhall to file the *Application to Authorize the Bringing of a Class Action and to Appoint the Status of Representative Plaintiff* against the directors and officers named therein, following which the Stay of Proceedings was immediately thereafter reinstated.
32. On May 10, 2025, after having received a revised offer from the Investors, the Applicants submitted to this Court another *Application for the Issuance of a Stay Extension Order* seeking, once again, a further extension to the Stay Period until May 16, 2025 in order to have sufficient time to assess such revised offer, in consultation with the Monitor and the Interim Lenders, and, if applicable, accept such revised offer, and proceed to negotiate the definitive transactional documents reflecting the terms of such revised offer and seek this Court's approval thereof.
33. On May 12, 2025, the Honourable Michel A. Pinsonnault, J.S.C. granted the above stay extension application and issued an order extending the Stay Period until May 16, 2025.

3. THE APPLICANTS' SOLICITATION EFFORTS

34. Over the course of the past year, the Applicants, with the assistance of the Financial Advisor, have conducted solicitation processes with a view to secure a broad range of potential transactions, the objectives of which were to maximize the value of their assets and preserve their operations as a going concern.
35. Below is a description of the solicitation processes undertaken by the Applicants since July 2024, which have ultimately led to the designation of the "Successful Bid" in accordance with the SISP Procedures, and the execution of the Subscription Agreement for which this Court's approval is hereby sought.

3.1 The Pre-Filing Solicitation Process

36. As more fully set out in the Initial Application, prior to the commencement of the present CCAA Proceedings, the Applicants had already commenced a solicitation process whereby they sought to identify opportunities that would allow them to raise financing in order to continue operations in the normal course.
37. In this context, on July 7, 2024, the Applicants engaged NBF as their financial advisor in an effort to pursue, on a confidential basis, a solicitation process (the "**Pre-Filing Solicitation Process**") with a view to secure one or more transactions that would allow the strengthening of the Applicants' financial position.
38. The Pre-Filing Solicitation Process provided for a wide range of transactions, including notably:

- (a) a sale or disposition of shares or assets, or any other amalgamation, merger or arrangement, as well as any other recapitalization or restructuring; and
 - (b) an investment by way of a private placement, whether in one or a series of transactions, of equity, debt, preferred securities or otherwise by a third party, either alone or in combination with others, in Lion Electric.
- 39. As part of the Pre-Filing Solicitation Process:
 - (a) NBF reached out to 108 potentially interested parties; and
 - (b) non-disclosure agreements (each an "**NDA**") were executed with 31 of these potentially interested parties, who thereafter gained access to a virtual data room in which confidential information relating to the Applicants was made available.
- 40. Despite the efforts undertaken, no satisfactory offer with suitable economic terms was received by the Applicants as part of the Pre-Filing Solicitation Process.

3.2 The Post-Filing SISP³

- 41. On December 17, 2024, having been unable to secure a satisfactory transaction as part of the Pre-Filing Solicitation Process, the Applicants, further to their discussions with their principal secured creditors, commenced these CCAA Proceedings with a view to obtain the necessary breathing room to stabilize their business operations, and, ultimately, pursue, in the context of the CCAA Proceedings, a robust sale and investment solicitation process under the supervision of this Court (i.e. the SISP).
- 42. On December 18, 2024, this Court issued the SISP Order, thereby authorizing the SISP Team, which included the Applicants and the Monitor, to pursue the SISP in accordance with the SISP Procedures approved by the Court, again with the assistance of NBF as the Applicants' financial advisor.
- 43. The SISP was designed to be broad and flexible and was intended to solicit interest in, and opportunities for, a wider range of potential transactions for a sale in respect of the Applicants' businesses and/or assets, through one or multiple transactions and/or investment, recapitalization, refinancing or other form of reorganization transaction(s). As such, the SISP provided the Applicants with the latitude to pursue both asset and share transactions (including through a reverse vesting structure).
- 44. The SISP Procedures, as approved by the Court, originally contemplated the completion of the following SISP milestones:

EVENT		KEY DATE
PHASE 1		
<u>Solicitation Letter</u> Financial Advisor to distribute Solicitation letter to potentially interested parties		By no later than January 7, 2025

³ Capitalized terms used in this section and not otherwise defined herein shall have the meaning ascribed to them in the SISP Order and the SISP Procedures

<u>CIM and VDR</u> Debtors to prepare and have available for parties having executed the NDA (Potential Bidders) the CIM and VDR	By no later than January 7, 2025
<u>Phase 1 Qualified Bidders & Bid Deadline</u> Phase 1 Bid Deadline (for delivery of non-binding LOIs by Phase 1 Qualified Bidders in accordance with the requirement of paragraph 11 of the SISP Procedures)	By no later than February 5, 2025, at 5:00 p.m. (prevailing Eastern Time)
<u>Phase 1 Satisfactory Bid</u> Financial Advisor to notify each Phase 1 Qualified Bidder in writing as to whether its bid constituted a Phase 1 Satisfactory Bid.	By no later than February 7, 2025, at 5:00 p.m. (prevailing Eastern Time)
PHASE 2	
<u>Phase 2 Bid Deadline & Qualified Bidders</u> Phase 2 Bid Deadline (for delivery of definitive offers by Phase 2 Qualified Bidders in accordance with the requirement of paragraph 19 of the SISP Procedures)	By no later than March 7, 2025, at 5:00 p.m. (prevailing Eastern Time)
<u>Auction(s)</u> Auction(s) (if needed)	Week of March 10, 2025
<u>Selection of final Successful Bid(s)</u> Deadline for selection of final Successful Bid(s)	By no later than March 19, 2025, at 5:00 p.m. (prevailing Eastern Time)
<u>Definitive Documentation</u> Completion of definitive documentation in respect of Successful Bid(s)	Week of March 24, 2025
<u>Approval Application – Successful Bid(s)</u> Filing of Approval Application in respect of Successful Bid(s)	Week of March 31, 2025
<u>Closing – Successful Bid(s)</u> Anticipated deadline for closing of Successful Bid(s)	Week of April 7, 2025 or such earlier date as is achievable
<u>Outside Date – Closing</u> Outside Date by which the Successful bid must close	April 23, 2025

A. Phase 1 of the SISP

45. Following the issuance of the SISP Order on January 7, 2025, Phase 1 of the SISP was launched, and the SISP Team, with the assistance of NBF:
- (a) published a notice announcing the launch of the SISP (and such other relevant information regarding the SISP) in La Presse+ and The Globe & Mail;
 - (b) issued a press release announcing the launch of the SISP (and such other relevant information regarding the SISP);
 - (c) identified and sent a solicitation letter to approximately 169 potentially interested parties to solicit their interest in submitting an offer as part of the SISP, of which:
 - (i) 119 were financial investors; and
 - (ii) 50 were strategic investors.
46. Of the 169 potentially interested parties contacted by the SISP Team and NBF, 43 of them executed an NDA, and the SISP Team and NBF provided to each of these 43 parties a copy the CIM as well as access to virtual data room containing confidential information relating to the Applicants.
47. On the Phase 1 Bid Deadline of February 5, 2025, 9 non-binding LOIs were submitted by interested parties to the Monitor and to the Financial Advisor, including 4 LOIs from auctioneers/liquidators.
48. After receiving the above-mentioned non-binding LOIs, the SISP Team, in consultation with the Financial Advisor and the Interim Lenders, carefully reviewed and assessed same, and determined that 8 of these non-binding LOIs complied with the conditions set out in the SISP Procedures and therefore constituted Phase 1 Qualified Bids.
49. Accordingly, on February 7, 2025, the Financial Advisor notified 8 Phase 1 Qualified Bidders having submitted a Phase 1 Qualified Bid that they were invited to proceed to Phase 2 of the SISP, and notified the remaining ninth bidder that it would not be invited to Phase 2.

B. Phase 2 of the SISP

50. Following the above, the 8 bidders having been invited to proceed to Phase 2 of the SISP (i.e. the Phase 2 Qualified Bidders) pursued their due diligence efforts, with a view to allowing them to submit a binding bid for a transaction in respect of the Applicants.
51. As part of such due diligence, the aforementioned Phase 2 Qualified Bidders were given access to further confidential information regarding the Applicants and were given the opportunity to participate in management meetings and discussions with the Applicants, under the supervision of the Monitor and the Financial Advisor.
52. Following the requests made by some of the Phase 2 Qualified Bidders, the Phase 2 Bid Deadline was extended by a week, to March 14, 2025, in accordance with the SISP Procedures.

53. On such date, the SISP Team received several Binding Offers from the Phase 2 Qualified Bidders, including a Binding Offer submitted by the Investors on behalf of the Purchaser.
54. After receiving the above Binding Offers, the SISP Team, in close consultation with the Financial Advisor and the Interim Lenders, carefully reviewed and assessed same and, through the Financial Advisor, sought to obtain further clarification with respect to such offers.
55. The deadline for the selection of a Successful Bid was ultimately extended past its original milestone of March 19, 2025, in order to allow the SISP Team and the Financial Advisor to pursue their discussions (and negotiations) with the Phase 2 Qualified Bidders having submitted a Binding Offer, and ultimately, to secure the best transaction in the circumstances for the Applicants and their stakeholders.
56. As part of such discussions and negotiations, a revised offer which contemplated more favorable terms to the Applicants was ultimately submitted by the Investors to the SISP Team and to the Financial Advisor (the "**Investors' Bid**").
57. On April 6, 2025, the SISP Team, in consultation with the Financial Advisor and the Interim Lenders, declared the Investors' Bid as the "Successful Bid" pursuant to the SISP Procedures, as such bid provided the most favourable terms to the Applicants, in addition to preserving a portion of their workforce.
58. In the following weeks, the Applicants and the Investors, assisted by their respective advisors, worked intensively to negotiate and agree upon the definitive transaction documents (the "**Definitive Transaction Documents**") reflecting the terms and conditions of the Investors' Bid.
59. Towards the end of the month of April, the negotiations with respect to the Definitive Transaction Documents were nearly finalized, with the Applicants and the Investors aiming to execute such Definitive Transaction Documents by no later than May 1, 2025.
60. However, the transactions contemplated in the Definitive Transaction Documents were conditional upon, *inter alia*, the Quebec government agreeing to participate and invest in the operations of the Lion Group going forward, and confirming the continuity of the PETS, which had been the topic of discussions for the past several weeks.
61. Then, in the evening of April 30, 2025, the Applicants were informed that the Quebec government ultimately decided not to provide any further funding or investment in the Lion Group, and was not in a position to provide certainty with respect to the continuity of the PETS (i.e. the April 30, 2025 Announcement), thereby compromising the Transactions.
62. Given the foregoing, the Applicants were no longer in a position at that point in time to seek the Court's approval of a transaction on May 5, 2025, as initially contemplated, and were forced to proceed with the temporary lay-off of the majority of its remaining employees.
63. Following the above, the Applicant began working with the Monitor and the Interim Lenders in order to assess next steps and evaluate all options available to them.

64. Since the April 30, 2025 Announcement, the Applicants, together with the Monitor, and in consultation with the Interim Lenders, have evaluated and assessed available options, particularly in a context where the Interim Financing Facility previously granted to the Applicants was no longer available to them, as it had reached maturity on April 23, 2025.
65. The Applicants and the Monitor continued their discussions with the Investors, and other potentially interested parties and also engaged in parallel discussions with potential liquidators.
66. On May 9, 2025, the Applicants and the Monitor received the Revised Offer from the Investors, which would allow for the implementation of a revised transaction expected to allow the continuation of a portion of the Applicants' activities in Québec as a going concern (i.e. the Revised Transaction) and, ultimately, the preservation of a portion of the Applicants' workforce.
67. The Applicants, in consultation with the Monitor and the Interim Lenders, assessed the Revised Offer, and the board of directors of Lion Electric accepted the Revised Offer, and the Purchaser and the Applicants moved to negotiate and finalize all definitive documentation including the Subscription Agreement in respect of the Revised Transaction.
68. The Subscription Agreement was ultimately finalized and executed on May 14, 2025.
69. Below is a summary description of the terms and conditions of the Subscription Agreement, and of the Transactions contemplated thereunder.

4. DESCRIPTION OF THE SUBSCRIPTION AGREEMENT AND OF THE TRANSACTIONS⁴

4.1 Overview of Terms and Conditions

70. The Subscription Agreement, and the Transactions contemplated therein, provide for, *inter alia*, the following material terms and conditions:

Key Terms	Subscription Agreement
Purchaser	9539-5034 Québec Inc., a company held by a consortium of investors including Mr. Pierre Wilkie and Mr. Vincent Chiara.
Subscribed Shares	The Subscription Agreement will provide for, among other things: (i) the transfer and exchange of all common shares in the share capital of Lion Electric in favour of NewCo issuing to the former holders of common shares of Lion new common shares in the capital of NewCo; (ii) the cancellation of all other outstanding equity interests of Lion Electric (other than the common shares, but including any and all securities exercisable or exchangeable into common

⁴ Capitalized terms used in this section and not otherwise defined herein shall have the meaning ascribed to them in the Subscription Agreement.

Key Terms	Subscription Agreement
	<p>shares of Lion Electric, including the options, the warrants and the convertible debentures)</p> <p>(iii) the subsequent donation for cancellation of all common shares in the share capital of Lion Electric then held by NewCo; and</p> <p>(iv) the issuance by Lion Electric and the subscription by the Purchaser of the Subscribed Shares, on a free and clear basis, and which Subscribed Shares, once issued, shall represent all of the issued and outstanding shares in the share capital of Lion Electric.</p>
Subscription Price	<p>The Subscription Agreement will provide for a cash subscription price (inclusive of the Deposit) payable by the Purchaser to Lion Electric in consideration of the Subscribed Shares, by wire transfer of immediately available funds to such account as shall be designated in writing by Lion Electric.</p>
Retained Liabilities and Excluded Liabilities	<p>The Lion Entities, which shall be comprised of Lion Electric, Lion Electric Finance Canada Inc., Lion Vehicle Finance Canada Inc., The Lion Electric Co. USA Inc., Lion Electric Holding USA and Lion Electric Manufacturing USA Inc., shall only be bound by the Retained Liabilities which will include:</p> <p>(i) all Liabilities of the Lion Entities under the Retained Contracts from and after May 12, 2025;</p> <p>(ii) all trade obligations of the Lion Entities to their suppliers and other operating costs from and after May 12, 2025;</p> <p>(iii) all other trade obligations of the Lion Entities that, as determined by the Purchaser in writing in its sole discretion prior to the Closing Time, are needed for its business and ongoing operations;</p> <p>(iv) all obligations of the Lion Entities to the Assumed Employees, other than those obligations to directors, officers and employees otherwise listed as Excluded Liabilities or the obligations under the key employee retention plan (KERP) established in connection with the CCAA Proceedings;</p> <p>(v) those obligations listed in Section 3.4(c) of the Purchase Agreement; and</p> <p>(vi) all continuing obligations of the Lion Entities under this Agreement, including under Section 8.1.</p> <p>The Subscription Agreement provides that, unless specifically and expressly designated as Retained Liabilities, all debts, obligations, liabilities, indebtedness, contracts, leases, agreements, taxes, undertakings, claims, complaints, recourses, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) against Lion Entities are Excluded Liabilities.</p>

Key Terms	Subscription Agreement
Assumed Employees and Excluded Employees	<p>As of and following the Closing Time, the Assumed Employees shall continue to be employed by the applicable Lion Entities in accordance with Applicable Law and the Collective Agreement (as and if applicable).</p> <p>At least one (1) day prior to the Closing Date, the Purchaser shall provide Lion Electric with a list of the Excluded Employees.</p> <p>Prior to the Closing, concurrently with the transfer of the Excluded Contracts and the Excluded Liabilities, all of the Excluded Employees shall be transferred to NewCo, at the time and date provided for in the Reorganization and approved in the Vesting Order, and NewCo shall be deemed to be their successor employer henceforth, for all intents and purposes. Immediately following the transfer of the Excluded Employees to NewCo, NewCo shall terminate the employment of such Excluded Employees (and such employment shall be deemed terminated immediately following the transfer of the Excluded Employees to NewCo).</p>
Retained Assets and Excluded Assets	<p>The Lion Entities will retain, on a free and clear basis, the property, assets and undertakings that are material to the Business and are reflected as being owned by the Lion Entities in their Books and Records, including the Retained Assets and the Retained Contracts.</p> <p>The Retained Assets will consist of the assets identified at Schedule E of the Subscription Agreement, including, but not limited to:</p> <ul style="list-style-type: none"> (i) all the inventory, including but not limited to, all raw materials, work in progress, assets in construction and finished products, parts, spare parts, finished goods, vehicles, prototypes, battery cells, harnesses, Battery Thermal Management System (BTMS) assets, Battery Management System (BMS), Lion and BMW battery packs, modules, and related accessories and components; (ii) all production and service machinery and equipment, including vehicles, automotive equipment, service equipment, racking, tooling, test benches, rotary columns, mold, templates, prototypes, rolling stock, rolling bridges and furniture; (iii) all patents, technology, trade secrets, know how, trademarks, licenses and any and all Intellectual Property and other intangible assets or rights of any form, including, but not limited to the internet platform, software, the ERP and MRP systems platform, the accounting systems, and all electronic platforms; (iv) all the corporate names used by the Lion Entities, including but not limited to any branding and logos; and (v) all Accounts Receivables of any nature, including notably any sales tax, state, government and city taxes, income tax, R&D

Key Terms	Subscription Agreement
	<p>receivables, the receivables from Nikola Motors and related companies but specifically not including tax and government incentive programs receivables subject to Finalta /CDPQ's first ranking security.</p> <p>The Excluded Assets means any and all properties, rights, assets and undertakings of any of the Lion Entities that are listed as "Excluded Assets" in the Subscription Agreement, including, but not limited to:</p> <ul style="list-style-type: none"> (i) all machinery and equipment related to the production of batteries. For more certainty, the Battery Thermal Management System (BTMS) assets, Battery Management System (BMS), Lion and BMW battery packs, battery cells, harnesses, modules, and related accessories and components, are part of the Purchased Assets; (ii) the AGV robots that are still subject to and encumbered by the Bank of Montreal security; (iii) Sacramento (California) Lease located at 4450 Raley Boulevard, CA 95838, and the Mirabel lease located at 9800, rue Irénée-Vachon, Mirabel (Québec) J7N 3W4; and (iv) all assets and liabilities related to all Employee Plans.
Retained Contracts and Excluded Contracts	<p>The Retained Contracts will consist of the following contracts, for which the Applicants are unaware of any cure costs owing in respect of same:</p> <ul style="list-style-type: none"> (i) Terrebonne (Québec) Lease agreement related to the premises located at 3160, boulevard des Entreprises, Terrebonne (Québec) J3X 4T2; (ii) Lease agreement related to the premises located at 921, chemin de la Rivière-du-Nord, Saint-Jérôme (Québec) J7Y 5G2; (iii) Dealers' licenses; (iv) Aéroport de Montréal (ADM) agreement for the Mirabel test track access; (v) the Collective Agreement; (vi) BFL Canada Insurance Policies and Intact Bonds; and (vii) Agreement between the Lion Entities and Fonds Finalta Capital, S.E.C., CDPQ Revenu Fixe I inc. et. Fonds Finalta Capital ("Convention relative aux recevables grevés en faveur des prêteurs CDPQ-Finalta") that will come into force at Closing. <p>All contracts that are not Retained Contracts will be considered as Excluded Contracts.</p> <p>For a period of 30 days after Closing, the Purchaser shall be entitled to seek the re-assignment (and retention) of any contract</p>

Key Terms	Subscription Agreement
	<p>(each, an “Additional Contract”) initially designated as an Excluded Contract, all in accordance with the proposed post-closing additional contract assignment mechanism set out in the draft Approval and Reverse Vesting Order (the “Post-Closing Additional Contract Assignment Mechanism”). The Post-Closing Additional Contract Assignment Mechanism provides, <i>inter alia</i>, that any co-contracting party to an Additional Contract shall be entitled to receive a notice advising it of the Purchaser’s intention to retain such Additional Contract, and, within a 15-day delay following receipt of such notice, such co-contracting party shall be entitled to notify to the Purchaser and to the Monitor a notice of opposition, and, (i) if such notice of opposition is sent, then Purchaser or the Monitor shall be entitled to apply to this Court to seek the re-assignment (or retention) of the Additional Contract), or (ii) if no notice of opposition is received within the above delay, the Additional Contract shall be deemed to be a Retained Contract, with no further order of the Court.</p>
<p>Transfer and Vesting of Excluded Liabilities, Excluded Employees, Excluded Contracts, and Excluded Assets to NewCo and ResidualCo.</p>	<p>All Excluded Liabilities, Excluded Employees and Excluded Contracts will be transferred and vested in NewCo. All Excluded Assets will be transferred and vested in ResidualCo. The Lion Entities will be released from any and all obligations in relation to the Excluded Contracts, the Excluded Liabilities and the Excluded Employees.</p>
<p>Closing Conditions</p>	<p>The obligations of the Lion Entities and the Purchaser to complete the Transactions are subject to, among others, the following conditions being fulfilled or performed:</p> <ul style="list-style-type: none"> (i) the Approval and Reverse Vesting Order shall have been granted by this Court, and shall not have been stayed, varied, vacated or appealed (or any such appeal shall have been dismissed with no further appeal therefrom); (ii) a motion seeking the recognition of the Approval and Reverse Vesting Order by the US Bankruptcy Court shall have been filed; (iii) no Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and (iv) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transactions contemplated by the Subscription Agreement.
<p>Closing Date</p>	<p>Closing shall be as soon as practicable, and in any event no later than one (1) business day following the satisfaction or waiver of the closing conditions.</p>
<p>As is, where is</p>	<p>The Subscribed Shares shall be issued and delivered by Lion to the Purchaser, and the Retained Assets (including, for greater</p>

Key Terms	Subscription Agreement
	certainty, the Retained Contracts) shall be retained by the Lion Entities, on an “ <i>as is, where is basis</i> ” within the meaning of Article 1733 of the Civil Code of Québec.

71. As reflected in the Subscription Agreement, the Transactions contemplate the following reorganization steps to be implemented within the delays and sequence set out in the Subscription Agreement and in the Reorganization Step Plan attached thereto (collectively, the “**Reorganization**”):

- (a) Step 1: Incorporation of the Purchaser, which has already been completed as of the date hereof;
- (b) Step 2: Incorporation of NewCo by Lion Electric under the QBCA, and subscription for a single share of NewCo by Lion Electric for nominal consideration. NewCo shall have no directors and officers;
- (c) Step 3: Incorporation of ResidualCo by NewCo under the QBCA, and subscription for a single share of ResidualCo by NewCo for nominal consideration. ResidualCo shall have no directors and officers;

Reorganization Steps Before the Closing Date

- (d) Step 4: Amendment to the share capital of Lion Electric to (i) add the right to exchange common shares of Lion Electric for common shares of NewCo, on a one-for-one basis, (ii) cancel without consideration all of the equity interests of Lion Electric (excluding the common shares of Lion Electric, but including all securities convertible or exchangeable into common shares (including the options, warrants and convertible debentures)), and (iii) add a new class of shares, being the Class of B Common Shares, with 2 votes per share;
- (e) Step 5: The common shares of Lion Electric held by the public are transferred to NewCo in consideration for the issuance by NewCo of common shares in its capital pursuant to the exchange right added to the Lion Electric share terms in Step 4;
- (f) Step 6: Filing by Lion Electric of an election to cease being a public corporation for purposes of the Tax Act;
- (g) Step 7: Donation for cancellation by Lion Electric of the NewCo share subscribed for in Step 2;
- Step 8: Assumption by NewCo of the Excluded Liabilities of the Lion Entities in consideration for the issuance by the Lion Entities of various promissory notes, including a promissory note in an amount equal to the Subscription Price to be issued by Lion Electric (“**Note 1**”);
- (h) Step 9: Transfer of the Excluded Assets by the Lion Entities to ResidualCo in consideration for the assumption by ResidualCo of certain of the promissory notes issued at the previous step;

- (i) Step 10: Donation for cancellation by NewCo of all of the common shares of Lion Electric acquired at Step 5 with the exception of a single common share;

Reorganization Steps on the Closing Date

- (j) Step 11: Subscription by the shareholders of the Purchaser for common shares of Purchaser;
- (k) Step 12: Subscription for 100 000 000 Class B Common Shares of Lion by Purchaser for the subscription price indicated in the Subscription Agreement, and redemption and cancellation for no consideration of the common share of Lion Electric still held by NewCo following Step 9;
- (l) Step 13: Repayment by Lion Electric of Note 1 using the subscription proceeds received in Step 12;
- (m) Step 14: Shares of NewCo held by the public are cancelled for no consideration;

Reorganization Steps after the Closing Date

- (n) Step 15: Purchaser and Lion Electric are amalgamated to form "AmalCo."
72. Concurrently with the execution of the Subscription Agreement, Lion Electric entered into an agreement with CDPQ Revenu Fixe I Inc. ("**CDPQ**") and Finalta Capital Fund L.P. ("**Finalta**"), represented by its general partner General Partner Finalta Capital Fund Inc., pursuant to which Lion Electric agreed to collect and remit to CDPQ and Finalta, after the Closing, at the time and conditional upon its receipt thereof, certain receivables which are otherwise considered Excluded Assets under the Subscription Agreement and covered by a security interest in favour of CDPQ and Finalta, in consideration of a payment by CDPQ and Finalta of a fee to Lion Electric equal to a percentage of the receivables collected and remitted following the Closing (the "**CDPQ-Finalta Agreement**"). A copy of the CDPQ-Finalta Agreement is communicated herewith under seal as **Exhibit R-3A**, and a redacted copy of such CDPQ-Finalta Agreement is communicated herewith as **Exhibit R-3B**.
73. Unfortunately, given the results of the SISP, no distribution is expected to be made or paid to pre-filing unsecured creditors of the Applicants.
- 4.2 The "Reverse Vesting" Structure**
74. The Transactions outlined in the Subscription Agreement is structured as a "*reverse vesting*" transaction and remains conditional on the issuance of an order substantially similar to the draft Approval and Reverse Vesting Order (Exhibit R-1).
75. In essence, instead of providing for a traditional asset sale transaction where all purchased assets are purchased and transferred to a purchaser on a "free and clear" basis, and all excluded assets, excluded contracts, excluded employees and excluded liabilities remain with the debtor company, the Transactions, due to the "reverse vesting" structure, will have the following effects, among others:
- (a) the Purchaser will subscribe for and own 100% of the issued and outstanding shares in the capital of Lion Electric (and, indirectly, its subsidiaries);

- (b) Excluded Liabilities, Excluded Employees and Excluded Contracts will be assigned to NewCo, and the Excluded Assets will be assigned to ResidualCo so as to allow the Purchaser to acquire the Lion Group on a "free and clear" basis. NewCo and ResidualCo will ultimately be assigned into bankruptcy, with the Excluded Employees being able to benefit from the protections afforded by the WEPPA; and
 - (c) Lion Electric will retain the Retained Contracts (and related obligations), as well as a portion of the Lion Group's remaining employees.
- 76. The sector in which the Lion Group operates requires oversight from various governmental agencies, as well as various licences, permits, certifications, regulatory approvals without which it cannot properly operate.
- 77. The Lion Group currently maintains and benefits from multiple licences, permits, certifications and regulatory approvals which are essential to its business operations in Canada and in the US.
- 78. As such, the "reverse vesting" structure will allow for the maintenance of these licences, permits, certifications and regulatory approvals already in place, as opposed to forcing the Purchaser to seek the transfer (if possible) or issuance of new licences, permits, certifications and regulatory approvals in the context of a traditional vesting structure, which process would be complex, and would necessarily involve indeterminate risk, delays, and costs, all of which could jeopardize the Transactions.
- 79. Given the above, the Applicants believe that the "reverse vesting structure" is appropriate and necessary in the circumstances.

4.3 The Grounds for Approval of the Subscription Agreement and of the Transactions

- 80. Ultimately, the Revised Offer submitted by the Investors on behalf of the Purchaser constituted the best bid received by the Lion Group in the context of the SISP, particularly following the April 30, 2025 Announcement, and, as such, the Transactions contemplated by the Subscription Agreement represents the best outcome for the Lion Group and its stakeholders in the circumstances.
- 81. The Transactions are the result of robust solicitation processes conducted by the Applicants and their Financial Advisor, as well as intensive negotiations with interested parties, both prior to and after the commencement of the CCAA Proceedings.
- 82. The Transactions and the Subscription Agreement should be approved by the Court, notably for the following reasons:
 - (a) the SISP and SISP Procedures, which were previously approved by the Court pursuant to the SISP Order, were prepared by the Applicants, the Monitor and the Financial Advisor, all in consultation with the Interim Lenders (who are some of the Applicants' senior secured creditors), and all such parties were in agreement with the reasonableness of the SISP, the SISP Procedures and the timelines set out therein;
 - (b) the market has been thoroughly canvassed through fulsome, fair and transparent processes conducted both prior to and after the commencement

of the present CCAA Proceedings, with the Transactions provided for in the Subscription Agreement representing, in the circumstances, the best transactions and outcome resulting from the SISP for the benefit of the Applicants' stakeholders as a whole, particularly in light of the April 30, 2025 Announcement;

- (c) the Applicants understand that the Monitor's Fifth Report will state that, in the opinion of the Monitor, the Transactions will be more beneficial to the Applicants' creditors than a sale or disposition in a bankruptcy context;
- (d) the Transactions are being proposed by the Purchaser, a company held by the Investors who are a dedicated group of locally based Quebec businesspeople and who already are aware of and have knowledge concerning the Lion Group's operations, suppliers and clients, thereby allowing for rapid a transaction with minimal closing conditions;
- (e) the Transactions are beneficial to the Lion Group's stakeholders in that they provide for the continuation of a portion of the business of the Lion Group as a going concern and, in doing so, a portion of its employees will be retained, its economic activities in Quebec will be maintained and further developed, and certain of the Applicants' suppliers will benefit from the continuation of their business relationship with the Lion Group;
- (f) through sustaining the Lion Group's role in the electric vehicle market in Quebec, the Transactions also seek to strengthen Quebec's leadership in sustainable transportation and the electrification of transportation;
- (g) the consideration to be received in connection with the Transactions is fair and reasonable, as established by the SISP, which is the best available indicator of the market value of the Applicants' business and assets; and
- (h) the Interim Lenders, which are the Applicants' principal secured creditors, have been consulted throughout the SISP and support the approval of the Subscription Agreement and the implementation of the Transactions.

83. The "reverse vesting" structure of the Transactions is warranted in the current circumstances given that:

- (a) the sector in which the Lion Group operates requires oversight from various governmental agencies and requires the maintenance of various licences, permits, certifications and regulatory approvals, without which it cannot properly operate;
- (b) the "reverse vesting" structure of the Transactions will prevent delays in the transition of the Lion Group's business and allow for an efficient transition in an orderly manner, including with respect to maintaining the above licences, permits, certifications and regulatory approvals which are essential to the Lion Group's business;
- (c) given the Lion Group's significant liquidity constraints, the delays, costs and uncertainty associated with transferring the above licences, permits, certifications and regulatory approvals, or otherwise seeking the issuance of

new licences, permits, certifications and regulatory approvals, is not a viable option;

- (d) the "reverse vesting" structure does not put stakeholders, including creditors, contractual counterparties, and even shareholders in a worse position than they would have been under a traditional asset sale. Indeed, the SISP has demonstrated that the net realizable value of the business and assets of the Applicants does not exceed the amount of the Applicants' secured debt such that there is no prospect for recovery for any of the Applicants' other creditors, regardless of the structure employed;
- (e) the Lion Group is party to a significant number of contracts that will be retained under the Subscription Agreement. To this end, the "reverse vesting" structure will avoid potentially significant delays and costs associated with having to seek consent to assignment from contract counterparties or, if consents could not be obtained, orders assigning such contracts under section 11.3 of the CCAA; and, finally,
- (f) the "reverse vesting" structure will also permit the maintenance of the Lion Group's tax attributes, which represents a key and non-negligible component of the Transactions for the Purchaser.

84. The Applicants understand that the Monitor and the Interim Lenders support the relief sought herein by the Applicants, including the proposed "reverse vesting" structure.

5. THE RELEASES

85. As part of the Approval and Reverse Vesting Order sought by the Applicants, the Applicants also request that their present and former D&Os (the "**Released Parties**") be granted full and final Releases from all present and future claims and liabilities for which they may be liable for any act, omission or representations in their capacity as D&Os of the Applicants, with the exception of (i) claims for fraud or willful misconduct, (ii) claims that are not permitted to be released pursuant to section 5.1(2) of the CCAA and (iii) claims that are covered by any insurance policy of the Lion group (only to the extent of any such available insurance) (the "**Released Claims**").
86. The Released Claims covered by the proposed Release are rationally connected to the Applicants' restructuring and CCAA Proceedings, particularly as:
- (a) the Released Parties have been, and some of them will continue to remain instrumental to the implementation of the Revised Transactions and, more generally, to the Applicants' on-going restructuring efforts; and
 - (b) the Releases will ultimately have the effect of diminishing claims as against the Released Parties, which in turn will diminish any indemnification claims by the Released Parties against the Applicants that are secured by the D&O Charge, which ultimately benefits the Applicants and their stakeholders.
87. Each of the Released Parties have participated, contributed and/or supported to the Applicants' restructuring efforts both prior to and/or after the commencement of the CCAA Proceedings, without any remuneration for several of them. More specifically:

- (a) over the course of the past year, including prior to the commencement of the CCAA Proceedings, the Released Parties have worked tirelessly with the Applicants and its principal stakeholders with a view to secure one or more restructuring transactions that would allow the maximization of creditor recovery, the pursuit of the Applicants' business and operations as a going concern and, ultimately, the preservation of jobs for a portion of the Applicants' employees – a scenario which will occur, subject to this Court's approval of the Subscription Agreement and of the Transactions contemplated thereunder;
 - (b) the Released Parties were instrumental in the Applicants' ongoing restructuring efforts, which include, *inter alia*:
 - i. actions taken to significantly reduce operating costs;
 - ii. steps to sell non-core assets in order to enhance liquidities;
 - iii. negotiations with their senior secured lenders;
 - iv. engagement of the Financial Advisor;
 - v. conduct of the Pre-Filing Solicitation Process,
 - vi. negotiation of interim financing to secure the necessary funding to pursue the CCAA Proceedings and conduct the Post-Filing SISP;
 - vii. commencement and conduct of the CCAA Proceedings;
 - viii. conduct of the Post-Filing SISP;
 - (c) these restructuring efforts implemented with the participation, contribution and/or support of the Released Parties have ultimately and recently led to the execution of the Subscription Agreement, at a time when the Applicants' future was uncertain, given the April 30, 2025 Announcement made by the Quebec government;
 - (d) now, with the execution of the Subscription Agreement and the implementation of the proposed Transactions, it is now expected that the Applicants will be in a position to pursue their operations (or a portion of their operations) as a going concern, in Quebec, and a portion of their employees will be able to preserve their jobs, which, in and of itself, and irrespective of the expected recovery for the Applicants' creditors, constitutes a favourable outcome, in line with the objectives of the CCAA;
 - (e) the Released Parties have clearly contributed time, energy and resources to achieve this outcome and such time, energy and resources will continue to be important to implementing the Transactions, to the extent that they are approved by this Court.
88. The Applicants submit that the proposed Release is fair and reasonable, appropriately tailored to the circumstances and are not overly broad and is in line with releases granted in the context of similar transactions.
89. In fact, the breadth and scope of the D&O Releases are limited to what is necessary, and the D&O Releases do not purport to release claims for (i) fraud or wilful misconduct, (ii) claims that cannot be released pursuant to section 5.1(2) of the CCAA

and (iii) claims that are covered by any insurance policy of the Lion group (only to the extent of any such available insurance).

90. For the reasons set out above, the Applicants respectfully submit that this Court should grant the Releases as set out in the proposed Approval and Reverse Vesting Order.

6. THE EXTENSION OF THE STAY PERIOD

91. The Applicants request an extension of the Stay Period until July 31, 2025.

92. It is respectfully submitted that the requested extension of the Stay Period is necessary to provide the Applicants with sufficient time and the requisite continued stability in order to, *inter alia*:

- (a) allow for the closing of the Transactions contemplated in the Subscription Agreement;
- (b) allow for the Monitor to proceed with the liquidation of the Excluded Assets;
- (c) allow for the Monitor to prepare for the bankruptcy of the NewCo and the ResidualCo; and
- (d) allow for the Monitor to apply to this Court for an order terminating these CCAA Proceedings and discharging the Monitor once all steps relating to these CCAA Proceedings will have been completed.

93. The Applicants have acted in good faith and with due diligence throughout these CCAA Proceedings.

94. The Applicants are of the view that the requested extension of the Stay Period will not negatively impact any of their creditors, as the Applicants will close the Transactions in the best interest of their creditors and other stakeholders

95. The Applicants are also informed that the Monitor is of the view that the requested extension of the Stay Period is necessary and reasonable in the circumstances. Accordingly, the extension sought to the Stay Period is appropriate under the present circumstances.

7. THE WEPPA RELIEF

96. As previously discussed, as part of the Reorganization steps to be implemented prior to the closing of the Subscription Agreement, the Applicants will transfer the employment contracts of the Excluded Employees to NewCo, who will immediately thereafter proceed with the termination of such employees and assume all claims and liabilities in relation with such terminations.

97. In order to avoid the prejudice that would result to such employees as a result of the “reverse vesting” structure of the Transactions, the Applicants are therefore seeking a declaration, in the Approval and Reverse Vesting Order that, pursuant to section 5(5) of the WEPPA and the Court’s inherent jurisdiction, NewCo is the former employer of the aforementioned employees, and meets the criteria established by section 3.2 of the WEPP Regulations.

98. Section 5(1) of the WEPPA provides as follows:

5 (1) An individual is eligible to receive a payment if

(a) the individual's employment ended for a reason prescribed by regulation;

(b) one of the following applies:

(i) the former employer is bankrupt,

(ii) the former employer is subject to a receivership,

(iii) the former employer is the subject of a foreign proceeding that is recognized by a court under subsection 270(1) of the Bankruptcy and Insolvency Act and

(A) the court determines under subsection (2) that the foreign proceeding meets the criteria prescribed by regulation, and

(B) a trustee is appointed, or

(iv) the former employer is the subject of proceedings under Division I of Part III of the Bankruptcy and Insolvency Act or under the Companies' Creditors Arrangement Act and a court determines under subsection (5) that the criteria prescribed by regulation are met; and

(c) the individual is owed eligible wages by the former employer.

99. Section 5(5) of the WEPPA provides that "[o]n application by any person, a court may, in proceedings under Division I of Part III of the Bankruptcy and Insolvency Act or under the Companies' Creditors Arrangement Act, determine that the former employee meets the criteria prescribed by regulation." Section 3.2 of the WEPP Regulations provides that "[f]or the purposes of subsection 5(5) of the Act, a court may determine whether the former employer is the former employer all of whose employees in Canada have been terminated other than any retained to wind down its business operations."

100. The WEPPA and WEPP Regulations were modified prior to the emergence of "reverse vesting" structures as a means to sell the business and the assets of debtor companies. As such, the WEPPA and WEPP Regulations do not account for the particularities of "reverse vesting" structures and the former employees of a debtor company having emerged further to a "reverse vesting" transaction would not be eligible for the WEPP based on the express terms of the WEPPA. These employees, who have no control over the structure of the transaction, would be prejudiced unless the Court uses its discretion under section 11 of the CCAA to fill the legislative gap in the WEPPA and the WEPP Regulations to allow them to benefit from the WEPP.

101. In light of the foregoing, it is respectfully submitted that it is appropriate at this time for this Court to declare that upon transfer of the employment contract of the above employees to NewCo for the purpose of terminating them, NewCo meets the criteria established by section 3.2 of the WEPP Regulations, as such declaration would help alleviate the impact of the CCAA Proceedings on the Applicants' eligible former employees by providing them with the relief described in the WEPPA.

8. CONCLUSIONS

102. In light of the foregoing, the Applicants respectfully submit that Approval and Reverse Vesting Order should be granted by this Court.
103. The Applicants understand that the Monitor supports the reliefs sought in the present Application as will be more fully detailed in the Fifth Report that will be filed in support of this Application.

FOR THESE REASONS, MAY IT PLEASE THIS COURT TO:

GRANT the Application.

ISSUE an order substantially in the form of the draft Approval and Reverse Vesting Order communicated in support of the Application as Exhibit R-1.

WITHOUT COSTS, save and except in case of contestation.

MONTREAL, May 15, 2025



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SWORN STATEMENT

I, the undersigned, Richard Coulombe, having a place of business at 921 ch. de la Rivière-du-Nord, in the city of Saint-Jérôme, Province of Québec, solemnly declare the following:

1. I am the Chief Financial Officer of The Lion Electric Company;
2. All the facts alleged in the *Application for the issuance of an Approval and Reverse Vesting Order* are, to the best of my knowledge, true.

AND I HAVE SIGNED:

Richard Coulombe

Richard Coulombe

**SOLEMNLY DECLARED before me by
videoconference, at Montréal, on this ^h day
of May, 2025**

Fiona Chakma #242688

**Commissioner for the taking of Oaths for
the Province of Québec**

NOTICE OF PRESENTATION

TO: Service List

TAKE NOTICE that the *Application for the Issuance of an Approval and Reverse Vesting Order* will be presented virtually for adjudication to the Honourable Michel A. Pinsonnault, J.C.S., of the Superior Court of Quebec, Commercial Division, District of Terrebonne, **on May 16, 2025 at 9:30 AM in virtual room B1.08 of the St-Jérôme Courthouse.**

The link to connect to the virtual courtroom can be found below.

Salle B1.08	Rejoindre la réunion Microsoft Teams +1 581-319-2194 (Numéro payant) (833) 450-1741 (Numéro gratuit) ID de conférence : 756 115 467# Numéros locaux Réinitialiser le code confidentiel En savoir plus sur Teams Rejoindre à l'aide d'un dispositif de vidéoconférence teams@teams.justice.gouv.qc.ca ID de la conférence VTC : 1162671345 Autres instructions relatives à la numérotation VTC
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DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, May 15, 2025



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Montreal (Quebec) H3B 3V2
Attorneys for the Debtors/Applicants

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF TERREBONNE
No.: 700-11-022385-241

SUPERIOR COURT
Commercial Division

IN THE MATTER OF THE PLAN OF
ARRANGEMENT OR COMPROMISE OF:

THE LION ELECTRIC COMPANY

- and -

LION ELECTRIC FINANCE CANADA INC.

- and -

LION ELECTRIC VEHICLE FINANCE CANADA
INC.

- and -

LION ELECTRIC HOLDING USA INC.

- and -

NORTHERN GENESIS ACQUISITION CORP.

- and -

THE LION ELECTRIC CO. USA INC.

- and -

LION ELECTRIC MANUFACTURING USA INC.

- and -

LION ELECTRIC FINANCE USA INC.

Applicants

- and -

DELOITTE RESTRUCTURING INC.

Proposed Monitor

LIST OF EXHIBITS IN SUPPORT OF THE APPLICATION FOR THE ISSUANCE OF
AN APPROVAL AND REVERSE VESTING ORDER
(Sections 9, 10, 11, 11.02(2), 11.03 and 26 of the *Companies' Creditors Arrangement
Act*)

Exhibit R-1:	Draft Approval and Reverse Vesting Order
Exhibit R-1A:	Redline document comparing the proposed ARVO to the model AVO
Exhibit R-2A: <u>UNDER SEAL</u>	Non-redacted copy of the Subscription Agreement
Exhibit R-2B:	Redacted copy of the Subscription Agreement
Exhibit R-3A: <u>UNDER SEAL</u>	Non-redacted copy of the CDPQ-Finalta Agreement
Exhibit R-3B:	Redacted copy of the CDPQ-Finalta Agreement
EXHIBIT R-4	Ordonnance d'annulation et de radiation

MONTREAL, May 15, 2025



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Attorneys for the Debtors/Applicants

SUPERIOR COURT
(Commercial Division)

N°. 700-11-022385-241

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF TERREBONNE

IN THE MATTER OF THE PLAN OF ARRANGEMENT OR COMPROMISE OF:

THE LION ELECTRIC COMPANY
LION ELECTRIC FINANCE CANADA INC.
LION ELECTRIC VEHICLE FINANCE CANADA INC.
LION ELECTRIC HOLDING USA INC.
NORTHERN GENESIS ACQUISITION CORP.
THE LION ELECTRIC CO. USA INC.
LION ELECTRIC MANUFACTURING USA INC.
LION ELECTRIC FINANCE USA INC.

Applicants

-and-

DELOITTE RESTRUCTURING INC.

Monitor

BS0350

n/file: 147366.1035

**APPLICATION FOR THE ISSUANCE OF AN APPROVAL AND REVERSE VESTING
ORDER**
(Sections 9, 10, 11, 11.02(2), 11.03 and 36 of the *Companies' Creditors Arrangement
Act*)

ORIGINAL

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