

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF TERREBONNE

SUPERIOR COURT
Commercial Division

No.:

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

APPLICATION FOR THE ISSUANCE OF
AN INITIAL ORDER,
AN AMENDED AND RESTATED INITIAL ORDER
AND A SALE AND INVESTMENT SOLICITATION PROCESS ORDER
(Sections 9, 11, 11.001, 11.02, 11.03, 11.2, 11.51, 11.52, 11.7, 23, 36, 45 and 56 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 commence these proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, (the "**CCAA**"), with a view to pursue a sale and investment solicitation process (the "**SISP**") under the supervision of the Superior Court of Québec (Commercial Division) (the "**Court**"), the purpose of which will be to canvass the market and solicit offers to maximize the value of the Lion Group's assets and business, for the benefit of its creditors and other stakeholders.
2. As part of the present *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and a Sale and Investment Solicitation Process Order* (the "**Application**"), the Applicants seek the issuance of the following orders from the Court:
 - (a) An initial order (the "**Initial Order**"), substantially in the form of the draft order communicated herewith as **Exhibit R-1**¹, which will be sought at the initial hearing to be scheduled with the Court, and which will provide for, *inter alia*, the following reliefs:
 - (i) Application of the CCAA. A declaration that the Applicants are "*debtor companies*" to which the CCAA applies;
 - (ii) Stay of Proceedings. A stay of proceedings against the Applicants, their respective assets, undertakings and properties (collectively, the "**Property**") and their respective directors and officers (collectively, the "**D&Os**"), for an initial period of ten (10) days in accordance with the CCAA (the "**Stay Period**"), followed by a "*deemed extension*" of the Stay of Period until a "*comeback hearing*" can take place on January 7, 2025, after the holiday period, subject to the Court's availability, provided that no party opposes to such "*deemed extension*" of the Stay Period;
 - (iii) Appointment of a Monitor. The appointment of Deloitte Restructuring Inc. ("**Deloitte**") as the monitor of the Applicants during these CCAA Proceedings (if so appointed, the "**Monitor**");

¹ A copy of a redline document comparing the proposed Initial Order to the model CCAA initial order is communicated herewith as **Exhibit R-1A**.

- (iv) Interim Financing. The approval of an Interim Financing Term Sheet entered into between the Applicants and National Bank of Canada, Fédération des Caisses Desjardins du Québec and Bank of Montreal (collectively, the "**Interim Lenders**") concurrently with the commencement of these CCAA Proceedings (the "**Interim Financing Term Sheet**"), and the authorization for the Applicants to borrow thereunder an initial amount of up to \$6,000,000 (the "**Interim Facility**"), to be secured by a super-priority charge against the Property in an initial amount of \$7,200,000 (the "**Interim Lenders' Charge**"), in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;
- (v) Administration Charge. The establishment of a super-priority charge against the Property in an initial amount of \$800,000 (the "**Administration Charge**") to secure the Applicants' obligations towards the undersigned counsel, Troutman Pepper Hamilton Sanders LLP and Locke Lord LLP, as legal advisors to the Applicants, Deloitte, as Monitor to the Applicants, and Deloitte's legal advisors, National Bank Financial Inc. ("**NBF**") in its role as Financial Advisor (as defined below), and, if required, financial advisors of the Interim Lenders (collectively, the "**Professionals**"), for work performed and to be performed in connection with these CCAA Proceedings, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;
- (vi) Directors and Officers Charge. The establishment of a super-priority charge in an initial amount of \$2,500,000 (the "**D&O Charge**") to secure the Applicants' indemnification obligations towards their respective directors, *de facto* directors, as well as certain senior officers in connection with potential liabilities that could arise as and from the issuance of the Initial Order (as applicable), to the extent that such potential liabilities are not covered by existing insurance policies, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;
- (vii) KERP. The approval of a Key Employee Retention Plan ("**KERP**") which provides for various retention incentives 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 \$1,500,000 (the "**KERP Charge**") to secure the Applicants' obligations under the KERP, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;
- (viii) Ranking of Charges. A declaration that each of the Administration Charge, the D&O Charge, the Interim Lenders' Charge, the KERP Charge and the Financial Advisor Charge (as defined below) shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, deemed trusts, encumbrances or other lien of whatever nature or kind against the Property; provided that, and notwithstanding the foregoing or anything else to the contrary, the Administration Charge, the D&O Charge, the Interim Lenders' Charge, the KERP Charge and the Financial Advisor

Charge shall take rank, in accordance with their respective rank provided for herein, immediately following all existing security granted to Fonds Finalta Capital, S.E.C. and CDPQ Revenu Fixe I Inc. securing the Tax Credit Loans (as defined in the Revolving Credit Agreement), but only in respect of the Finalta/CDPQ Priority Assets (as defined in the Revolving Credit Agreement).

- (ix) COMI Declaration. A declaration that Canada is the "*centre of main interest*" (the "**COMI**") of the Applicants;
- (b) An order (the "**SISP Order**"), substantially in the form of the draft order communicated herewith as **Exhibit R-2**, which will also be sought at the initial hearing, and which will provide for, *inter alia*, the following relief:
 - (i) SISP. The authorization for Debtors and the Monitor (collectively, the "**SISP Team**"), in consultation with the Interim Lenders and with the assistance of NBF in its role as Financial Advisor (as defined below), to conduct and implement a SISP in accordance with the procedures set out in the annex appended to the draft SISP Order (the "**SISP Procedures**"); and
 - (ii) Appointment of Financial Advisor and Establishment of Financial Advisor Charge. The appointment of NBF as financial advisor to the Lion Group (if so appointed, the "**Financial Advisor**") in accordance with the terms and conditions set out in the engagement letter to be entered into between Lion Electric and NBF concurrently with the commencement of these CCAA Proceedings, and the establishment of a super-priority charge against the Property in favour of the Financial Advisor (the "**Financial Advisor Charge**") to secure the Applicants' obligations towards the Financial Advisor in an amount of \$4,000,000, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;
- (c) An amended and restated initial order (the "**ARIO**"), substantially in the form of the draft order communicated herewith as **Exhibit R-3**², which will be sought at the "*comeback hearing*" to be scheduled with the Court on January 7, 2025, subject to the Court's availability, following a "*deemed extension*" of the initial Stay Period until such date in light of the holiday period, and which will provide for, *inter alia*, the following additional relief:
 - (i) Stay of Proceedings. The extension of the Stay Period until February 14, 2024;
 - (ii) DIP Financing. An increase in the amount of the Interim Facility which the Applicants may borrow from the Interim Lenders under the Interim Financing Term Sheet, up to a total amount of \$10,000,000, and a corresponding increase to the Interim Lenders' Charge to a total amount of \$12,000,000, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof;

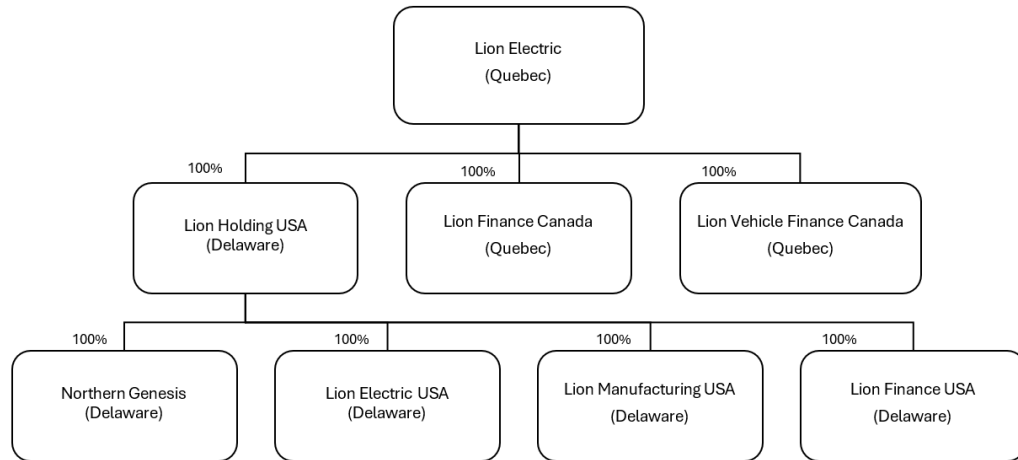
² A copy of a redline document comparing the proposed ARIO to the model CCAA initial order is communicated herewith as **Exhibit R-3A**.

- (iii) Administration Charge. An increase to the Administration Charge to a total amount of \$1,300,000 for work performed and to be performed by the Professionals in connection with these CCAA Proceedings, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof; and
 - (iv) Directors and Officers Charge. The D&O Charge with a total amount of \$1,900,000, in all cases subject to the ranking set out in paragraph 2(a)(viii) hereof.
- 3. The Applicants understand that Deloitte, in its capacity as proposed Monitor, will be submitting to the Court, in advance of the initial hearing, a pre-filing report (the "**Pre-Filing Report**") setting out its observations and recommendations with respect to the Applicants' request for the issuance of an Initial Order and the SISP Order.
 - 4. To the extent that Deloitte is appointed as Monitor to the Applicants as part of the Initial Order, the Applicants also understand that Deloitte, this time in its capacity as Monitor, will also be submitting to the Court, in advance of the "*comeback hearing*", a second report setting out its observations and recommendations with respect to the Applicants' request for the issuance of the ARIQ.
 - 5. Unless indicated otherwise, all references to currency in this Application are in United States dollars.

2. DESCRIPTION OF THE LION GROUP

2.1 CORPORATE STRUCTURE

- 6. The Lion Group's corporate structure is reflected in the organization chart below.



A. The Canadian Applicants

- 7. Below is a summary description of each of the Canadian entities forming part of the Lion Group.

(i) The Lion Electric Company

8. Lion Electric is a Québec-based company specialized in designing, developing, manufacturing and distributing purpose-built all-electric medium and heavy-duty urban vehicles.
9. Lion Electric was initially incorporated under the *Business Corporations Act* (Quebec) ("**QBCA**") on July 28, 2008 under the name "Lion Buses Inc." and on November 24, 2020, Lion filed articles of amendment to change its name to "The Lion Electric Company".
10. On November 30, 2020, Lion Electric announced that it had entered into a business combination agreement and plan of reorganization pursuant to which a wholly-owned subsidiary of Lion Electric would merge with Northern Genesis, a publicly traded special purpose acquisition company, with Northern Genesis surviving the merger as a wholly-owned subsidiary of Lion Electric (the "**Business Combination**"). The Business Combination closed on May 6, 2021, and, on May 7, 2021, Lion Electric's common shares (the "**Common Shares**") began trading on the New York Stock Exchange (the "**NYSE**") and the Toronto Stock Exchange (the "**TSX**") under the ticker symbol "LEV".
11. Today, Lion Electric is the ultimate parent company of the Lion Group and directly or indirectly owns all of the issued and outstanding shares of the entities forming part of such group.
12. Its head and registered office is located at 921 chemin de la Rivière-du-Nord, Saint-Jérôme, Québec, Canada J7Y 5G2.
13. A copy of the relevant extracts from the Québec Enterprise Register for Lion Electric is communicated herewith as **Exhibit R-4**.

(ii) Lion Electric Finance Canada Inc.

14. Lion Finance Canada is a wholly owned subsidiary of Lion Electric which was incorporated on September 17, 2021 under the QBCA.
15. Lion Finance Canada is one of the subsidiary entities responsible for assisting with the offering of financing solutions to Canadian-based customers for the acquisition of vehicles manufactured by Lion Electric.
16. Its head and registered office is located at 921 chemin de la Rivière-du-Nord, Saint-Jérôme, Québec, Canada J7Y 5G2.
17. A copy of the relevant extracts from the Québec Enterprise Register for Lion Finance Canada is communicated herewith as **Exhibit R-5**.

(iii) Lion Electric Vehicle Finance Canada Inc.

18. Lion Vehicle Finance Canada is a wholly owned subsidiary of Lion Electric which was incorporated on October 24, 2022 under the QBCA.

19. Lion Vehicle Finance Canada is another one of the subsidiary entities responsible for assisting with the offering of financing solutions to Canadian-based customers for the acquisition of vehicles manufactured by Lion Electric.
20. Its head and registered office is located at 921 chemin de la Rivière-du-Nord, Saint-Jérôme, Québec, Canada J7Y 5G2.
21. A copy of the relevant extracts from the Québec Enterprise Register for Lion Vehicle Finance Canada is communicated herewith as **Exhibit R-6**.

B. The US Applicants

22. Below is a summary description of each of the US entities forming part of the Lion Group.
23. As will be further discussed later in this Application, each of these US entities recognize and submit that their COMI is located in Québec, Canada, and, as such, attorn to the jurisdiction of the Court.

(i) Lion Electric Holding USA Inc.

24. Lion Holding USA is a wholly owned subsidiary of Lion Electric and was incorporated on November 18, 2021, under the laws of Delaware.
25. Lion Holding USA holds all of the issued and outstanding shares in Lion Electric's US subsidiaries (namely, Northern Genesis, Lion Electric USA, Lion Manufacturing USA and Lion Finance USA), and other than holding such shares, Lion Holding USA has no operations or activities of its own.
26. Lion Holding USA has its registered office is located at 2915 Ogletown Road, Newark, Delaware, 19713.

(ii) Northern Genesis Acquisition Corp.

27. Northern Genesis is a wholly owned subsidiary of Lion Holding USA and was incorporated on May 27, 2020, under the laws of Delaware.
28. Northern Genesis was a publicly traded special purpose acquisition company which merged with another wholly owned subsidiary of Lion Electric on May 6, 2021, as part of the Business Combination transaction described above. Otherwise, Northern Genesis has no operations, activities or assets of its own.
29. Its registered office is located at 2915 Ogletown Road, Newark, Delaware, 19713.

(iii) Lion Electric Co. USA Inc.

30. Lion Electric USA is a wholly owned subsidiary of Lion Holding USA and was incorporated on February 20, 2018, under the laws of Delaware.
31. Lion Electric USA is responsible for the sales in the US of the Lion Group's vehicles destined for the US market.
32. Its registered office is located at 2915 Ogletown Road, Newark, Delaware, 19713.

(iv) Lion Electric Finance USA Inc.

33. Lion Finance USA is a wholly owned subsidiary of Lion Holding USA and was incorporated on August 25, 2021, under the laws of Delaware.
34. Lion Finance USA is one of the subsidiary entities responsible for offering financing solutions to US-based customers for the acquisition of vehicles manufactured by Lion Electric.
35. Its registered office is located at 2915 Ogletown Road, Newark, Delaware, 19713.

(v) Lion Electric Manufacturing USA Inc.

36. Lion Manufacturing USA is a wholly owned subsidiary of Lion Holding USA and was incorporated on August 25, 2021, under the laws of Delaware.
37. Lion Manufacturing USA is responsible for manufacturing purpose-built all-electric medium and heavy-duty urban vehicles destined for the US market.
38. Its registered office is located at 2915 Ogletown Road, Newark, Delaware, 19713.

2.2 CAPITAL STRUCTURE

39. Lion Electric is a reporting issuer in all Canadian provinces and territories and its authorized share capital consists of:
 - (a) an unlimited number of Common Shares; and
 - (b) an unlimited number of preferred shares issuable in one or more series.
40. As at September 30, 2024, there were 226,217,541 Common Shares issued and outstanding, and no preferred shares were issued and outstanding.
41. In addition, Lion Electric also has 4 series of warrants in circulation that allow their holders to purchase its Common Shares, as well as convertible debentures that allow their holders to convert their debentures into such Common Shares as well.
42. As at April 4, 2024, no person or company beneficially owned, controlled or directed, directly or indirectly, more than 10% of any class or series of the voting securities of Lion Electric, other than the following entities.

Shareholder	Common Shares Beneficially Owned, Controlled or Directed	Percentage of Outstanding Shares on a Non-Diluted Basis
Power Energy Corporation	77,143,685 ⁽³⁾	34.11%

³ Power Energy Corporation is a wholly-owned subsidiary of Power Sustainable Capital Inc., which in turn is a wholly-owned subsidiary of Power Corporation of Canada. Power Energy Corporation also holds common shares purchase warrants that are exercisable into 9,842,519 Common Shares.

9368-2672 Quebec Inc.	25,958,653 ⁽⁴⁾	11.47%
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43. Lion Electric has never declared or paid any dividends on its Common Shares.
44. The following table shows the monthly range of high and low prices per Common Share at the close of market on the TSX and on the NYSE since January 2024 as well as the total monthly volumes and average daily volumes traded on the TSX and NYSE.

2024	TSX			NYSE		
	High C\$	Low C\$	Volume	High US\$	Low US\$	Volume
January	C\$2.670	C\$2.270	4,921,600	US\$1.990	US\$1.680	7,547,800
February	C\$2.500	C\$1.920	5,433,500	US\$1.857	US\$1.410	8,463,000
March	C\$2.090	C\$1.610	7,741,200	US\$1.560	US\$1.180	15,370,500
April	C\$1.990	C\$1.220	8,223,500	US\$1.470	US\$0.880	12,180,100
May	C\$1.600	C\$1.230	12,110,600	US\$1.170	US\$0.890	10,220,300
June	C\$1.710	C\$1.160	6,821,600	US\$1.240	US\$0.840	10,691,000
July	C\$1.370	C\$0.920	5,152,300	US\$0.996	US\$0.670	5,377,800
August	C\$1.100	C\$0.750	7,094,600	US\$0.830	US\$0.533	6,587,400
September	C\$1.090	C\$0.890	3,821,800	US\$0.820	US\$0.660	5,058,600
October	C\$0.960	C\$0.830	3,235,600	US\$0.750	US\$0.600	4,060,900
November	C\$0.880	C\$0.250	18,002,800	US\$0.634	US\$0.181	23,543,000
December ⁵	C\$0.720	C\$0.290	34,410,897	US\$0.490	US\$0.187	330,952,223

45. As at the close of business on December 16, 2024, the price per Common Shares of Lion Electric was C\$0.345 on the TSX and US\$0.250 on the NYSE.
46. On December 17, 2024, trading in the Common Shares and other listed securities of the Company on the TSX and the NYSE has been suspended and the TSX has put the Company under delisting review under its expedited review process. It is anticipated that the trading thereof will continue to be suspended until completion of such review.

⁴ Marc Bedard, CEO—Founder of Lion, has control over, directly and indirectly, a majority of the voting shares of 9368-2672 Québec Inc. Marc Bedard also holds 59,842 Common Shares. In addition, Mr. Bedard holds common share purchase warrants, options and restricted share units of Lion Electric.

⁵ The figures for the month of December are current as of December 16, 2024.

2.3 BUSINESS AND OPERATIONS

A. General

- 47. The Lion Group's business focuses on the design, development, manufacturing and distribution of all-electric medium and heavy-duty urban vehicles ("**EVs**").
- 48. Each of the Lion vehicles is purpose-built for electric and entirely designed and assembled in-house, with its own chassis, truck cabin or bus body, proprietary battery technology with modular energy capacity and Lion software integration.
- 49. Historically, the Lion Group solely relied on third-party battery suppliers to source battery cells, modules and packs that were integrated in its vehicles. Following the inauguration of its Battery Plant (as defined below) in April 2023, the Lion Group has begun the manufacturing of its own battery modules and packs that integrate 21700 cylindrical battery cells sourced from third party suppliers.
- 50. In the fourth quarter of 2023, the Lion Group achieved successful certification of the LionBattery MD, a lithium-ion battery pack specifically designed for the Lion Group's medium duty trucks and school buses. The Lion Group also achieved successful certification of its heavy duty (HD) battery pack in the second quarter of 2024.

B. Products and Solutions

- 51. The Lion Group's medium and heavy-duty EVs are designed to address the needs of the sub-250 miles (or 400-km) mid-range urban market, which is generally viewed as well suited for electrification given vehicles are typically driven over a relatively modest distance and return to base at the end of every workday. For the year ended December 31, 2023, the Lion Group delivered a total of 771 school buses and 81 trucks. As at the 9-months period ended on September 30, 2024, the Lion Group delivered a total of 350 school buses and 36 trucks, of which 196 were delivered in Q1, 101 in Q2 and a further 89 in Q3 of the fiscal year 2024.
- 52. Below is a summary description of the Lion Group's products and solutions.

(i) School Buses

- 53. The Lion Group's current line-up of all-electric buses can be divided into two main platforms, namely the LionC and LionD buses, all of which are offered in several range and configuration options.



LIONC



LIOND

	LionC	LionD
Estimated Power and Battery Capacity	Power: 250 kW – 335 HP Battery Capacity: Up to 210 kWh	Power: 250 kW - 335HP Battery Capacity: Up to 210 kWh
Commercial Production	✓	✓

54. The LionC consists of a single-speed electric powertrain school bus with a capacity of up to 72 passengers for which the body is installed upon a flat-back cowl chassis and includes a hood and complete front fender. The LionD is a "transit-style" flat-nose school bus with a capacity of up to 83 passengers.

(i) Urban Trucks

55. The Lion Group's current line-up of purpose-built all-electric trucks can be divided into three main platforms based on gross vehicle weight rating (GVWR), namely the Lion5, the Lion6, and the Lion8 (used for the Lion8 (straight) and the Lion 8T Tractor truck), all of which are offered in several range and configuration options with a view to meet customers' needs and route planning.



LION5



LION6



LION8



LION8

Tractor

	Lion5	Lion6	Lion8	Lion8T
GVWR ⁽¹⁾	Up to 22,470 lb	Up to 26,000 lb	Up to 60,000 lb	Up to 110,000 lb
Estimated Power and Battery Capacity	Power: Up to 335 HP Battery: Up to 210 kWh	Power: Up to 335 HP Battery: Up to 252 kWh	Power: Up to 470 HP Battery: Up to 252 kWh	Power: Up to 670 HP Battery: Up to 630 kWh

Commercial Production	✓	✓	✓	✗ (Expected 2025)
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⁽¹⁾ Gross vehicle weight rating, which refers to the maximum weight a vehicle is designed to carry including the net weight of the vehicle with accessories, plus the weight of passengers, fuel and cargo.

56. The Lion5, Lion6 and Lion8 are all-electric medium- and heavy-duty straight trucks designed to cover a multitude of applications, including the transportation of goods and merchandise (namely through a box, refrigerated box, stake bed or other equipment), as well as for other applications such as ambulance, utility maintenance, through upfit equipment options and applications provided and integrated by third parties. The Lion8T Tractor truck is an all-electric heavy-duty tractor truck designed to haul semi-trailers and containers.

C. Principal Markets

57. The Lion Group's products are available for purchase in Canada and in the US. For the year ended December 31, 2023, 65% of the Lion Group's revenues were generated by sales in Canada and 35% of the revenues were generated by sales in the US.
58. The Lion Group's products are distributed by truck and rail in Canada and in the United States, either directly to the Lion Group's customers or to the third-party upfitters the Lion Group partners with.

D. Marketing Channels

59. The Lion Group has adopted a sales model that is generally based on direct-to-customer sales tailored for EVs, thereby generally avoiding reliance on third-party dealerships.
60. The Lion Group utilizes strategic marketing to accelerate sales opportunities and build brand awareness. The Lion Group's current marketing programs primarily target commercial fleet operators and governmental agencies, and include conferences and industry events that Lion participates in, or sponsors and exhibits at, press releases, email campaigns, digital advertising, cooperative marketing effects and communications regarding the Lion Group's differentiated selling points and product features through marketing collateral such as its website, presentation slides, social media, webinars and videos.
61. Services available on-site at the Lion Group's experience centers include product demonstrations and sales support, full-service training, charging infrastructure assistance and maintenance support.
62. The Lion Group has 12 experience centers strategically located in key markets in the United States and Canada. Within the context of the CCAA Proceedings, the Lion Group foresees the closure of all or some of the experience centers to preserve its liquidity.

E. Manufacturing Activities

63. In order to manufacture its EVs, the Lion Group uses a manufacturing facility located in Saint-Jérôme, Québec, Canada (the "**Saint-Jérôme Facility**").
64. On December 1, 2024, the Lion Group announced that it would suspend manufacturing operations at its manufacturing facility in the US located in Joliet, Illinois, which supported the Lion Group in addressing demand in the marketplace for "Made in America" zero-emission vehicles (the "**Joliet Facility**").
65. In addition to the foregoing, the Lion Group also operates the following facilities, which are both located at the YMX International Aerocity of Mirabel, with a municipal address of 9900, rue Irénée-Vachon, Mirabel, Québec J7N 3W4 (collectively, the "**Lion Campus**"):
- (a) a battery plant (the "**Battery Plant**") which was inaugurated on April 17, 2023, where the Lion Group manufactures its own battery modules and packs that integrate 21700 cylindrical battery cells sourced from third party suppliers; and
 - (b) an innovation center (the "**Innovation Center**") which was used for various purposes, including as a testing and certification center for vehicles and batteries, a predelivery inspection site, a showroom and delivery center, and as a warehousing space.
66. On December 16, 2024, the Lion Group closed a definitive agreement to sell the Innovation Center to Montreal Airport for a purchase price of approximately C\$50,000,000 and all net proceeds from such transaction (the "**Innovation Center Sale Transaction**") were used towards the partial repayment of the 2023 Non-Convertible Debentures (as defined below).
67. Accordingly, as at the date of this Application, all of the properties from which the Lion Group operates are leased properties. A summary of the leased properties dedicated to manufacturing activities of the Company and their principal purposes is outlined below.

Facility	Principal Production Activity	Approximate Square Footage
Saint-Jérôme, QC, Canada	Head Office Manufacturing Facility In-house R&D Testing Center Experience Center	200,000
Joliet, IL, United States	Manufacturing Facility	900,000
Mirabel, QC, Canada	Battery Manufacturing Facility	175,000

F. Customers

68. The Lion Group's vehicles target a wide array of customers, including third-party school bus operators, school districts, carriers, consumer goods companies, waste management operators, manufacturers, utilities, as well as governmental agencies.

- 69. The Lion Group is focusing its sale efforts towards medium to large fleet owners via its direct-to-customer sales model.
- 70. The customer breakdown for school buses varies across jurisdictions in the US and Canada but consists mainly of school bus operators and school districts.

G. Competition

- 71. The Lion Group competes in the medium and heavy-duty urban vehicle market, ranging from commercial trucks to buses.
- 72. The North American medium and heavy-duty urban truck market is highly competitive and will continue to be so in the future.
- 73. The Lion Group faces competition for their trucks from manufacturers of purpose-built all-electric vehicles such as Nikola Motors, BYD and Xos, manufacturers of hybrid/retrofit EVs such as Workhorse, and manufacturers of trucks with internal combustion engines powered by diesel fuel.
- 74. The North American school bus market is mainly concentrated in the hands of three incumbent automotive original equipment manufacturers selling both diesel school buses as well as electric school buses: Blue Bird Corporation, Thomas Built Buses (Daimler) and IC Bus (Navistar International, subsidiary of Traton), with BYD being an emergent player in this market.
- 75. In addition to the incumbent diesel school bus OEMs, there are also a few early-stage EV OEMs that have entered in competition with the Lion Group, such as Green Power Motor, which offer purpose-built electric Type D and Type A school buses.

2.4 EMPLOYEES

- 76. As at December 17, 2024, the Lion Group employed approximately 300 full-time employees in Canada and in the US across all functions, including manufacturing, research and development, sales and marketing, service, corporate and administrative.
- 77. In April 2024, the International Association of Machinists and Aerospace Workers, District 11 ("**IAM**") filed a petition for certification with the *Tribunal administrative du travail du Québec* ("**TAT**") to represent Lion Electric's employees at the Saint-Jérôme Facility, except for employees automatically excluded by law and office employees, and on June 27, 2024, the TAT rendered its decision concluding that the IAM had the representative character required by law. Although Lion Electric commenced sessions relating to the negotiation of a collective bargaining agreement with IAM representatives, no collective bargaining agreement has yet been concluded with the employees represented by the IAM.
- 78. In November 2023, the IAM filed a petition for an election with the National Labor Relations Board ("**NLRB**") to represent the Company's full time and regular part-time production and warehouse employees at the Joliet Facility, subject to certain exceptions. The election was held on December 21, 2023, and the results have not yet been finalized in light of certain votes being challenged. A hearing with the NLRB was held in February 2024 to resolve certain challenged ballots and a decision on the outcome of the election is still expected from the NLRB.

79. As discussed in further detail in section 5.1 of the present Application, the Lion Group also proceeded with a series of workforce reductions in order to reduce labour costs in light of its growing liquidity crisis. These series of workforce reductions occurred in late 2023 and continued into 2024, with approximately 150 employees laid off in 2023, and a further approximate 970 employees laid off in 2024 to date, including approximately 400 employees who were temporarily laid off on December 1, 2024. In addition to the workforce reductions already carried out, the Lion Group may proceed with a further reduction of its workforce in an effort to reduce its operating expenses during these CCAA Proceedings.
80. As things currently stand, the Lion Group is current in its payroll obligations. However, an outstanding amount of approximately \$2.86 million remains owing to both current and former employees on account of unpaid accrued vacation.

2.5 CASH MANAGEMENT SYSTEM

81. The Lion Group's business and financial affairs require the maintenance of several bank accounts in Canada and in the US to facilitate the collections, disbursements and transfer of funds.
82. In the ordinary course of business, the Lion Group uses a centralized cash management system to accumulate funds and pay expenses associated with its operations (the "**Cash Management System**"), and to be able to efficiently and accurately track and control corporate funds and to ensure cash availability.
83. The Lion Group's payroll is managed internally and direct deposits to employees of the Lion Group on the date payroll is paid are issued by Nethris in Canada and iSolved in the US.
84. Any significant change to the current system would be seriously disruptive to normal operations, and therefore, the Applicants intend to maintain the Cash Management System throughout the course of these CCAA Proceedings.

3. THE LION GROUP'S FINANCIAL POSITION

3.1 ASSETS AND LIABILITIES

A. Assets

85. As at September 30, 2024, the Lion Group had, on a consolidated basis, total assets with a book value of approximately \$780,200,349, consisting of current assets with a book value of approximately \$292,297,149 and non-current assets with a book value of approximately \$487,903,200, as appears from the below:

ASSETS	(IN US DOLLARS)
Current Assets	
Cash	26,287,968
Accounts receivable	48,724,699
Inventories	215,103,160
Prepaid expenses and other current assets	2,181,322

ASSETS	(IN US DOLLARS)
<i>Total current assets</i>	292,297,149
Non-Current Assets	
Other non-current assets	7,879,733
Property, plant and equipment	186,611,153
Right-of-use assets	90,986,710
Intangible assets	189,170,558
Contract asset	13,255,046
<i>Total non-current assets</i>	487,903,200
Total Assets:	780,200,349

B. Liabilities

86. As at September 30, 2024, the Lion Group had, on a consolidated basis, outstanding indebtedness in the amount of \$499,765,196, which is broken down as follows:

LIABILITIES	(IN US DOLLARS)
Current Liabilities	
Trade and other payables	57,905,846
Deferred revenue and other deferred liabilities	44,253,046
Current portion of long-term debt and other debts	149,540,872
Current portion of lease liabilities	8,190,021
<i>Total current liabilities</i>	259,889,785
Non-Current Liabilities	
Long-term debt and other debts	143,095,183
Lease liabilities	87,217,483
Share warrant obligations	5,521,709
Conversion options on convertible debt instruments	4,041,036
<i>Total non-current liabilities</i>	239,875,411
Total Liabilities:	499,765,196

87. Given the Innovation Center Sale Transaction (which closed on December 16, 2024), and the use of the net proceeds from such transaction towards the partial repayment of the 2023 Non-Convertible Debentures, the total liabilities of the Lion Group was reduced accordingly.
88. A more detailed description of the Applicants' debt structure is provided below.

3.2 DEBT STRUCTURE

A. Secured Debt

89. As at September 30, 2024, the Applicants had approximately \$216,076,804.17 in outstanding secured liabilities, which amount is briefly outlined below (with the creditors identified in the following chart being collectively referred to as the "**Secured Creditors**").

Secured Creditors	Indebtedness
Syndicate of lenders represented by National Bank of Canada, as administrative agent and collateral agent, and including Bank of Montreal and Federation des Caisses Desjardins du Quebec	\$117,100,000
Fonds Finalta Capital, S.E.C. (" Finalta ") and CDPQ Revenu Fixe I Inc. (" CDPQ "), as lenders, represented by Finalta as <i>fondé de pouvoir</i> (hypothecary representative)	\$22,659,723
Holders of the 2023 Non-Convertible Debentures (as defined below) represented by Groupe Mach Inc. as <i>fondé de pouvoir</i> (hypothecary representative) (" Groupe Mach ")	\$68,915,845⁶
Other Secured Liabilities	\$7,401,236.17
Total:	\$216,076,804.17

90. A summary report of the registrations in the *Registre de droits personnels et réels mobiliers*, the Personal Property Security Register (British Columbia) and the Uniform Commercial Code (Delaware) made in favour of the Secured Creditors is communicated herewith for additional information as **Exhibit R-7**.

91. The Applicants' secured debt is described in further detail below.

(i) Revolving Credit Agreement with the Banking Syndicate Lenders

92. Lion Electric, as borrower, Lion Holding USA, Lion Electric USA, Lion Manufacturing USA and Northern Genesis, as guarantors, are parties to a credit agreement dated as of August 11, 2021 entered into with a syndicate of lenders (including National Bank of Canada ("**NBC**"), Bank of Montreal and Federation des Caisses Desjardins du Quebec) (collectively, the "**Banking Syndicate Lenders**") represented by NBC, as administrative agent, collateral agent and hypothecary representative, as such credit agreement was amended by an amendment request letter dated as of November 4, 2021, a first supplemental credit agreement dated as of January 25, 2022, an amendment request letter dated as of April 29, 2022, a request for consent dated as of September 20, 2022, a second amended and restated request for consent dated as of July 12, 2023, an amendment and request for advance letter dated as of May 31, 2024, a second supplemental credit agreement dated July 1, 2024, a borrowing base

⁶ As previously mentioned, given the Innovation Center Sale Transaction (which closed on December 16, 2024), and the use of the net proceeds from such transaction towards the partial repayment of the 2023 Non-Convertible Debentures, the total amount owing in respect of the 2023 Non-Convertible Debentures was reduced accordingly.

amendment request dated July 30, 2024, a request for consent and amendment dated September 30, 2024, an amendment request dated October 28, 2024, a request for amendments dated November 15, 2024 and an amendment dated November 30, 2024 (the "**November 30, 2024 Amendment**"), and as otherwise amended to the date hereof (the "**Revolving Credit Agreement**"), which provides for a \$200,000,000 revolving credit facility bearing interest at a floating rate⁷, and which was made available for use to finance working capital and for other general corporate purposes.

93. The obligations under the Revolving Credit Agreement are secured by a security interest, hypothec and lien on substantially all movable (personal) property and assets (subject to certain exceptions and limitations) of Lion Electric, Lion Holding USA, Northern Genesis, Lion Electric USA and Lion Manufacturing USA (collectively, the "**Lion Operating Group**").
94. On December 16, 2024, the covenant relief periods under both the Revolving Credit Agreement and the Finalta-CDPQ Loan Agreement (as defined below) expired, such that both facilities came to maturity, thereby resulting in the Lion Group being in default pursuant to the terms of the Revolving Credit Agreement, the Finalta CDPQ Loan Agreement and other debt instruments providing for cross-default or cross acceleration provisions, and in the Lion Group's lenders having the ability to exercise their rights and request immediate repayment of amounts borrowed by the Company.
95. As at September 30, 2024, the amounts owing under the Revolving Credit Agreement amount to \$117,100,000, in capital. Such amount was subsequently increased by approximately \$2.2 million, following additional advances made by the Banking Syndicate Lenders pursuant to the November 30, 2024 Amendment to temporarily fund the Lion Group's operations and payroll.

(ii) The Finalta-CDPQ Loan Agreement

96. On November 7, 2022, Lion Electric, as borrower, Lion Holding USA, Lion Electric USA, Lion Manufacturing USA and Northern Genesis, as guarantors, entered into a loan agreement with Finalta and CDPQ (the "**CDPQ-Finalta Lenders**"), as lenders, and Finalta as agent and *fondé de pouvoir*, to finance certain refundable tax credits and grants under government programs (as such loan agreement was amended on July 1, 2024, September 30, 2024, October 28, 2024, November 8, 2024, November 15, 2024 and November 30, 2024, and as otherwise amended to the date hereof, the "**Finalta-CDPQ Loan Agreement**"). The Finalta-CDPQ Loan Agreement provides for a loan facility of up to a principal amount of C\$30 million and bears interest at the rate of 12.95% per annum.
97. The obligations pursuant to the Finalta-CDPQ Loan Agreement are secured by a security interest, hypothec and lien in certain tax credits and government grants and receivables and a security interest, hypothec and lien in substantially all other movable property and assets (subject to certain exceptions and limitations) of the Lion Operating Group.
98. On December 16, 2024, the covenant relief periods under both the Revolving Credit Agreement and the Finalta-CDPQ Loan Agreement expired, such that both facilities came to maturity, thereby resulting in the Lion Group being in default pursuant to the

⁷ As at September 30, 2024, the weighted average all-in interest rate was 8.6%.

terms of the Revolving Credit Agreement, the Finalta CDPQ Loan Agreement and other debt instruments providing for cross-default or cross acceleration provisions, and in the Lion Group's lenders having the ability to exercise their rights and request immediate repayment of amounts borrowed by the Company.

99. As at September 30, 2024, the amounts owing under the Finalta-CDPQ Loan Agreement, as amended, amounted to \$22,659,723 in capital.

(iii) 2023 Non-Convertible Debentures

100. On July 19, 2023, Lion Electric closed financing transactions resulting in aggregate gross proceeds of approximately \$142 million (the "**2023 Debenture Financing**"), of which C\$91 million (\$68 million) resulted from the issuance by way of private placement to a group of subscribers of senior secured non-convertible debentures (as amended on July 1, 2024 and as otherwise amended to the date hereof, the "**2023 Non-Convertible Debentures**"), represented by Groupe Mach as their *fondé de pouvoir* (hypothecary representative).
101. The 2023 Non-Convertible Debentures bear interest at the rate of 11% per annum which interest is payable in cash on a quarterly basis until the maturity date of July 19, 2028.
102. The amounts owing to the holders of the 2023 Non-Convertible Debentures are secured by a security interest, hypothec and other liens on substantially all the movable (personal) property and assets (subject to certain exceptions and limitations) of the Lion Operating Group, and, previously a hypothec on the immovable/real rights related to Lion Electric's Innovation Center, which, as previously mentioned, was sold on December 16, 2024.
103. As at September 30, 2024, the amounts owing by Lion Electric in respect of the 2023 Non-Convertible Debentures amounted to approximately \$68,915,845, which was subsequently reduced by the net proceeds resulting from Innovation Center Sale Transaction.

(iv) Other Secured Liabilities

104. In addition to the foregoing, and the obligations described in paragraphs 122-124 of the present Application, there is approximately \$7,401,236.17 of secured liabilities owing to other secured creditors, which creditors include, *inter alia*, (i) indebtedness owing by Lion Manufacturing USA to BMO Harris Bank N.A. in the approximate amount of \$7.4 million in connection with one or more master lease agreements or similar instruments with respect to purchase money obligations, capital leases and other similar obligations, and (ii) approximately \$1,236.17 owing to Intact Compagnie d'assurance with respect to certain bonding obligations.

B. Unsecured Debt

105. The Lion Group's unsecured debt is described in further detail below.

(i) Unsecured Loan of the Strategic Innovation Fund of the Government of Canada

106. On August 19, 2021, Lion Electric entered into an unsecured non-interest-bearing loan agreement with the Strategic Innovation Fund of the Government of Canada (the "**SIF**") relating to the construction of the Lion Campus (as amended on June 25, 2024, and as otherwise amended to the date hereof, the "**SIF Loan Agreement**").

107. Pursuant to the SIF Loan Agreement, funds were advanced to Lion Electric by way of reimbursement of a predetermined percentage of qualified expenditures incurred by Lion Electric in connection with the construction of the Lion Campus, such that the ultimate amount to be received under the SIF Loan Agreement was dependent upon qualified expenditures being made by Lion Electric in connection with the Lion Campus. In certain circumstances, the loan made under the SIF Loan Agreement is eligible to be forgiven.

108. As at September 30, 2024, the amounts owing by Lion Electric in respect of the SIF Loan amounted to approximately \$21,807,465.

(ii) The IQ Loan

109. On July 1, 2021, Lion Electric entered into a loan agreement (*l'offre de prêt*) with Investissement Quebec ("**IQ**"), relating to the construction of the Lion Campus (such loan agreement, as amended on February 23, 2022, July 15, 2023, and as otherwise amended to the date hereof, the "**IQ Loan Agreement**").

110. Pursuant to the IQ Loan Agreement, funds were advanced to Lion Electric by way of reimbursement of a predetermined percentage of qualified expenditures incurred by Lion Electric in connection with the construction of the Lion Campus, such that the ultimate amount to be received under the IQ Loan Agreement was dependent upon qualified expenditures being made by Lion Electric in connection with the Lion Campus. In certain circumstances, the loan made under the IQ Loan Agreement is eligible to be forgiven.

111. The IQ Loan bears interest at a fixed rate of 4.41% per year over a 10-year term.

112. The obligations under the IQ Loan were previously secured by a hypothec on Lion Electric's immovable (real) property rights related to the Innovation Center facility located on the Lion Campus and a hypothec on substantially all of Lion Electric's other movable property and assets (subject to certain exceptions and limitations in regard to excluded assets). However, as part of closing the Innovation Center Sale Transaction, IQ released the above-mentioned immovable hypothecs.

113. As at September 30, 2024, the amounts owing under the IQ Loan Agreement, as amended, amounted to \$27,307,848 in capital.

(iii) Credit Facility for the Supplier Payment Program

114. On February 8, 2023, Lion Electric entered into a financing offer with NBC (as insured by Export Development Canada) with respect to a credit facility to finance Lion Electric's accounts payable related to good/services purchased in the normal course of its operations (as amended on July 25, 2023, May 7, 2024, and as otherwise amended to the date hereof, the "**Supplier Credit Facility**").
115. Each term loan tranche has a financing period of a minimum of 30 days and a maximum of 120 days. Each advance expires on the later of the expiry date of the invoice payable or the date indicated as the expiry date on the term note and accepted by the NBC (but no later than 120 days following the expiry date of the invoice). No advance can be prepaid in whole or in part. The Supplier Credit Facility is subject to an annual review and may be cancelled by NBC at any time.
116. The Credit Facility bears interest at a floating rate by reference to the SOFR, plus the relevant credit adjustment spread for a comparable period, plus 2.5%.
117. As at November 19, 2024, the outstanding amount under the Supplier Credit Facility was \$7,352,487. On November 19, 2024, Lion Electric failed to make a payment of C\$2,738,583.34 and \$323,142.65 then due under the Supplier Credit Facility for which a payment reminder was issued by NBC on November 25, 2024.

(iv) The Essor Loan

118. On June 27, 2024, Lion Electric entered into an agreement with IQ providing for an unsecured loan under the ESSOR program in the amount of C\$5,000,000 (\$3,653,102), which loan may, under certain conditions, be drawn up to C\$7,500,000 (\$5,479,652) (the "**ESSOR loan**").
119. The ESSOR loan has an initial term of 3 years, bears interest at a fixed annual rate of 13% per annum and provides, subject to the terms and conditions therein, for a moratorium of 12 months on the payment of any principal and interest thereunder.
120. As at June 30, 2024, the ESSOR loan was undrawn. However, on July 2, 2024, Lion Electric drew C\$5,000,000 (\$3.7 million) under the ESSOR loan.
121. As at September 30, 2024, the amounts owing by Lion Electric in respect of the ESSOR Loan amounted to \$3,825,667.

(v) The 2023 Convertible Debentures

122. As previously discussed, on July 19, 2023, Lion Electric closed financing transactions resulting in aggregate gross proceeds to the latter of approximately \$142 million (i.e. the 2023 Debenture Financing), of which \$74 million resulted from the issuance by way of private placement to a group of subscribers comprised of IQ, the *Fonds de solidarité des travailleurs du Québec* (F.T.Q.) and *Fondaction* of senior unsecured debentures bearing interest at the rate of 13% per annum, until the maturity date of July 19, 2028 (the "**2023 Convertible Debentures**").
123. As at September 30, 2024, the amounts owing by Lion Electric in respect of the 2023 Convertible Debentures amounted to approximately \$85.9 million.

(vi) Trade and Other Payables

124. As at September 30, 2024, the Applicants' indebtedness to its suppliers and other unsecured creditors not already addressed amounts to approximately \$57,905,846.

(vii) Lease Obligations

125. The Lion Group has entered into lease agreements for the rental of premises, rolling stock and equipment. The leases have an initial term of 1 to 40 years and some have a renewal option after their initial term. The lease terms are negotiated individually and encompass a wide range of different terms and conditions.
126. As noted above in section 2.3E, the Saint-Jérôme Facility, the Joliet Facility and the Battery Facility are leased by the Lion Group.
127. As at September 30, 2024, the Applicants' indebtedness pursuant to its lease obligations was approximately \$95,407,504 in total, of which \$8,190,021 is current and \$87,217,483 is not current.

(viii) Litigation

128. On November 1, 2023, a putative verified class action complaint (the "**Delaware Complaint**") was filed in the Delaware Court of Chancery against Lion Electric and the pre-Business Combination directors and officers of Northern Genesis. In March 2024, the Delaware Complaint was amended to include Marc Bedard and Nicolas Brunet, who are the CEO-Founder and former President, respectively, of Lion Electric. The Delaware Complaint alleges, among other things, that the director and officer defendants and Northern Genesis' sponsor breached their fiduciary duties in connection with the Business Combination, as well as a related claim for unjust enrichment as a result of the challenged Business Combination.
129. On March 22, 2024, a second class action complaint was filed in the Southern District of New York under the United States federal securities laws substantially against the same defendants as the Delaware Complaint plus Northern Genesis (the "**NY Complaint**"). The NY Complaint, as further amended on August 8, 2024, alleges, among other things, misrepresentations in the proxy statement filed in respect of the Business Combination.
130. Both the Delaware Complaint and the NY Complaint seek monetary damages, costs of the action, including plaintiffs' attorneys' fees and experts' fees and expenses, and any other relief the court may deem just and proper, which amounts of damages have not yet been established. The defendants, which include Lion Electric, Northern Genesis (solely in the NY Complaint), Marc Bedard and Nicolas Brunet, consider the claims raised in these complaints to be without merit and have filed motions to dismiss.
131. Additionally, on December 9, 2024, a putative class action complaint was initiated by Samuel Wright on behalf of a proposed class of all California employees of Lion Electric USA and filed in the Superior Court of California, County of Sacramento, against Lion Electric USA and other, as of yet, unnamed defendants that are believed to be the agent, representative, or parent or subsidiary corporation of Lion Electric USA (the "**California Complaint**"). The California Complaint alleges, among other things, that Lion Electric USA and the other unnamed defendants failed to pay vested vacation wages, failed to provide accurate itemized wage statements, failed to timely pay wages

due at separation and violated the *Unfair Competition Law*. The California complaint seeks, *inter alia*, unpaid wages, damages, reasonable attorneys' fees and any other relief the court may deem proper, which amounts of damages have not yet been established. The defendants, which include Lion Electric USA and other unnamed defendants, are in currently in the process of reviewing, with their advisors the California Complaint.

4. THE LION GROUP'S FINANCIAL DIFFICULTIES

132. Given the nature of its business, the Lion Group requires significant investment and capital to ensure that it can continue to perform the necessary manufacturing, and research and development activities required to produce and develop its product line.
133. In past years, in order to fund its operations and ensure that enough cash was available on hand, the Lion Group has had to resort to long-term debt financing and equity investments.
134. However, the Lion Group experienced a decrease in product deliveries due in part to the challenges in the processing of governmental subsidies and incentives, as well as the volatility in relation to the EV market, which materially adversely impacted its revenues and its cash flows. With a view to managing its liquidity in difficult circumstances, the Lion Group implemented various workforce reductions and other cost-cutting measures over the past months which negatively impacted production cadence and vehicle deliveries, which also negatively impacted the Lion Group's revenues and cash flows.
135. Ultimately, given the challenges described above, the significant amount of capital required to operate its business, as well as its significant debt-load and cash burn rate, the Lion Group has been unable to be profitable as a business thus far.
136. Additionally, the Lion Group, in recent years, executed its business strategy which included significant investments to quickly grow and scale its business. In so doing, the Lion Group incurred large amounts of debt in order to, eventually, be able to bring to market its products and services at a large scale and improve its margins. However, in light of the above-mentioned problems relating to, *inter alia*, the processing of government subsidies and incentives, the EV market, and the challenges with its rapid growth, the Lion Group never was able to obtain positive cash flows to compensate for the large indebtedness incurred.
137. For the financial year ended on December 31, 2023, the Lion Group incurred, on a consolidated basis a net loss of \$103,766,137 and a comprehensive loss of \$96,819,029, as appears from the Lion Electric's audited financial statements for the fiscal year ended December 31, 2023, which are communicated herewith as **Exhibit R-8**.
138. For the 9-months period ended on September 30, 2024, the Lion Group incurred, on a consolidated basis, an operating loss of \$88,043,681, a net loss of \$74,908,660 and a comprehensive loss of \$80,197,264, as appears from the Lion Electric's interim financial statements for the 9-months period ended September 30, 2024, which are communicated herewith as **Exhibit R-9**.
139. For the 9-months period ended on September 30, 2024, the Lion Group also had, on a consolidated basis, negative cash flows from operating activities of \$31,568,669, as

appears from the Lion Electric's interim financial statements for the 9-months period ended September 30, 2024, (Exhibit R-9).

140. These operating losses and negative cash flows were mainly the result of the Lion Group's sales volumes and continued significant operational expenses and, in the case of the fiscal 2023 results, expenditures incurred by the Company to develop its products and grow its business.
141. The Lion Group is now at a crossroads: in order to carve out a place in the highly competitive EV market, the Lion Group needs a large influx of liquidity and capital investment in order to sustain its operations and meet market demand by ramping-up its production capacity.
142. However, as a result of the Lion Group's worsening financial situation, its recurring losses and negative cash flows, which are exacerbated by the nature of the Lion Group's business being capital intensive and the fact that it has never achieved profitability, the current challenges in the processing of governmental subsidies or incentives, and the current economic context and volatility in the EV market in Canada and in the US, the Lion Group has:
 - (a) been unable to raise additional funds via debt or equity financings; and
 - (b) been advised by its senior secured creditors that they are unwilling to provide any additional financing, outside of these CCAA Proceedings.
143. On December 16, 2024, the covenant relief periods under both the Revolving Credit Agreement and the Finalta-CDPQ Loan Agreement expired, such that both facilities came to maturity, thereby resulting in the Lion Group being in default pursuant to the terms of the Revolving Credit Agreement, the Finalta CDPQ Loan Agreement and other debt instruments providing for cross-default or cross acceleration provisions, and in the Lion Group's lenders having the ability to exercise their rights and request immediate repayment of amounts borrowed by the Company.
144. Accordingly, and as will be more fully described below, the Lion Group is now insolvent as a result of its inability to meet its obligations as they become due, particularly with respect to the payment of its debt obligations owed, and the aggregate amount of its outstanding indebtedness is well in excess of the \$5 million threshold set out in the CCAA.

5. THE LION GROUP'S PRE-FILING STRATEGIC PROCESS

145. In order to address the Lion Group's liquidity issues, throughout 2023 and 2024, the Lion Group undertook a formal strategic review process to explore, review and evaluate a broad range of strategic alternatives focused on ensuring its financial liquidity, including but not limited to, possible debt or equity financing, asset sales, workforce reductions, or other restructuring measures (the "**Pre-Filing Strategic Process**").
146. Despite the efforts undertaken as part the Pre-Filing Strategic Process, which efforts are outlined in further detail below, the Lion Group has been unable to find a workable financing solution to remedy its significant liquidity issues and capital needs in a way that would allow it to continue operations in the normal course.

5.1 COST REDUCTIONS INITIATIVES

147. Towards the end of 2023 and throughout 2024, the Lion Group announced a series of workforce reductions, combined with other cost-cutting measures, including in areas such as third-party inventory logistics, lease expenses, consulting, product development and professional fees.
148. These cost reduction measures were aimed at further reducing the Lion Group's operating expenses and aligning its cost structure to current market dynamics.
149. With respect to the aforementioned workforce reductions, the Lion Group laid off:
 - (a) approximately 150 employees on November 27, 2023;
 - (b) approximately 100 employees on February 29, 2024;
 - (c) approximately 120 employees on April 18, 2024; and
 - (d) approximately 350 employees on July 31, 2024.
150. In addition to the foregoing, on December 1, 2024, the Lion Group temporarily laid off approximately 400 additional employees, suspended manufacturing operations at the Joliet Facility in an effort to further reduce costs and announced that it would focus on bus manufacturing, sales and delivery operations, as well as assisting customers with the servicing and maintenance of vehicles on the road.

5.2 LIQUIDITY ENHANCEMENT MEASURES

151. In addition, as part of its liquidity enhancement measures, in the context of the amendments to certain of the Lion Group's debt instruments that were entered into on July 1, 2024 to allow Lion Electric to remain in compliance under the terms of such instruments and thereafter, certain of the Lion Group's creditors agreed, and the Lion Group determined that it was in its best interest and in the best interest of its stakeholders, to defer the interest payments due pursuant to the Revolving Credit Agreement, and a portion of the interest payments due under the Finalta-CDPQ Loan Agreement and the 2023 Non-Convertible Debentures.
152. Accordingly, as part of the amendments to the Revolving Credit Agreement, the Finalta-CDPQ Loan Agreement and the 2023 Non-Convertible Debentures, the Lion Operating Group negotiated the effective deferral of the interest payable thereunder (with the interests deferred under the 2023 Non-Convertible Debentures being deferred to September 30, 2024 only).
153. By deferring such interest payments totaling approximately \$3.6 million, the Lion Group assessed, in consultation with its financial advisors, that it would reduce its interest payment obligations by \$3.6 million during the period of July 1, 2024 to September 30, 2024 so to as to seek to improve its financial situation.
154. The Lion Group, in 2023 and 2024, also undertook several other measures to improve its liquidity. In July, 2023, the Lion Group closed the 2023 Debenture Financing that resulted in aggregate gross proceeds of approximately \$142 million, which net proceeds the Lion Group used to fund its working capital requirements, strengthen its financial position, and allow it to continue to pursue its growth strategy, including the

Lion Group's business strategy with respect to its capacity expansion projects in Mirabel, Quebec and Joliet, Illinois. Furthermore, as mentioned above, on July 2, 2024, the Lion Group entered into the ESSOR loan with IQ in the amount of \$5 million.

155. Additionally, on December 16, 2024, the Lion Group closed a definitive agreement to sell the Innovation Center to Montreal Airport for a principal amount of approximately \$50,000,000. All net proceeds from the sale of the Innovation Center were used towards the partial repayment of the 2023 Non-Convertible Debentures. Therefore, while the transaction will improve the Lion Group's financial health on its balance sheet, the Innovation Center Sale Transaction will not improve the Lion Group's short-term liquidity and cash position.
156. Ultimately, despite the implementation of the cost reduction measures and the liquidity enhancement measures described above, the Lion Group continues to face liquidity issues.

5.3 THE NBF PRE-FILING SOLICITATION PROCESS

157. In addition to, and in parallel with the above, the Lion Group also sought to identify opportunities that would allow it to raise financing in order to continue to meet its ongoing obligations and to continue operations in the normal course.
158. In this context, on July 7, 2024, the Lion Group engaged NBF as its financial advisor in an effort to pursue, on a confidential basis, a solicitation process (the "**NBF Pre-Filing Solicitation Process**") with a view to secure one or more transaction(s) that would allow the strengthening of the Lion Group's financial position.
159. The NBF 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.
160. In order to secure one or more of the above transaction(s), NBF, with the assistance of the Lion Group, conducted the NBF Pre-Filing Solicitation Process in accordance with the following milestones previously agreed upon, in consultation with the Lion Group's principal secured lenders:
 - (a) on July 5, 2024, delivery of a signed mandate letter by which NBF was retained to assist Lion Electric with the NBF Pre-Filing Solicitation Process;
 - (b) by no later than July 17, 2024, delivery to Lion Group's principal secured lenders of a detailed plan for the NBF Pre-Filing Solicitation Process along with a written confirmation that the NBF Pre-Filing Solicitation Process had been launched;
 - (c) delivery of weekly written status reports on the NBF Pre-Filing Solicitation Process to NBF, with the first such report delivered on July 22, 2024, as well

as updates following the end of each calendar month regarding any refinancing initiative related to the Revolving Credit Agreement; and

- (d) implementation of the NBF Pre-Filing Solicitation Process shortly after the signing of the mandate letter with NBF mentioned above.

- 161. During the NBF Pre-Filing Solicitation Process, NBF reached out to 108 interested parties, of which NDAs were signed with 31 interested parties, however, despite the efforts undertaken, no satisfactory offer was received by the Lion Group as part of the NBF Pre-Filing Solicitation Process.

5.4 THE FORMATION OF THE SPECIAL COMMITTEE OF THE BOARD

- 162. On November 15, 2024, Lion Electric formed a special committee comprised of certain directors (the "**Special Committee**") in order to, among other things, oversee and provide directions in connection with these CCAA Proceedings, including overseeing the conduct of the SISF and the evaluation of any proposed transaction thereunder.
- 163. The Special Committee's remuneration has been agreed upon and is provided for in the Cash Flow Projections (as defined below).

6. THE NEED FOR CCAA PROTECTION

- 164. As previously discussed, over the course of the past few months, the Lion Group has been actively engaged in discussions with certain of its lenders regarding potential alternatives relating to a restructuring of the Lion Group's obligations, while in parallel evaluating other opportunities or alternatives that would have enabled it to improve its liquidity and strengthen its financial position.
- 165. Ultimately, after careful review of all available alternatives and following consultation with its legal and financial advisors, as well as discussion with its senior lenders who advised the Lion Group that no further amendments, concessions or waivers would be granted under their respective credit agreements, the Lion Group determined that it was in its best interest and that of its stakeholders to seek this Court's protection under the CCAA.
- 166. The Lion Group commences these CCAA Proceedings with a view to continue, with the assistance of NBF and the Monitor and under the supervision of this Court, to canvass the market and solicit a wider variety of offers from potentially interested parties that will hopefully allow the Lion Group to maximize value for the benefit of its creditors and other stakeholders.
- 167. Should protection to the Lion Group be granted by the Court in accordance with the CCAA, the Lion Group will also take this opportunity to further restructure its business from an operational standpoint and implement additional cost-cutting measures, which may be achieved by, *inter alia*, further reducing operating costs through the disclaimer of non-profitable contracts or leases, closure of unprofitable business operations, employee termination and other corporate restructuring.
- 168. The Lion Group believes that the structure and oversight provided by the CCAA process is necessary to implement such short-term measures, in conjunction with managing competing demands by various creditors and facilitating a restructuring process under the supervision of the Court.

169. In order to properly implement the restructuring, the Lion Group requests that the following reliefs be ordered by the Court.

6.1 APPLICATION OF THE CCAA

170. As described earlier in this Application, and as will be more fully described in the proposed Monitor's Report:
- (a) the Lion Group is facing a liquidity crisis which renders it unable to meet its obligations as and when they become due, and, as a result, the Lion Group is insolvent; and
 - (b) the aggregate amount of the Lion Group's outstanding indebtedness, on a consolidated basis, is far greater than the C\$5,000,000 threshold set out in the CCAA.
171. As such, the Lion Group meets the criteria set out at subsection 3(1) of the CCAA and are "*debtor companies*" to which the CCAA applies.

6.2 STAY OF PROCEEDINGS

172. As set out above, and notwithstanding the significant capital raising and restructuring efforts undertaken prior to the commencement of the present CCAA Proceedings, the Lion Group is currently insolvent, with limited and depleting cash resources to pay its liabilities as they become due, and the Lion Group is expected to continue to experience significant liquidity constraints in the weeks and months ahead.
173. The Lion Group is deeply concerned that unless a stay of proceedings is ordered, certain creditors and other stakeholders may take steps to try and improve their positions in comparison to other creditors, as well as take actions that will deplete the Lion Group's assets and jeopardize the conduct of the SISP.
174. Accordingly, the Lion Group hereby requests a stay of proceedings against each of the Applicants as well as their respective Property, and their respective D&Os (the "**Stay of Proceedings**"), for an initial ten (10) day Stay Period, followed by a "*deemed extension*" of the Stay of Period until a "*comeback hearing*" can take place on January 7, 2025, after the holiday period, subject to the Court's availability, provided that no party opposes to such "*deemed extension*" of the Stay Period. At the "*comeback hearing*", the Lion Group will request an extension of the Stay Period until February 14, 2025, so as to preserve the *status quo* and prevent creditors and others from taking any steps to try and better their positions in comparison to other creditors, as well as allow the SISP to progress in a timely manner.
175. In preserving the *status quo*, the Stay of Proceedings will permit the Lion Group to continue operating without unnecessary hindrances that may affect its operations and assets, while completing and implementing any transaction resulting from the SISP for the ultimate benefit of their stakeholders.
176. All stakeholders generally, including creditors, will benefit from the Stay of Proceedings. However, the CDPQ-Finalta Lenders will remain unaffected creditors in the CCAA Proceedings, but only in respect of the Finalta/CDPQ Priority Assets (as defined in the Revolving Credit Agreement), considering the specific nature of their financing and priority collateral, which mainly constitutes tax credit refunds and

government grants receivables which are being collected as the restructuring process unfolds.

6.3 APPOINTMENT OF A MONITOR

177. The Lion Group requests that Deloitte be appointed by the Court to act as Monitor in the present CCAA Proceedings.
178. Deloitte, which has been acting as financial advisor to the Banking Syndicate Lenders, is well aware of the Lion Group's financial situation and already has valuable insights into its business and operations, particularly since it has been assisting the Lion Group with its pre-filing restructuring efforts as well as its CCAA Application.
179. Deloitte is a licensed trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* and is not subject to any of the restrictions on who may be appointed monitor as set out in subsection 11.7(2) of the CCAA, having provided no accounting or auditing advice to the Lion Group.
180. Deloitte has extensive experience in matters of this nature and is well-suited to this mandate and, as such, has confirmed that it consents and is in a position to perform the monitoring duties without any delay.
181. Given the foregoing, the Lion Group believes that it is in the best interests of its creditors and other stakeholders that Deloitte be appointed to act as the Court's Monitor during these CCAA Proceedings.
182. As previously mentioned, the Lion Group understands that Deloitte, in its capacity as proposed Monitor, will be filing the Pre-Filing Report with this Court in conjunction with the present Application, which will provide, *inter alia*, additional details relating to Deloitte's ability to act as monitor in these CCAA Proceedings, as well as Deloitte's views and recommendations in connection the present Application and the relief set out herein.

6.4 INTERIM FINANCING

183. As will appear from the cash flow projections (the "**Cash Flow Projections**") to be attached to Deloitte's Pre-Filing Report, given its liquidity constraints, the Lion Group will require interim financing during these CCAA Proceedings in order to, notably, conduct the contemplated SISP.
184. In this context, prior to the commencement of these CCAA Proceedings, the Lion Group has had discussions and negotiations with the Banking Syndicate Lenders, represented by its administrative agent, NBC, to secure such interim financing.
185. On the basis of these discussions, the Banking Syndicate Lenders (in such capacity, the Interim Lenders) have advised the Lion Group that they were prepared to provide the above Interim Financing requested by the Lion Group on the terms and conditions set forth in the Interim Financing Term Sheet entered into between such parties concurrently with the commencement of these CCAA Proceedings. A copy of the Interim Financing Term Sheet is communicated herewith as **Exhibit R-10**, with the Cash Flow Projections as Appendix B to the Interim Financing Term Sheet communicated herewith, *under seal*, as **Exhibit R-10A**.

186. More specifically, the Interim Financing Term Sheet provides for the following material terms and conditions:
- (a) Interim Facility: Total amount of \$10,000,000 million, of which an initial advance of \$6,000,000 million (the "**Initial Advance**") would be advanced upon the issuance of the Initial Order to fund the Lion Group's liquidity needs until the "*comeback hearing*";
 - (b) Interest Rate: Prime Rate plus 7% per annum;
 - (c) Interim Facility Fees: 2.4% of the commitments as and when made;
 - (d) Security: Super-priority charge (i.e. Interim Lenders' Charge) against the Property of the Applicants, subordinate to the Administration Charge and the D&O Charge, but ranking ahead of the KERP Charge and the Financial Advisor Charge, as set out in the draft Initial Order and ARIO, and in all cases subject to the ranking set out in paragraph 2(a)(viii), in order to secure all advances to be made under the Interim Financing Term Sheet. Such super-priority charge will not secure obligations incurred prior to the commencement of these CCAA Proceedings;
 - (e) Permitted Purposes: To repay in full, pursuant to the November 30, 2024 Amendment, the interim funding provided by the Interim Lenders for the period commencing on November 30, 2024 and ending on December 18, 2024, and to fund working capital requirements of the Lion Group and to implement the restructuring contemplated in the CCAA Proceedings;
 - (f) Maturity Date: On the earliest occurrence of, *inter alia*, the following events:
 - i. April 23, 2025;
 - ii. the implementation of a plan of compromise or arrangement within the CCAA Proceedings, which has been approved by the Interim Lenders and the requisite majorities and sanctioned by the Court;
 - iii. the completion of the sale of all or substantially all of the assets of the Borrower (as defined in the Interim Financing Term Sheet (Exhibit R-10)) in the aggregate, unless the Interim Lenders consent to such sale;
 - iv. the occurrence of an Event of Default (as defined in the Interim Financing Term Sheet (Exhibit R-10)) in respect of which the Interim Lenders have elected to accelerate all amounts owing and demand repayment; and
 - v. the date on which the Stay of Proceedings pursuant to the Initial Order expires without being extended or on which the CCAA Proceedings are terminated;
 - (g) Material Conditions: For the Initial Advance, issuance by the Court of the Initial Order, and for the other tranches, issuance by the Court of the ARIO and the SISF Order;

187. Given the current financial situation of the Lion Group, the Interim Financing is the only feasible financing alternative available to the Applicants, and is on terms that are fair, reasonable and adequate.
188. In light of the foregoing, and given the *immediate* liquidity needs of the Lion Group:
- (a) At the initial hearing: The Lion Group will requests that the Interim Financing Term Sheet be approved at the initial hearing on the Lion Group's request for the issuance of the Initial Order, and that the Lion Group be authorized to borrow thereunder a maximum amount of up to \$6,000,000 million, subject to the corresponding Interim Lenders' Charge being approved in favour of the Interim Lenders in the amount of \$7,200,000; and
 - (b) At the "comeback hearing": The Lion Group will request to be authorized to borrow additional funds, as required, in the increased maximum amount of \$10,000,000 pursuant to the Interim Financing Term Sheet, subject to the Interim Lenders' Charge being increased accordingly to the amount of \$12,000,000.
189. Considering that the Interim Facility will be provided by the Banking Syndicate Lenders, who already benefit from a prior ranking security interest on the property on which priority will be retained, there will be no material prejudice to any other existing creditor of the Lion Group should the Court approve the Interim Financing Term Sheet and the proposed Interim Lenders' Charge.
190. The Applicants understand that the proposed Monitor is supportive of this Court's approval of the Interim Financing Term Sheet and the establishment of the Interim Lenders' Charge, as set out in the Initial Order.

6.5 ADMINISTRATION CHARGE

191. The Professionals will be essential to the Lion Group's restructuring efforts during these CCAA Proceedings.
192. Indeed, the Lion Group requires and will continue to require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA Proceedings in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in the Lion Group's restructuring and there will be no duplication.
193. Each of the above professionals have advised that they are prepared to provide or continue to provide professional services to the Lion Group provided that they are protected by a super-priority charge over the Property of the Lion Group that ranks ahead of all other charges and encumbrances, including all charges ordered by the Court in the context of these CCAA Proceedings, subject to the ranking set out in paragraph 2(a)(viii).
194. Accordingly:
- (a) At the initial hearing: The Lion Group will request the establishment of an Administration Charge in favour of the Professionals in an initial amount of \$800,000, in order to secure the professional fees incurred to date in

connection with the CCAA Proceedings and those that are expected to be incurred in the initial 10-day Stay Period;

- (b) At the "comeback hearing": The Lion Group will request that the Administration Charge be increased to an aggregate amount of \$1,300,000, in order to secure the professional fees that are expected to be incurred in the context of the CCAA Proceedings.

- 195. The Lion Group respectfully submits that the proposed amounts for the Administration Charge are fair and reasonable in the circumstances and are in line with other administration charges previously granted in the context of other CCAA proceedings similar to the one at hand.

6.6 D&O CHARGE

- 196. In order to continue to carry on business during the CCAA Proceedings, the Lion Group will require the active and committed involvement of its directors, *de facto* directors, as well as certain senior officers (i.e. the D&Os).

- 197. Although the Lion Group intends to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales taxes, the D&Os are nevertheless concerned about the potential for their personal liability in the context of the present CCAA Proceedings.

- 198. Given the current financial situation of the Lion Group, these D&Os require the assurance that the Lion Group will be in a position to indemnify them for all liabilities which they may incur in their capacity as D&Os (if any), after the commencement of these CCAA Proceedings.

- 199. While the Lion Group maintains an insurance policy for the benefit of its D&Os (the "**D&O Insurance**"), in addition to the fact that such D&O Insurance is set to expire on October 31, 2025, the current amount of coverage provided by the D&O Insurance may ultimately not be sufficient to adequately protect the D&Os from potential liability.

- 200. Accordingly:

- (a) At the initial hearing: The Lion Group will request the establishment of an D&O Charge in favour of the D&Os in an initial amount of \$2,500,000, in order to secure the Lion Group's indemnification obligations towards them, for claims which could potentially arise in the initial 10-day Stay Period, to the extent that such claims are not covered by the D&O Insurance;
- (b) At the "comeback hearing": The Lion Group will request that the D&O Charge be reduced to an aggregate amount of \$1,900,000, in order to secure the Lion Group's indemnification obligations towards its D&Os, for claims which could potentially arise during the CCAA Proceedings, to the extent that such claims are not covered by the D&O Insurance.

- 201. The Lion Group submits that the requested D&O Charge is reasonable and adequate given, notably, the complexity of its business, and the corresponding potential exposure of the D&Os to personal liability. In fact, the proposed amounts of the D&O Charge have been discussed and established with Deloitte, in its capacity as proposed Monitor.

202. Absent the establishment of a D&O Charge, the Lion Group is concerned that one or more of its D&Os will resign from their posts, which would, in all likelihood, jeopardize the continuation of the Lion Group's business, to the detriment of its creditors and other stakeholders.
203. In addition, the Lion Group further submit that the D&O Charge will provide assurances to its employees that their obligations towards them for accrued wages, termination and severance pay shall be satisfied. Indeed, while the insolvency of the Lion Group and its non-payment of various employee obligations may trigger the personal liability of the D&Os, any recourse initiated by such employees against the D&Os does not guarantee them any recovery. Therefore, the creation of a super-priority security in favour of the D&Os for sums for which they may be held liable to employees (but for which the Lion Group is ultimately liable) enhances such employees' chances of recovery by, in effect, creating a super-priority security for their claims.

6.7 KERP AND KERP CHARGE

204. The Lion Group has identified certain key employees (collectively, the "**Key Employees**") who will be critical in the conduct of these CCAA Proceedings and the implementation of the restructuring efforts to be undertaken in the context thereof, including the conduct of the SISP.
205. Retaining these Key Employees during the CCAA Proceedings will provide critical stability in these otherwise uncertain times for the Lion Group. It is anticipated that this stability will enable the Lion Group to maintain orderly operations and existing customer relations, as well as maximize enterprise value throughout the course of these CCAA Proceedings.
206. Accordingly, in order to facilitate the above, and to maximize the Lion Group's business' value, the Lion Group has developed, in consultation with Deloitte, as proposed Monitor, a KERP in order to ensure that Key Employees are retained throughout the CCAA Proceedings. A summary table setting out the material terms of the KERP is communicated herewith, *under seal*, as **Exhibit R-11**⁸.
207. The KERP provides incentives for Key Employees (which include retention payments and severance packages) to continue to remain employed by the Lion Group in the unusual circumstances that face these employees. Indeed, these Key Employees will be asked to continue to work with the objective of implementing a restructuring plan for the Lion Group, even if their continued employment is uncertain, as such restructuring plan may involve one or more sale transactions of some or all the Lion Group's assets.
208. In order to secure the payment which may become owing to the above-mentioned Key Employees in accordance with the KERP, the Lion Group will seek from this Court, at the initial hearing, the approval of the KERP and the establishment of a KERP Charge over the Property of the Lion Group in the amount of \$1,500,000, so as to secure its obligations towards the Key Employees under the KERP. The Lion Group will also be

⁸ The KERP will be filed under seal as it is not the policy of the Lion Group to make the salaries of its employees publicly known (except in respect of its "named executive officers" as required under applicable securities laws). Moreover, apart from privacy concerns of the employees who are part of the KERP, such information would enable other employers to attempt to outbid the Lion Group for the same employees. Disclosure of the details of the KERP could also create negative morale amongst the Lion Group's other employees.

seeking confirmation of the KERP and the KERP Charge, in the amount established in the Initial Order, at the "*comeback hearing*".

6.8 COMI DECLARATION & RECOGNITION OF CCAA PROCEEDINGS IN THE US

209. As previously mentioned, each of the entities forming part of the Lion Group, including those entities incorporated in the US, attorn to the jurisdiction of this Court and confirm that it is part of a group of companies (i.e. the Lion Group) whose "*centre of main interest*" (COMI) is in Québec, Canada, as set out below:

- (a) the registered, head office and chief place of business of each of Lion Electric, Lion Finance Canada and Lion Vehicle Finance Canada, and the headquarters office of each of the Lion Group entities is in Saint-Jérôme, Québec, Canada;
- (b) the entities forming part of Lion Group operate on a consolidated basis and as one corporate group controlled by Lion Electric, which controls the operations and strategic direction of the Lion Group as the ultimate parent company of its subsidiaries;
- (c) the Lion Group's operational and critical strategic decisions are mainly made in Quebec, Canada by senior management of Lion Electric also located in Quebec, Canada;
- (d) Lion Electric, as the publicly listed entity, receives all proceeds from share capital issuances and loan proceeds, and uses such proceeds to fund the other Lion Group entities;
- (e) all material and/or long-term contracts and expenses are subject to the approval of Lion Electric's senior management located in Québec, Canada;
- (f) most material and/or long-term contracts to which any Lion Group entity is a party, including contracts to which any US subsidiary of Lion Electric is a party, are negotiated by senior management of such entity based in Québec, Canada;
- (g) corporate governance and regulatory compliance for the Lion Group is overseen by Lion Electric's management team located in Québec, Canada;
- (h) meetings for management and senior staff of the Lion Group are regularly held at Lion Electric's headquarters located in Saint-Jérôme, Québec, Canada;
- (i) key accounting decisions and all plans, budgets and financial projections are subject to the approval of senior management located in Québec, Canada;
- (j) planning, budgeting, management of tax, treasury and cash management and preparation of financial projections for the Applicants is done from Québec, Canada;
- (k) marketing and business development initiatives are overseen from Lion Electric's marketing team located in Québec, Canada;

- (l) key human resources decisions, including decisions pertaining to, *inter alia*, payroll budgets and augmentation or reduction of employee headcount as per the approved budget, are made in Québec, Canada;
 - (m) the majority of the Lion Group's employees are based and work in Québec, Canada;
 - (n) the majority of the Lion Group's most important assets and operations, including manufacturing, sales and research and development operations, work in process and parts inventory (including certain parts inventory owned by Lion USA Manufacturing) are located in Québec, Canada;
 - (o) the books and records of Lion Electric and each of its direct and indirect subsidiaries are located and maintained at the Lion Group's headquarters offices in Saint-Jérôme, Québec, Canada;
 - (p) Quebec is the readily ascertainable jurisdiction by the Lion Group's creditors, considering, among other things, that Lion Electric is the sole borrowing entity pursuant to the secured loans it has entered into, and a substantial amount of claims, both secured and unsecured, are owed to Canadian creditors; and
 - (q) the entities forming part of the Lion Group understand that their principal secured creditors are supportive of a CCAA filing in Canada.
210. In light of the foregoing, the Lion Group requests a declaration from the Court that its COMI (and that of all of the entities forming part of the Lion Group) is located in Québec, Canada.
211. While the Court will have jurisdiction over all entities forming part of the Lion Group (subject to its decision and declaration with respect to the latter's COMI), the fact remains that those entities incorporated in the US will continue to operate and have assets in the US during the pendency of these CCAA Proceedings.
212. In order to minimize disruptions and ensure adequate protection to those US-based Applicants, the Lion Group intends to file, if this Application is granted, recognition proceedings before the US Bankruptcy Court pursuant to Chapter 15 of the US Bankruptcy Code.
213. More specifically, pursuant to such recognition proceedings, the Lion Group will be seeking, among other things:
- (a) recognition of these CCAA Proceedings as a main foreign proceeding pursuant to Chapter 15 of the US Bankruptcy Code;
 - (b) recognition and enforcement by the US Bankruptcy Court of the Initial Order, the ARIO, the SISP Order and any subsequent orders to be rendered by this Court; and
 - (c) other appropriate relief, as necessary.
214. Such foreign recognition proceedings are necessary to ensure that if this Application is granted, the Stay of Proceedings will be recognized and enforced in the United

States of America, where assets and operations of some of the entities forming part of the Lion Group are located.

6.9 THE SISP & THE SISP PROCEDURES

215. Subject to the issuance by this Court of the Initial Order and of the ARIO, the SISP Team in consultation with the Interim Lenders and with the assistance of the Financial Advisor, intends to conduct and implement a SISP in accordance with the terms and conditions set out in the SISP Procedures appended to the draft SISP Order.
216. The SISP Procedures will provide for the accomplishment of the following milestones within the delays set out below:⁹

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
<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

⁹ Terms not defined but otherwise used in this section shall have the meaning given to them in the SISP Order and the SISP Procedures.

<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

217. The SISP, the SISP Procedures and the milestones described therein are the result of extensive discussions between the Lion Group, Deloitte, as proposed Monitor, NBF, as proposed financial advisor, the Interim Lenders and the CDPQ-Finalta Lenders. The conduct of the SISP in accordance with the SISP Procedures will provide for a fair, efficient and transparent process that will allow a proper canvassing of the market, which, in turn, will allow the maximization of the value of the Lion Group's assets and, if possible, the pursuit of its business operations as a going concern, all for the benefit of its creditors and other stakeholders.

218. Given the nature of the assets, the current context facing the Lion Group, and the limited liquidity of the Lion Group, the latter submits that the proposed SISP, SISP Procedures and milestones described therein are reasonable under the circumstances and should therefore be approved by this Court as part of the proposed SISP Order.

6.10 APPOINTMENT OF A FINANCIAL ADVISOR

219. As previously mentioned, on July 7, 2024, prior to the commencement of these CCAA Proceedings, the Lion Group engaged NBF as its financial advisor in an effort to pursue a potential transaction to strengthen the financial position of the Lion Group (i.e. the NBF Pre-Filing Solicitation Process).

220. However, as part of the NBF Pre-Filing Solicitation Process, NBF did not focus its efforts on the solicitation of offers for the acquisition of the assets or shares of the Lion Group in the context of financial distress, and no offer emerged in respect of any such transaction.

221. As such, despite the efforts undertaken as part of the NBF Pre-Filing Solicitation Process, no satisfactory offer was received by the Lion Group, and the engagement letter previously entered into with NBF was terminated.

222. Concurrently with the commencement of these CCAA Proceedings, Lion Electric entered into a new engagement letter with NBF (the "**December NBF Engagement Letter**") which contemplates a revised mandate for NBF to act as Financial Advisor to the Lion Group and assist with the solicitation of any and all potential offers in the context of a SISP to be conducted as part of these CCAA Proceedings. A copy of the December NBF Engagement Letter is communicated herewith, *under seal*, as **Exhibit R-12**.
223. NBF is an investment banking firm with significant contacts across the world, and with significant valuable insights into the business and operations of the Lion Group. NBF has worked with the Lion Group since the Business Combination and has since helped the Lion Group complete a number of financings.
224. Accordingly, the Lion Group is requesting the appointment by the Court of NBF as its Financial Advisor in accordance with the terms and conditions of the December NBF Engagement Letter, as well as the establishment of a super-priority charge (i.e. the Financial Advisor Charge) in favour of NBF to secure the Lion Group's obligations towards it in such a role.
225. The Lion Group understands that Deloitte, in its capacity as proposed Monitor, has reviewed the December NBF Engagement Letter, and is supportive of the appointment of NBF as the Financial Advisor to the Lion Group in accordance with the terms of such engagement letter, and the establishment of the Financial Advisor Charge in favour of NBF.

7. CONCLUSIONS

226. As appears from the above, the Lion Group is currently in a challenging financial position, as a result of, *inter alia*, its recurring losses and negative cashflows, the challenges in the processing of governmental subsidies or incentives, and the current economic context and volatility in relation to the EV market, all of which have caused a decrease in sales and product deliveries.
227. Additionally, on December 16, 2024, the covenant relief periods under both the Revolving Credit Agreement and the Finalta-CDPQ Loan Agreement expired, such that both facilities came to maturity, thereby resulting in the Lion Group being in default pursuant to the terms of the Revolving Credit Agreement, the Finalta CDPQ Loan Agreement and other debt instruments providing for cross-default or cross acceleration provisions, and in the Lion Group's lenders having the ability to exercise their rights and request immediate repayment of amounts borrowed by the Company.
228. Given the Lion Group's inability to raise additional capital or to raise additional funds via equity or debt financings due to its current financial situation, the Lion Group is no longer able to meet its financial obligations as they become due, and, therefore, is now insolvent and requires the protection afforded by the CCAA while it seeks to restructure its affairs and conduct the SISP.
229. The Lion Group believes that the best way to preserve enterprise value and, if possible, maximize its chances of pursuing its operations as a going concern, for the benefit of its creditors and other stakeholders, is by commencing these CCAA Proceedings.

230. Considering the urgency of the situation, the Lion Group respectfully submits that the notices given of this Application for the purposes of all orders sought herein are proper and sufficient and that said Application should be granted in accordance with its conclusions.

FOR THESE REASONS, MAY IT PLEASE THIS COURT TO:

GRANT the Application.

ISSUE orders substantially in the form of:

- (a) the draft Initial communicated in support of the Application as Exhibit R-1;
- (b) the draft SISP Order communicated in support of the Application as Exhibit R-2;
- (c) the draft ARIO communicated in support of the Application as Exhibit R-3; and

WITHOUT COSTS, save and except in case of contestation.

MONTREAL, December 17, 2024



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SWORN STATEMENT

I, the undersigned, Richard Coulombe, having my principal place of business at 921 chemin de la Rivière-du-Nord, in the city of Saint-Jérôme, Province of Quebec, 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 Initial Order, an Amended and Restated Initial Order and a Sale and Investment Solicitation Process Order* are, to the best of my knowledge, true.

AND I HAVE SIGNED



Richard Coulombe

**Solemnly declared before me at Montreal,
on the 17th day of December, 2024**

 #167833

**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 Initial Order, an Amended and Restated Initial Order and a Sale and Investment Solicitation Process 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 December 18, 2024 at 9h30 in virtual room D-RC.14.**

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

DO GOVERN YOURSELVES ACCORDINGLY.

Salle D-RC-14	Rejoindre la réunion Microsoft Teams +1 581-319-2194 Canada, Québec (Numéro payant) (833) 450-1741 Canada (Numéro gratuit) ID de conférence : 936 591 875# 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 : 1152015931 Autres instructions relatives à la numérotation VTC
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MONTREAL, December 17, 2024



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SUPERIOR COURT
(Commercial Division)

N°. :

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF TERREBONNE

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

THE LION ELECTRIC COMPANY AND AL.

Applicants

-and-

DELOITTE RESTRUCTURING INC.

Proposed Monitor

BS0350

File: 147366-1035

APPLICATION FOR THE ISSUANCE OF AN INITIAL ORDER, AN
AMENDED AND RESTATED INITIAL ORDER, AND A SALE AND
INVESTMENT SOLICITATION PROCESS ORDER
(Sections 9, 10, 11, 11.001, 11.02, 11.03, 11.2, 11.51, 11.7, 23, 36, 45
and 56 of the *Companies' Creditors Arrangement Act*)

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