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C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
COURT. No.: 500-11-064357-243

S U P E R I O R C O U R T
Commercial Division

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

**TAIGA MOTORS
CORPORATION/CORPORATION MOTEURS**

TAIGA, a legal person having its elected domicile
at 2695 ave Dollard, in the city of Montreal,
province of Quebec, H8N 2J8

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TAIGA MOTORS INC./MOTEURS TAIGA INC.,
a legal person having a principal place of business
at 2695 ave Dollard, in the city of Montreal,
province of Quebec, H8N 2J8

-&-

TAIGA MOTORS AMERICA INC., a legal person
having its registered office at 1209 Orange
Street, Wilmington, Delaware 19801, County of
New Castle, United States

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CGGZ FINANCE CORP., a legal person having its
elected domicile at 2695 ave Dollard, in the city
of Montreal, province of Quebec, H8N 2J8

Applicants

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DELOITTE RESTRUCTURING INC., a legal
person having a place of business at 1190 ave
des Canadiens-de-Montréal, Suite 500, in the city
and district of Montreal, province of Quebec,
H3B 0M7.

Monitor

**SECOND REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR**

(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
2. On July 10, 2024, Taiga Motors Corporation/Corporation Moteurs Taiga, Taiga Motors Inc./Moteurs Taiga Inc., Taiga Motors America Inc., and CGGZ Finance Corp. (collectively "**Taiga**", the "**Applicants**" or the "**Debtors**" or the "**Company**") filed an *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and Ancillary Relief* (the "**Application**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), before the Superior Court of Québec (the "**Court**") seeking the appointment of Deloitte Restructuring Inc. ("**Deloitte**") as the CCAA monitor in these proceedings (the "**Proposed Monitor**") and various other reliefs.
3. On July 10, 2024, Deloitte, then in its capacity as Proposed Monitor, issued its first report to the Court (the "**First Report**") as part of the Debtors' CCAA proceedings (the "**CCAA Proceedings**"). The purpose of the First Report was to provide information to the Court with respect to i) Deloitte's qualification to act as monitor; ii) the business, financial affairs and financial results of Taiga; iii) Taiga's creditors; iv) the proposed sale and investment solicitation process; v) the key employees retention program; vi) the interim financing facility; vii) the charges sought in the proposed "First Day Initial Order" and the Proposed "Initial Order"; viii) the 4-week cash flow projections; and ix) the Proposed Monitor's conclusions and recommendations.
4. Capitalized terms not otherwise defined herein are as defined in the First Report or the Initial Application.
5. On July 10, 2024, the Court granted the Initial Application and rendered the First Day Initial Order and the SISP Approval Order which provided for, inter alia, (i) a stay of proceedings against the Debtors until and including July 20, 2024 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA ("**Deloitte**" or the "**Monitor**"); (iv) a General Administration Charge of \$475K, a D&O Charge of \$510K and a KERP Charge of \$40K, and (v) approval of the SISP.
6. On July 18, 2024, a full comeback hearing is scheduled to take place.

PURPOSE OF THIS REPORT

7. The purpose of the second report of the Monitor (the "**Second Report**") is to update the Court with respect to:
 - (i) Taiga's communications to stakeholders and operations;
 - (ii) The Monitor's activities since the First Report;
 - (iii) The SISP;
 - (iv) The charges sought in the Proposed Initial Order;
 - (v) The Cash Flow results for the first week period ended July 14, 2024;

- (vi) The Cash Flow Projections;
 - (vii) The request for an extension of the Stay Period; and
 - (viii) The Monitor's conclusions and recommendations.
8. In preparing the Second Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Taiga's books and records and financial information prepared by Taiga and discussions with management ("**Management**") of Taiga (collectively, the "**Information**"). Except as described in this Second Report in respect of the Applicants' Cash Flow Statement (as defined below):
- (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (ii) Some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
9. Future oriented financial information referred to in this Second Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
10. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in the Second Report concerning Taiga and their business is based on the Information, and not independent factual determinations made by the Monitor.

TAIGA'S COMMUNICATIONS TO STAKEHOLDERS AND OPERATIONS

11. On July 10, 2024, Taiga announced to all its employees Taiga's current financial situation and its intent to immediately initiate the CCAA Proceedings. As previously disclosed to the Court, Taiga proceeded with the temporary lay off of the vast majority of its workforce (approximately 115 employees).
12. Later on July 10, 2024, the Company issued a press release advising namely that the First Day Initial Order was issued by the Court, that Deloitte had been appointed as Monitor and that the Court had also issued the SISP Approval Order authorizing the Monitor, in consultation with the Debtors and Export Development Canada ("**EDC**"), to conduct and implement the SISP.
13. Since the First Day Initial Order, Taiga has had communications with many of its principal suppliers and other key stakeholders to explain the current situation and the next steps relating to the proposed restructuring (the "**Restructuring Process**").
14. The Company and the Monitor have continued to collaborate with EDC and their respective legal counsel (Stikeman Elliott LLP) and financial advisor (Ernst & Young Inc.) including by providing their representatives with all requested information and documentation relating to the Restructuring Process.

15. Taiga has been proactive in responding to the different stakeholders' inquiries relating to the CCAA Proceedings and the Restructuring Process.
16. Taiga has remained vigilant in managing its liquidities. Taiga has focused on limiting costs by halting production and cancelling various contracts where possible. With the assistance of the Monitor, Taiga will be exploring the possibility of further reducing costs during the Restructuring Process.
17. To the Monitor's knowledge, the Debtors have complied and continue to comply with the provisions of the First Day Initial Order and the SISP Approval Order since their issuance.

THE MONITOR'S ACTIVITIES SINCE THE FIRST REPORT

18. On July 11, 2024, the Monitor posted a copy of the Application, the First Report, the First Day Initial Order, the SISP Approval Order and the service list on the Monitor's website at www.insolvencies.deloitte.ca/taiga (the "**Monitor Website**").
19. The Monitor has also set up a dedicated email address (taiga_motors@deloitte.ca) and a phone number (514-393-5917) to allow interested parties to contact the Monitor directly if they have questions with respect to the Restructuring Process and the CCAA Proceedings.
20. On July 15, 2024, the Monitor sent, by prepaid ordinary mail, a notice to all the Debtors' known creditors having a claim against the Debtors based on the contact information provided by the Management of such known creditors. The notice included information about the CCAA Proceedings, the Monitor's email address and the Monitor's Website (the "**Notice to Creditors**"). Approximately 345 creditors were sent a Notice to Creditors which was also posted on the Monitor's Website.
21. On July 15, 2024, the Monitor sent a notice to all potential customers of the Applicants who had placed deposits but had yet ordered a unit. This notice was sent via email and included important information about the CCAA Proceedings, as well as the contact details of the Monitor, including an email address and the link to the Monitor's website. This notice was sent to approximately 1,146 potential customers.
22. On July 15, 2024, the Monitor sent, by prepaid ordinary mail, based on the contact information provided by Management, a notice to all known current employees of the Debtors, which included information about the CCAA Proceedings, the Monitor's email address and the Monitor Website (the "**Notice to Employees**"). Approximately 222 employees were sent the Notice to Employees.
23. The Monitor has scheduled the publication of a notice of the First Day Initial Order in *La Presse* + (French version) and the *Globe and Mail National Edition* (English version) for July 18 and for July 25, 2024.
24. The Monitor filed the first and second forms (Form 1 and 2) with respect to the granting of the First Day Initial Order and certain information as required by the Office of the Superintendent of Bankruptcy.
25. The Monitor assisted the Debtors in their discussions with their main suppliers and other key stakeholders. The Monitor has participated in meetings with several stakeholders since the First Day Initial Order, including with:
 - (i) Taiga's main secured creditors; and
 - (ii) Certain unsecured creditors, employees and other stakeholders.
26. More generally, the Monitor, with the assistance of the Applicants, has been responding to questions and inquiries from various stakeholders in relation to the CCAA Proceedings and the Restructuring Process.

27. The Monitor also had communications and discussions with the Company, EDC and its financial advisors regarding the preparation and progress of the SISP.
28. The Monitor implemented a weekly review of Taiga's bank accounts, including its receipts and disbursements. The Monitor has received full cooperation from Management.

THE SISP

29. Since the issuance of, and pursuant to the SISP Approval Order, the Monitor has initiated steps to continue the SISP which is intended to solicit interest in Taiga's business and assets through one or more transactions; and/or an investment, recapitalization, refinancing or other form of reorganization transaction(s) (collectively, the "**Opportunity**"). The SISP is being conducted by the Monitor, in consultation with the Debtors and EDC, the whole in accordance with the SISP procedures approved by the Court pursuant to the SISP Approval Order (the "**Bidding Procedures**").
30. On July 15, 2024, the Monitor distributed (i) a solicitation letter describing the Opportunity (the "**Teaser**") outlining the SISP and inviting recipients to express their interest pursuant to the SISP, (ii) a non-disclosure agreement ("**NDA**") that will have to be executed by potential bidders prior to the distribution of any confidential information and (iii) the Bidding Procedures, to a reviewed list of potential bidders, including 40 international strategic and 109 financial potential buyers for a total of 149 potential investors and 14 auctioneers. A copy of the Teaser and the Bidding Procedures have also been posted on the Monitor's website.
31. To ensure comprehensive market coverage, additional outreach communications will be sent on a case-by-case basis to parties who directly approach the Monitor or Taiga, even if they were not initially included in the distribution list. This approach aims to thoroughly canvass the market and engage potential investors who may have expressed interest outside of the initial distribution.

THE CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

Adjustments to the CCAA Charges sought in the Proposed Initial Order

32. Further to the issuance of the First Day Initial Order and as reported by the Monitor in the First Report, the Applicants seek the issuance of the Proposed Initial Order, which provides for the following adjustments to the CCAA Charges:
 - (i) An increase in the Administration Charge to the total amount of \$900,000;
 - (ii) A reduction in the D&O Charge to a total amount of \$250,000. The reduced amount results from the restructuring measures that have been implemented, namely the temporary lay off of approximately 115 employees; and
 - (iii) An increase to the Interim Lender Charge to a total amount of \$5,280,000 to reflect the increased borrowing capacity under the DIP Term Sheet of up to \$4,400,000.
33. The Monitor believes that the modifications to the Administration Charge, the D&O Charge and the Interim Lender Charge are required and reasonable in the circumstances.
34. The priorities of the CCAA Charges established by the Proposed Initial Order are unchanged from the First Day Initial Order

THE CASH FLOW RESULT FOR THE FIRST WEEK PERIOD ENDED JULY 14, 2024

35. The Company has yet to produce its first week of actuals for the post filing activities that took place since July 10, 2024.

36. The Monitor's high-level review of the cash flow activity demonstrates that Taiga has made vacation payments and has received the initial interim financing tranche as forecasted in the cash flow submitted in the First Report.
37. Monitor confirms that there are no significant variances in the cash flow submitted in the First Report.

THE 13-WEEK CASH FLOW PROJECTIONS

38. Taiga, with the assistance of the Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 13-week period from July 8, 2024, to October 6, 2024 (the "**Cash Flow Period**") for the purpose of forecasting Taiga's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is provided in Appendix A (under seal) of this First Report.
39. The Cash Flow Statement has been prepared by Taiga using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
40. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.
41. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
- (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (ii) As at the date of this Second Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Taiga or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
 - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
42. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Taiga's statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Taiga.
43. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
44. The key assumptions used in the Cash Flow Statement are based on the Company's most recent sales and costs trends prior to the First Day Initial Order. Taiga's consolidated cash balance as of July 7, 2024, is estimated to be approximately \$628K.

45. The Cash Flow Statement demonstrates that the liquidity level will not be sufficient to fund the current level of operations during the initial 13-week period without access to interim financing.
46. EDC has agreed to provide the Company with interim financing during the CCAA proceedings. The financing for the first 13-week period cannot exceed \$4,400,000 and will be disbursed in biweekly tranches based on necessary liquidity to fund the Restructuring Process.
47. Management anticipates more restrictive payment terms for purchases from suppliers following the announcement of the CCAA proceedings. As such, Management has anticipated certain "cash on delivery" purchases.
48. As appears from the Cash Flow Statement and the Application, in order to preserve the value of its operations with the view to completing the SISP, Taiga intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings.
49. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

THE REQUEST FOR AN EXTENSION OF THE STAY PERIOD

50. The current Stay Period expires on July 20, 2024.
51. The Applicants are seeking an extension of the Stay Period until October 4, 2024, to continue the implementation of the SISP by the Monitor and to advance the Restructuring Process.
52. The Monitor is informed that the Applicants intend to continue to pay their trade creditors for services rendered and goods supplied in the normal course of business during the CCAA Proceedings.
53. As described in this Second Report, the Cash Flow Statement indicates that the Applicants should have sufficient liquidity to continue to meet their obligations in the ordinary course of business with access to its current liquidities and existing working capital.

THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

54. The Monitor believes that the Applicants should be granted the continued benefit of the protection available pursuant to the CCAA in accordance with the terms of the Proposed Initial Order, including the adjustments to the amounts of the CCAA Charges provided therein, since same would provide Taiga with the opportunity to pursue the Restructuring Process, namely through the continuation of the SISP.
55. As noted above, the current Stay Period expires on July 20, 2024. The extension of the Stay Period sought by the Applicants is therefore required to continue the Restructuring Process.
56. It is the Monitor's view that the continuation of the Restructuring Process is beneficial to Taiga's creditors, employees and stakeholders as a whole.
57. The Monitor also believes that the Applicants have acted, and are acting, in good faith and with due diligence and that the extension of the Stay Period is appropriate.
58. Accordingly, the Monitor recommends that the Stay Period be extended to October 4, 2024, and that the other relief sought by the Applicants in the Amended and Restated Initial Order be granted.

59. The Monitor respectfully submits to the Court its Second Report.

DATED AT MONTREAL, this 17th day of July 2024.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of the
Applicants



Benoit Clouâtre, CPA, CIRP, LIT
Senior Vice President



Jean-François Nadon, CPA, CIRP, LIT
President

APPENDIX A

CASH FLOW STATEMENT

(UNDER SEAL)

APPENDIX B

KEY EMPLOYEES RETENTION PROGRAM
("KERP")

(UNDER SEAL)