C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

Nº: 500-11-058116-209

S U P E R I O R C O U R T
(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 (I) THE ISSUANCE OF A SECOND AMENDED AND RESTATED INITIAL ORDER, II) THE APPROVAL REGARDING THE WIND-UP OF CERTAIN DEBTORS AND (III) THE APPROVAL OF A CLAIMS PROCESS

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 provided, *inter alia*, that all proceedings against Spectra Group were stayed until June 6, 2020. By judgment rendered on June 5, 2020, the stay of proceedings was extended until September 26, 2020.

3. By the present motion, Spectra Group requests the issuance of three orders, namely:

   a. a second amended and restated initial order ("**2nd A&R Initial Order**") in the form of the draft communicated as **Exhibit R-1** (a compare between the A&R Initial Order and the draft 2nd A&R Initial Order is communicated as **Exhibit R-2**), the purpose of which is to i) extend the stay of proceedings and ii) modify the limit for the transactions that the debtors are authorized to complete outside the ordinary course of business;

   b. an order approving the wind-up of Spectra Premium (Shanghai) Automotive Technical Services Co. Ltd. ("**Spectra Shanghai**") and Spectra Premium (Chongqing) Automotive Services Co. Ltd. ("**Spectra Chongqing**") under the relevant Chinese laws in the form of the draft communicated as **Exhibit R-3**;

   c. an order approving of a claims process in the form of the draft communicated as **Exhibit R-4**;

ACTIVITIES SINCE THE LAST EXTENSION

4. Spectra Group, with the assistance of the Monitor, continued its communications 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.

5. Spectra Group's management is presently working on finalizing the details of its post restructuring business plan that will serve as the basis to secure the participation of important stakeholders and ultimately allow Spectra Group to submit a plan to its creditors.

6. As previously announced, Spectra Group has continued to downsize its US aftermarket operations as they relate to the cooling products and the fuel products.

7. This downsizing has led to the disclaimer of several leases for locations that were no longer required for the operations.

8. The sale of the fuel products inventory that was approved by this Court on May 21, 2020 continues to be executed according to the timeline that was announced and it is expected that all the said inventory will be paid and removed from Spectra Group's premises by the end of November 2020.

9. Several smaller transactions are contemplated to be made in the next few weeks to allow Spectra Group to dispose of assets that are no longer required in the context of its restructuring, for example the racking or other equipment in locations that are no longer occupied by Spectra Group. As detailed herein after, these upcoming transactions justify the modification of the A&R Initial Order requested herein.

10. The sale of certain real estate property is also contemplated on a short term basis and although Spectra Group is not ready as of this day to finalise such transactions, it is anticipated that a motion in that regard will be filed in the coming weeks to seek court approval of same.

11. Finally, Spectra Group has also negotiated the ongoing support Wells Fargo and Laurentian Bank of Canada for the continuation of the present restructuring proceedings.

FINANCIAL SITUATION TO DATE AND PROJECTIONS

12. The details of Spectra Group's financial situation as of this day as well as the cashflow forecast for the period ending January 30, 2021 are presently being finalized and will be communicated to the Court and the service list before the hearing on the present motion.

13. 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 January 30, 2021 will show a net positive cash inflow, such that the position of the creditors should continue to improve over the same period.

MODIFICATION TO THE A&R INITIAL ORDER

- extension of the stay of proceedings

14. Spectra Group requests an extension of the stay of proceedings until January 30, 2021.

15. Said extension will allow Spectra Group to conduct the claims process (sought hereinafter), finalize its post-restructuring business plan and submit a plan to its creditors.

16. Considering the positive cashflow projections until the end of January 2021, such extension will not prejudice the creditors in any way. Moreover, Spectra Group has the support of Wells Fargo and Laurentian Bank of Canada, its two main secured creditors, in that process.

- increase of the limit for transactions out of the ordinary course of business without court approval

17. Paragraph 26 (c) of the A&R Initial Order authorizes Spectra Group, with the authorization of the Monitor and subject to rights of the secured creditors, to complete sales of assets outside the ordinary course of business, provided that the price in each case does not exceed $50,000 or $250,000 in the aggregate.

18. As Spectra Group is continuing its restructuring, a series of small transactions will likely occur for the sale of equipment no longer necessary for the operations of Spectra Group.

19. For instance, Spectra Group is about to sell the racking that is located in a warehouse in California that is no longer required for the future business. Such a sale will be made for an amount of more than the threshold determined at $50,000 in the A&R Initial Order.

20. Considering the amounts at issue in this file and necessity to continue this restructuring in a cost-efficient manner, Spectra Group, with the approval of the Monitor, is seeking that paragraph 21 (c) of the A&R Initial Order be modified so the maximum amount per

transaction be raised from $50,000 to $150,000 and that the maximum aggregate amount be raised from $250,000 to $750,000.

21. As such modification is designed to reduce the costs of the restructuring, it is in the interests of the creditors in general. As for the secured creditors, in addition to the consent of the Monitor, any sale of assets requires a consultation on a case by case basis depending on the assets being sold and they will therefore not suffer any prejudice.

- Dispense to file Monitor's report

22. Pursuant to section 23 (1) (d) (ii) of the CCAA, the Monitor shall file a report 45 days after the end of each fiscal quarter.

23. The Monitor will continue to file reports every time it is relevant to do so in this file, but Spectra Group and the Monitor believe that to file a report at the end of each fiscal quarter does not provide any additional value to the creditors or the court.

24. Spectra Group therefore submits that it would be cost efficient and preferable for all stakeholders to dispense the Monitor from filing the report referred to at section 23 (1) (d) (ii) of the CCAA until January 31, 2021.

WINDING-UP OF SPECTRA SHANGHAI AND SPECTRA CHONGQING

25. As indicated in the Initial Motion, Spectra Shanghai and Spectra Chongqing are two entities that are no longer in operation. The financial statements of Spectra Shanghai and Spectra Chongqing as at January 31, 2020 are respectively communicated as **Exhibit R-5** and **Exhibit R-6**.

26. Considering that Spectra Group does not envisage to start over the operations of these entities, the decision was made to wind them up in accordance with the applicable Chinese laws.

27. Practically speaking, such a winding-up is impossible to make under the supervision of this Court considering the challenges surrounding the recognition of these CCAA proceedings in China.

28. Therefore, Spectra Group hereby requests the authorization of this Court to complete the wind-up of Spectra Shanghai and Spectra Chongqing in accordance with the applicable Chinese laws and that do all actions that are necessary to achieve such wind-up.

29. The Monitor has informed Spectra Group that he consents to same.

CLAIMS PROCESS

30. As Spectra Group is preparing its restructuring plan with the objective of submitting same towards the beginning of 2021, it becomes appropriate to set-up a claims process.

31. The highlights of the draft claims procedure order communicated as Exhibit R-4 are the following:

a) The claims bar date is set for November 20, 2020, which is reasonable in the circumstances;

b) In order to facilitate the process, a reverse claim process is provided for the employees that have been terminated by Spectra Group. Spectra Group will submit its assessment of the claim of these employees and said assessment will be deemed to be accurate unless a notice of dispute is filed no later than November 20, 2020;

32. This process will allow Spectra Group to continue its restructuring within the guiding principles of the CCAA, as it is fair to the creditors and commercially efficient for the Spectra Group.

CONCLUSION

33. Considering the above facts, Spectra Group submits that it is appropriate to render the three orders sought herein.

34. 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.

35. Spectra Group intends to continue its efforts to rationalize its expenses and maximize 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.

36. The Monitor has verbally announced that it supports the issuance of the orders 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 (i) the issuance of a second Amended and restated Initial order, ii) the approval regarding the wind-up of certain debtors and (iii) the approval of a claims process;*

ISSUE an amended and restated initial order in the form of the draft order communicated as **Exhibit R-1**;

ISSUE an order approving the wind-up of Spectra Premium (Shanghai) Automotive Technical Services Co. Ltd. ("**Spectra Shanghai**") and Spectra Premium (Chongqing) Automotive Services Co. Ltd. ("**Spectra Chongqing**") in the form of the draft order communicated as **Exhibit R-3**;

ISSUE an order approving a claims process in the form of the draft order communicated as **Exhibit R-4**;

THE WHOLE without costs, except if contested.

MONTREAL, September 21, 2020

Lavery De Billy

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

<u>**AFFIDAVIT**</u>

I, the undersigned, DENIS CHABOT, President and CEO 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 (i) the issuance of a second Amended and restated Initial order, ii) the approval regarding the wind-up of certain debtors and (iii) the approval of a claims process* are true.

AND I HAVE SIGNED:

____
DENIS CHABOT

SOLEMNLY AFFIRMED before me on September 21, 2020 before me by videoconference Zoom, in Boucherville 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 (i) the issuance of a second Amended and restated Initial order, ii) the approval regarding the wind-up of certain debtors and (iii) the approval of a claims process* are true.

____
Commissioner of Oaths for Province of Quebec
Martin Laprade #138,734

NOTICE OF PRESENTATION

TO: **THE SERVICE LIST**

TAKE NOTICE that the present *Motion for (i) the issuance of a second Amended and restated Initial order, ii) the approval regarding the wind-up of certain debtors and (iii) the approval of a claims process* will be presented for before the Honourable Justice Louis J. Gouin, S.C.J., **on September 25, 2020**.

Any party wishing to object to this motion shall file a notice of objection **no later than September 24, 2020 at noon.**

If no one objects, judgment will be rendered without a hearing on September 25, 2020. If a notice of objection is filed, the details for the hearing will be circulated to the service list.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, September 21, 2020

Lavery De Billy

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

Nº: 500-11-058116-209

SUPERIOR COURT
(Commercial Division)
DISTRICT OF MONTRÉAL

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ORIGINAL

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