

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

Nº: 500-11-058116-209

SUPERIOR COURT

(Commercial Division)

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
1995, c. 36, as amended)

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

SPECTRA PREMIUM INDUSTRIES INC.

-and-

**SPECTRA PREMIUM HOLDINGS (USA)
CORP.**

-and-

SPECTRA PREMIUM (USA) CORP.

-and-

**SPECTRA PREMIUM PROPERTIES (USA)
CORP.**

-and-

SPECTRA PREMIUM TAIWAN CO. LTD.

-and-

**SPECTRA PREMIUM (SHANGHAI)
AUTOMOTIVE TECHNICAL SERVICES CO.
LTD.**

-and-

**SPECTRA PREMIUM (CHONGQING)
AUTOMOTIVE SERVICES CO. LTD.**

Petitioners

-and-

ERNST & YOUNG INC.

Monitor

MOTION FOR A FIRST EXTENSION OF THE STAY OF PROCEEDINGS

INTRODUCTION

1. The Petitioners (the "**Spectra Group**") are debtor companies in the Motion for the issuance of an Initial Order filed on March 9, 2020 (the "**Initial Motion**") for whom a First Day Initial Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") was issued in this Court file on March 10, 2020 (the "**First Day Order**") and an Amended and

Restated Initial Order was issued on March 24, 2020 (the “**A&R Initial Order**”), as appears from the Court record.

2. The A&R Initial Order provides, *inter alia*, that all proceedings against Spectra Group are stayed until June 6, 2020. Spectra Group hereby requests an extension of the stay of proceedings until September 26, 2020.

ACTIVITIES SINCE THE A&R INITIAL ORDER

3. Generally, since the issuance of the A&R Initial Order, Spectra Group, with the assistance of the Monitor, has been in contact with its suppliers and several other stakeholders advising them of the *status quo* resulting from the A&R Initial Order and of Spectra Group’s continuous operations in the normal course of business.
4. This communication as well as the restructuring process, although normal at the beginning of any restructuring, was impacted by particular circumstances since the First Day Order was issued.

US Proceedings

5. As announced in the Initial Motion, Spectra Group’s intention was to obtain recognition of the present proceedings as foreign main proceedings under Chapter 15 of the US Bankruptcy Code and the First Day Order appointed the Monitor to act as Foreign Representative for the purposes of such proceedings.
6. On March 12, 2020, following the filing by the Monitor, as Foreign Representative, of (i) a *Verified Petition under Chapter 15 for recognition of the Canadian Proceedings and Request for related relief*, filed as **Exhibit R-1**, (the “**Chapter 15 Proceeding**”) and (ii) a *Motion for Provisional Relief pursuant to section 1519 of the Bankruptcy Code*, filed as **Exhibit R-2**, the US Bankruptcy Court for the District of Delaware issued an *Order granting Provisional Relief pursuant to Bankruptcy Code section 1519* and giving full force and effect on an interim basis to the First Day Order including, without limitation, the stay of proceedings set forth in the Initial Order, until otherwise ordered by the US Bankruptcy Court, as appears from this interim order communicated as **Exhibit R-3**.
7. The hearing on the merits of the Chapter 15 Proceeding was initially scheduled on April 8, 2020. Because of the COVID-19 pandemic and its consequences on the operations of the Courts, such hearing was postponed to a later date.
8. Two (2) US creditors initially filed a contestation opposing in part the Chapter 15 Proceeding and two (2) other creditors supported the contestations. However, the contestations were later withdrawn by all involved creditors prior to the hearing on the merits.
9. The hearing on the merits finally took place on May 28, 2020 and the Chapter 15 Proceeding was granted, as appears from a copy of the *Final Order granting recognition of Foreign Main Proceedings and certain related relief* of the US Bankruptcy Court dated May 29, 2020 and communicated as **Exhibit R-4**.
10. The present proceedings are therefore recognized as the Foreign Main Proceedings by the US Bankruptcy Court for the District of Delaware.

Material adverse change

11. Like for the rest of the world, Spectra Group's business was affected by the COVID-19 pandemic. Although some issues with Asian suppliers had already started before the filing of the Initial Motion, it is really after the First Day Order that the various governments imposed sanitary measures that really had effects on the business.
12. These measures forced Spectra Group to suspend all its manufacturing operations and most of its distribution activities.
13. Manufacturing operations have since March gradually resumed but are still affected by the restrictions imposed by the COVID-19.
14. On April 24, 2020, the Monitor notified a report pursuant to section 23(1)(d) CCAA finding that a material adverse change had occurred following the COVID-19 measures and their impact on Spectra Group's business, the whole as appears from the Court records.
15. However, Spectra Group prepared with the assistance of the Monitor and the support of Wells Fargo, agent to the senior secured creditors pursuant to the operating line of credit granted to Spectra Group, revised cashflow projections that were filed with the Monitor's report.
16. Despite the notified material adverse change, the Monitor observed that considering the revised projections and the support of Wells Fargo, the continuation of the restructuring under the CCAA was appropriate and to the benefit of the Debtors' stakeholders.

Indiana warehouse

17. As detailed in the previous proceedings filed in the Court record, Spectra Group has operations in the US for the distribution of its inventory and uses, among others, a 250,000 square feet warehouse located at 3052 North Distribution Way in Greenfield, Indiana (the "**Warehouse**") rented from Indiana Becknell Investors 2011 LLC (the "**Landlord**").
18. Spectra Group was scheduled to move into a new larger facility also owned by the Landlord but, considering the intention to downsize the US aftermarket operations, assuming the costs of a larger warehouse would not have been appropriate. The lease for the new warehouse was therefore disclaimed by Spectra Group.
19. The management of Spectra Group reviewed all possible options, including negotiating with the Landlord to remain a tenant of the Warehouse or moving to another location.
20. On May 21, 2020, a Settlement Agreement and Lease Extension was signed with the Landlord to secure the occupation of the Warehouse for a period of at least 8 months, allowing the transition of Spectra Group's US operations. These agreements were approved by Order of this Court on May 28, 2020.

Sale to Trico

21. As announced in the Initial Motion, Spectra Group's intent to downsize its US aftermarket operations essentially impacts two lines of products: the cooling products and the fuel products.
22. Despite the COVID-19 pandemic, Spectra Group was able to find a purchaser to buy all its fuel products inventory related to the US Aftermarket.
23. As of this day, the purchaser has started to pay and take possession of the inventory in accordance with the sale agreement approved by this Court on May 21, 2020.

FINANCIAL SITUATION TO DATE AND PROJECTIONS

24. The details of Spectra Group's financial situation as of this day as well as the cashflow forecast for the period ending September 26, 2020 are presently being finalized and will be communicated to the Court and the service list before the hearing on the present motion.
25. That being said, Spectra Group is able to report that its financial situation as of last week was better than originally forecasted and that the forecast for the period ending September 26, 2020 will show a net positive cash inflow, such that the position of the creditors should continue to improve over the same period.

NECESSITY TO EXTEND THE PROTECTION OF THE COURT

26. The recent events surrounding the COVID-19 pandemic have influenced the restructuring process initiated under the CCAA.
27. Spectra Group had to modify its plan of action and adjust its restructuring to the ongoing pandemic amidst the customary turbulence caused by an initial filing under the CCAA.
28. Despite being delayed with its plan, Spectra Group still maintains and adjusts its operations to the ongoing events.
29. Spectra Groups requests an additional delay to analyse the effect of the actual economic downturn on its restructuring plan and continue the negotiations with the principal stakeholders in order to prepare a business plan that will lead to an acceptable plan of arrangement with the creditors.

CONCLUSION

30. Considering the above facts, Spectra Group submits that it is appropriate to extend the stay of proceedings until September 26, 2020.
31. Spectra Group has conducted itself in good faith since the issuance of the First Day Order, especially considering the COVID-19 pandemic that started almost simultaneously with the First Day Order.
32. Spectra Group intends to continue its efforts to rationalize its expenses and maximise the value of its assets, the whole in the interest of all stakeholders and with the ultimate objective of proposing a plan of arrangement to the creditors.

33. The extension sought will not negatively impact the creditors as Spectra Group continues to pay its post filing obligations in the normal course of business.
34. The Monitor has verbally announced that it supports the extension sought herein and that it will file a report regarding same before the hearing.

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

GRANT the present *Motion for a first extension of the stay of proceedings* (the "**Motion**");

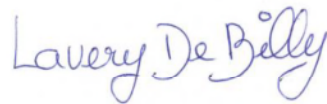
ABRIDGE the delays of presentation of the Motion;

EXTEND the Stay Period (as defined at paragraph 8 of the Amended and Restated Initial Order dated March 24, 2020) until September 26, 2020;

ORDER the provisional execution of the order to be rendered notwithstanding appeal;

THE WHOLE without costs, except if contested.

MONTREAL, June 3, 2020



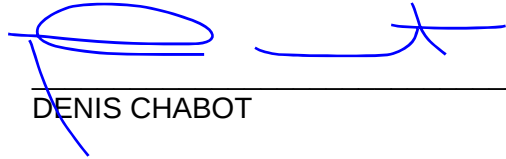
LAVERY, DE BILLY, L.L.P.
Lawyers for Petitioners

AFFIDAVIT

I, the undersigned, DENIS CHABOT, Vice President and Chief Financial Officer of the Petitioners, having a place of business at 1421 Ampère Street, Boucherville, Québec, J4B 5Z5, solemnly affirm that:

1. I am the authorized representative of the Petitioners and, as such, I have cognizance of all the facts in the present matter;
2. All the facts alleged in the *Motion for a first extension of the stay of proceedings* are true.

AND I HAVE SIGNED:



DENIS CHABOT

SOLEMNLY AFFIRMED before me in Montreal on June 3, 2020 before me by videoconference Zoom, in Morin-Heights and Montréal allowing me to recognize Denis Chabot, and witnessing him having read the motion and the sworn declaration and having signed it. The document transferred by email is *Motion for a first extension of the stay of proceedings*.



(138734) Martin Laprade

Commissioner of Oaths for Province of Quebec

NOTICE OF PRESENTATION

TO: THE SERVICE LIST

TAKE NOTICE that the present *Motion for a first extension of the stay of proceedings* will be presented for before the Honourable Justice Louis J. Gouin, S.C.J., **on June 5, 2020 at 9:30 am** in a forum to be further announced to the Service List.

Any party wishing to object to this motion shall file a notice of objection **no later than June 4, 2020 at 16:30 pm.**

If no one objects, judgment will be rendered without a hearing on June 5, 2020. If a notice of objection is filed, the coordinates will circulate for a hearing on June 5, 2020 at 9:30 am

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, June 3, 2020

A handwritten signature in blue ink that reads "Lavery De Billy". The signature is written in a cursive, flowing style.

LAVERY, DE BILLY, L.L.P.
Lawyers for Petitioners

SUPERIOR COURT
(Commercial Division)
DISTRICT OF MONTRÉAL

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AND

ERNST & YOUNG INC.

Monitor

**MOTION FOR A FIRST EXTENSION OF THE
STAY OF PROCEEDINGS, AFFIDAVIT, NOTICE
OF PRESENTATION**

ORIGINAL

O/file: 001320-00060

BL 1332

Me Jean Legault: 514 878-5561

Me Jonathan Warin: 514 878-5616

LAVERY, DE BILLY, L.L.P.

SUITE 4000, 1, PLACE VILLE MARIE, MONTREAL, QUEBEC H3B 4M4
TELEPHONE: 514 871-1522 FAX NUMBER: 514 871-8977
EMAIL NOTIFICATIONS: NOTIFICATIONS-MTL@LAVERY.CA