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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-058116-209

S U P E R I O R C O U R T
Commercial Division
Designated tribunal under the Companies' Creditors Arrangement Act[1]

IN THE MATTER OF THE PROPOSED PLAN OF COMPROMISE AND ARRANGEMENT OF SPECTRA PREMIUM INDUSTRIES INC., SPECTRA PREMIUM HOLDINGS (USA) CORP., SPECTRA PREMIUM (USA) CORP., SPECTRA PREMIUM PROPERTIES (USA) CORP., SPECTRA PREMIUM TAIWAN CO. LTD., SPECTRA PREMIUM (SHANGHAI) AUTOMOTIVE TECHNICAL SERVICES CO. LTD., AND SPECTRA PREMIUM (CHONGQING) AUTOMOTIVE SERVICES CO. LTD.

SIXTH MONITOR'S REPORT
DATED JANUARY 27, 2021

INTRODUCTION

1. On March 10, 2020, the Superior Court of Québec (the "**Court**") issued a first day initial order (the "**First Day Initial Order**") under the *Companies' Creditors Arrangement Act*[1] (the "**CCAA**") with respect to Spectra Premium Industries Inc. ("**Spectra**"), Spectra Premium Holdings (USA) Corp. ("**Spectra Holdings US**"), Spectra Premium (USA) Corp. ("**Spectra US**"), Spectra Premium Properties (USA) Corp. ("**Spectra Properties US**"), Spectra Premium Taiwan Co. Ltd. ("**Spectra Taiwan**"), Spectra Premium (Shanghai) Automotive Technical Services Co. Ltd. ("**Spectra Shanghai**"), and Spectra Premium (Chongqing) Automotive services Co. Ltd. ("**Spectra Chongqing**") (collectively referred to herein as the "**Spectra Group**" or the "**Debtors**"), containing among other things, a stay of proceedings in respect of the Debtors, originally until March 20, 2020 (as further extended from time to time, the "**Stay Period**"), and various other relief, including certain protections from their creditors.

2. On March 9, 2020, Ernst & Young Inc. filed a report of the proposed monitor with the Court, dated March 9, 2020 (the "**Pre-Filing Monitor's Report**").

3. Pursuant to the First Day Initial Order, Ernst & Young Inc. was appointed as monitor ("**EY**" or the "**Monitor**") of the Debtors in the present proceedings (the "**CCAA Proceedings**").

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[1] *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

4. On March 12, 2020, the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") issued various orders and relief under Chapter 15 of the *U.S. Bankruptcy Code* with respect to the recognition of the CCAA Proceedings in the United States, including an order granting provisional relief to recognize and effect the CCAA filing (the "**Chapter 15 Proceedings**"). EY acts as foreign representative (the "**Foreign Representative**") in the Chapter 15 Proceedings.

5. On March 24, 2020, an order was issued by the Court amending and restating the First Day Initial Order (the "**Amended and Restated Initial Order**") and extending the Stay Period until June 6, 2020.

6. On April 6, 2020, an order was issued by the Court granting the motion, dated April 2, 2020, regarding certain transactions in the normal course of business related to Truist Bank, Spectra US, Advance Stores Company, Inc. and O'Reilly Automotive Stores, Inc. authorizing the continuance of the factoring of invoices, in accordance with the agreements in place.

7. On April 28, 2020, the Debtors filed a motion in the CCAA Proceedings for a declaratory judgment and the issuance of a safeguard order with respect to a lease and its expiration date on a property in Indiana, USA. This motion was subsequently withdrawn as a result of a settlement between the parties (see paragraphs 12 and 13 of the Third Monitor's Report with respect to the Becknell Lease Extension).

8. On April 30, 2020, the Monitor filed its first report with the Court, dated April 28, 2020, which reports about a material adverse change (Covid-19 pandemic), and presented an update of the financial situation and revised cash-flow projections of Spectra Group (the "**First Monitor's Report**").

9. On May 19, 2020, the Monitor filed its second report with the Court, dated May 19, 2020, which reports on the proposed bulk sale transaction to Trico Group, LLC ("**Trico**") of certain inventories (the "**Trico Sale Transaction**") by Spectra Group (the "**Second Monitor's Report**").

10. On May 21, 2020, an order was issued by the Court granting the motion, dated May 19, 2020, regarding the issuance of an approval and vesting order of the Trico Sale Transaction.

11. On May 28, 2020, an order was issued by the Court granting a motion filed by Spectra on May 25, 2020 seeking the approval of a settlement agreement and amendment to a lease, with Becknell regarding one of Spectra US' Greenfield, Indiana distribution centers, referred herein as "**Becknell Lease Extension**".

12. The comeback hearing before the U.S. Court with respect to the Chapter 15 Proceedings was initially scheduled to take place on April 8, 2020, but was postponed to May 28, 2020 by the U.S. Court following the general postponement of all non-urgent matters by the U.S. Court, considering the Covid-19 pandemic.

13. Two US creditors initially filed contestations opposing the Chapter 15 Proceedings and two other creditors supported these contestations. These contestations were ultimately withdrawn by all creditors prior the comeback hearing before the U.S. Court on May 28, 2020.

14. On May 29, 2020, the U.S. Court issued various orders under Chapter 15 of the *U.S. Bankruptcy Code* with respect to the confirmation of the recognition of the CCAA Proceedings as foreign main proceedings and granted relief to recognize and effect the CCAA filing and other matters, including the approval of the Becknell Lease Extension.

15. On June 4, 2020, the Monitor filed its third report with the Court, dated June 4, 2020, which presented an update on operations and restructuring, including the financial situation and cash-flow projections of Spectra Group (the "**Third Monitor's Report**").

16. On June 5, 2020, an order was issued by the Court granting the June 3, 2020 Motion extending the Stay Period until September 26, 2020 (the "**June 5, 2020 Order**").

17. On September 21, 2020, the Debtors filed a motion regarding (i) the issuance of a second amended and restated initial order, including an extension of the stay of proceedings up to January 30, 2021, (ii) the approval of the wind-up of certain Debtors, and (iii) the approval of a claims process (the "**September 21, 2020 Motion**").

18. On September 22, 2020, the Monitor filed its fourth report with the Court, dated September 22, 2020, which presented an update on operations and restructuring, including the financial situation and cash-flow projections of Spectra Group, and the Claims Process (the "**Fourth Monitor's Report**").

19. On September 25, 2020, three orders were issued by the Court granting the September 21, 2020 Motion. The first order is related to the issuance of a second amended and restated initial order, including an extension of the stay of proceedings up to January 30, 2021 (the "**Second Amended and Restated Initial Order**"), a second order related to the approval of the wind-up of certain Debtors (the "**September 25, 2020 Order**"), and a third order related to the approval of a claims process (the "**Claims Process Order**").

20. On November 16, 2020, the Debtors filed a motion in the CCAA Proceedings for the issuance of three (3) approval and vesting orders pertaining to three (3) sales transactions for certain real estate assets (two buildings and a vacant lot housing a storage shed) located in Debert, Nova Scotia (the "**Debert Real Estate Motion**").

21. On November 18, 2020, the Monitor filed its fifth report with the Court, dated November 17, 2020, which reported on the proposed sales transactions referred to in the Debert Real Estate Motion (the "**Fifth Monitor's Report**").

22. On November 19, 2020, three (3) approval and vesting orders were issued by the Court granting the Debert Real Estate Motion pertaining to three (3) sales transactions for the following real estate assets: 48 Lysander Property, 497 McElmond Property and 42 Lysander Property (the "**Debert Real Estate Orders**").

23. On November 23, 2020, the U.S. Court issued an order under Chapter 15 of the *U.S. Bankruptcy Code* enforcing the Second Amended and Restated Initial Order in respect of *De Minimis* asset sales (increase in the limit for transactions outside the ordinary course of business without Court approval) and related relief further to a motion, dated November 5, 2020, filed by the Foreign Representative.

24. On January 8, 2021, the Debtors filed a motion in the CCAA Proceedings for the issuance of an order regarding certain transactions (factoring contracts with Wells Fargo Bank, National Association ("**Wells Fargo Factoring**") regarding the factoring of certain accounts receivable from Spectra Group's customers) (the "**Wells Fargo Factoring Motion**").

25. On January 14, 2021, an order was issued by the Court granting the Wells Fargo Factoring Motion authorizing the Debtors to enter into factoring contracts with Wells Fargo Factoring, or other related parties or assignees ("**Wells Fargo Factoring Order**").

26. On January 26, 2021, the Debtors filed an application for a third extension of the stay of proceedings up to May 31, 2021 (the "**January 26, 2021 Application**").

27. The Monitor has established a website to post information relating to the CCAA Proceedings, as well as the Chapter 15 Proceedings. The address of the Monitor's website is www.ey.com/ca/spectra.

PURPOSE

28. The present Monitor's report ("**Sixth Monitor's Report**") has been prepared to inform the Court on the state of the Debtors' business and financial affairs in accordance with section 23(1)(d) CCAA and to address the order being sought in the January 26, 2021 Application. The Sixth Monitor's Report is presented under the following headings:

    - Introduction;
    - Purpose;
    - Terms of reference and disclaimer;
    - Background, operations and operational restructuring update;
    - Actual receipts and disbursements for the eighteen (18) week period from September 13, 2020 to January 16, 2021;
    - Updated cash flow projections for the nineteen (19) week period from January 17 to May 29, 2021;
    - Claims Process update;
    - Restructuring update and request for an extension of the Stay Period; and,
    - Overall comments and conclusions.

TERMS OF REFERENCE AND DISCLAIMER

29. Capitalized terms not defined herein have the meaning ascribed to them in the Pre-Filing Monitor's Report, First Monitor's Report, Second Monitor's Report, Third Monitor's Report, Fourth Monitor's Report and Fifth Monitor's Report as the case may be.

30. In preparing the Sixth Monitor's Report and making the comments herein, the Monitor has been provided with and has relied upon certain unaudited, draft and/or internal financial information, Debtors' records, management prepared financial information and projections, information from other third-party sources, and has engaged in discussions with the Debtors' directors, senior management team ("**Management**") and the Debtors' legal advisors (collectively, the "**Information**"). Except as described in this Sixth Monitor's Report:

- The Monitor has assumed the integrity and truthfulness of the Information and explanations provided to it, within the context in which it was presented. To date, nothing has come to the attention of the Monitor that would cause it to question the reasonableness of this assumption;
- The Monitor has requested that Management bring to its attention any significant matters which were not addressed in the course of its specific inquiries. Accordingly, the Sixth Monitor's Report is based solely on the Information (financial or otherwise) provided by the Debtors;
- The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or generally accepted standards for review engagements and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information;
- In view of the purpose of the Sixth Monitor's Report, some of the financial information therein may not comply with generally accepted accounting principles; and,
- Some of the information referred to in this Sixth Monitor's Report consists of forecasts and projections that were prepared based on Management's current estimates and/or assumptions. Such estimates and/or assumptions are, by their nature, not ascertainable and as a consequence, no assurance can be provided regarding any such forecasted or projected results. Actual results will vary from the forecasts or projections, even if the estimates and assumptions are accurate, and the variations could be significant.

31. On March 11, 2020, the World Health Organization declared the novel coronavirus disease ("**Covid-19**") a pandemic. There have been significant impacts on the economy and the effects on the Companies' operations have been material and continue to provide for uncertainty.

32. This report does not take into account all future impacts of Covid-19 pandemic on the forecasts or projections or other actions taken by Spectra Group as a result of the evolving virus situation. Any references made to the impact of the Covid-19 on Spectra Group in this report are based on preliminary enquiries and are not to be interpreted as a complete commentary or as an accurate assessment of the full impact of the virus. The potential for unknown ramifications on consumers, supply chains, commercial counterparties (both direct and indirect to the Spectra Group's operations), future decisions that the Spectra Group may make as a result of the evolving virus situation and potentially adverse geopolitical outcomes, means that the forecasts or projections may be impacted by the Covid-19. The full impact of the virus is not capable of being qualitatively or quantitatively assessed at this time.

33. This report has been prepared by the Monitor in order to provide additional information to the Court in connection with the Debtor's business and financial affairs. This Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.

34. All references to currency are in Canadian dollars unless otherwise noted.

BACKGROUND, OPERATIONS AND OPERATIONAL RESTRUCTURING UPDATE

35. Spectra Group is one of Quebec's largest manufacturers and distributors of automotive products, with various distribution and manufacturing facilities located mainly across Canada and the United States.

36. As of the commencement of the CCAA Proceedings, Management has attributed the Debtors' financial difficulties to both the strain placed on the cash flow as a result of Spectra Group's venture in Sweden, as well as a general decrease in profitability of their North American activities over the past few years. This decreased profitability was apparently caused by a shift in customer demand towards products that have a lower price (and quality) as compared with the Debtors' products, over capacity of production for the US market for particular products which creates a downward pressure on prices, and the impact of tariffs imposed in the US on goods imported from China. These factors affected most particularly what is referred as the aftermarket division.

37. As stated in the Pre-Filing Monitor's Report, the difficulties encountered by the Debtors and the resulting cash flow strain rendered the Debtors insolvent, which led to initiation of the proceedings under the CCAA.

Operations and Operational Restructuring update

38. Since the date of the Fourth Monitor's Report, Spectra Group conducted the following significant activities:

- Continued to manage the operations in the normal course, including negotiations with trade suppliers to obtain necessary goods and services.

- On January 6, 2021, the government of Quebec announced a four-week lockdown of all non-essential businesses between January 9 and February 8, 2021. Given that Spectra is considered an essential business, this lockdown has had and should continue to have minimal impact on its Quebec operations.

- Continued to review headcount levels with a view to optimize operations and in accordance with the closure of certain facilities including those in Knightstown (Indiana), Redlands (California), Debert (Nova Scotia), and Laval (Quebec). The total number of Spectra Group active employees was approximately 656 at the end of December 2020, as compared to approximately 1,146 on March 1st, 2020. This represents a permanent reduction in headcount of 490 during this period.

- Issued notices of disclaimer of commercial leases and other agreements in respect of:

  - A commercial lease for a distribution center in Redlands, California (vacated by October 31, 2020).
  - A commercial lease for Laval manufacturing plant, in the province of Quebec (vacated by December 31, 2020).

- Various office equipment leases.
- A service agreement with a supplier for the rental of uniforms for the Laval plant.

- Production at the Debert, Nova Scotia location ceased on or around September 11, 2020 and the manufacturing plant (radiator parts) was closed in the fall of 2020. All equipment on site at the Debert facility was either sold with the proceeds being remitted to the LBC, transferred to the Boucherville and Quebec manufacturing plants or disposed of as scrap.

- In accordance with the Debert Real Estate Orders, in December 2020 and January 2021 Spectra sold three immovable properties in Debert, Nova Scotia, for a total sale price of $1,930,000, the net proceeds of which (approximately $1,875,000) were used to reduce the outstanding balance owed under the LBC secured loan. At the date of this report a vacant land located in Debert remains for sale.

- Operations at the Redlands California distribution center ceased on or around October 3, 2020, and the facility was remitted to the landlord by October 31, 2020. All equipment on site at this facility was either sold with the proceeds being remitted to the LBC, transferred to the Greenfield, Indiana facility or disposed of as scrap.

- Production at the Laval manufacturing plant ceased on or around October 31, 2020 and certain assets were transferred to the remaining Spectra facilities (principally Boucherville manufacturing plant) over the subsequent months and the facility was remitted to the landlord by December 31, 2020.

- Management has indicated that they have had ongoing discussions and negotiations with the current landlord of the distribution center in Greenfield, Indiana related to a new lease that will begin on June 1st, 2021, including a reduction in size of the leased premises from 250,000 square feet to 175,000 square feet.

- Management has indicated that they are currently in discussions with the landlord of the Boucherville premise to renegotiate certain terms of the existing lease.

- Management has indicated that Spectra US has ceased the utilization of most third-party logistics services in the US, thereby reducing the expenses related to the management of the aftermarket parts inventory.

- Spectra is in the process of finalizing the wind-up of Spectra Shanghai and Spectra Chongqing in accordance with the applicable Chinese laws, in conjunction with the September 25, 2020 Order. It is expected that these wind-ups will be completed in the coming months.

- In regard to Spectra Premium AB (Sweden) a.k.a. TechRoi ("**Spectra Sweden**"), subsidiary of Spectra that is not part of the CCAA proceedings, the company obtained approval in November 2020 from its creditors and the Swedish Court of their plan of compromise under the insolvency laws of Sweden. It is noted that Spectra is currently exploring its strategic alternatives available regarding its investment in this subsidiary, and possible alliance(s) with strategic partners. Meanwhile it continues to provide them various services and sells them certain components.

- Management has indicated that the vast majority of the operational restructuring measures have been completed at the date of this report. Management does not anticipate any further reductions in headcount or facility closures. The only remaining operational restructuring measures outstanding at this time relate to the sale of excess inventory on hand and an excess real-estate asset (a vacant land in Debert).

Trico Sale Transaction and other liquidation sales of inventory

39. The Trico Sale Transaction was approved by the Court on May 21, 2020, which authorized the sale of fuel pumps and parts product lines inventories earmarked to the US aftermarket business of Spectra Group to Trico, which sale commenced progressively subsequent to the Court approval in May 2020. We refer you to the Second Monitor's Report for the details of this transaction.

40. An amount of $12.4M (US$9.3M) has been collected from Trico up to January 16, 2021 for merchandise, of which approximately $580K (US$447) was not yet delivered as at that date. Management has assumed that the sale of inventory to Trico will continue through the month of February 2021, instead of November 2020 planned initially, due to delays in Trico obtaining financing to pay the remaining inventory under the agreement. On January 14, 2021, the Court authorized Spectra to enter into a factoring contract with Wells Fargo Factoring (Wells Fargo Factoring Order), for the remaining transactions under the Trico agreement, thus allowing for a more efficient payment of the amounts to Spectra. Collections of $3.2M (US$2.5M) are projected to be collected over the Cash Flow Period. The total value of the Trico Sale Transaction is estimated to be US$11.8M which is slightly lower than the initial estimate of US$12.7M when the Trico Sale Transaction was signed. The estimated decrease of US$0.9M is the result of various sales of the related inventory by Spectra Group to customers other than Trico, and inventory adjustments.

41. Several smaller transactions are anticipated to be made in the coming months to allow Spectra Group to liquidate certain inventories related to business lines which Spectra is exiting (mainly US aftermarket inventory for certain product lines, including distributors).

ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE EIGHTEEN (18) WEEK PERIOD FROM SEPTEMBER 13, 2020 TO JANUARY 16, 2021

42. As instructed by the Court, upon the issuance of the First Day Initial Order, the Monitor has monitored the Debtors' receipts and disbursements for the period from March 10, 2020 to the date of this Sixth Monitor's Report. Attached as **Appendix "A"** to this report, and summarized below, is a statement of receipts and disbursements for the eighteen (18) week period from September 13, 2020 to January 16, 2021 (the "**Actual Period**"), the period from the issuance of the Fourth Monitor's Report, with a comparison to the weekly cash flow projections attached as Appendix B to the Fourth Monitor's Report (the "**Fourth Cash Flow**").

43. Appendix "A" also includes a cumulative statement of receipts and disbursements from September 13, 2020 to January 16, 2021 (46 weeks) with a comparison to the weekly cash flow projections which relies upon the weekly forecasts detailed in note 1 of Appendix "A". Receipts and disbursements are reflected on a cash basis, and not on an accrual basis, and are denominated in thousands of Canadian dollars.

Actual vs. Forecast Receipts and Disbursements For the eighteen (18) week period from September 13, 2020 to January 16, 2021 Unaudited - In $000s CAD	Actual	Forecast	Variance
Cash Inflows	84 695	78 226	6 470
Cash Outflows (excl. Wells Fargo interests and fees)	(83 251)	(75 449)	(7 802)
Cash Outflows - Wells Fargo interests and fees	(83)	(1 225)	1 141
Net Cash Flow (incl. Wells Fargo interest and fees)	**1 361**	**1 552**	**(191)**
Opening Cash Balance (net of $178K of cheques in circulation)	1 270	-	1 270
Closing Cash Balance (net of $8K of cheques in circulation)	**848**	**-**	**848**
Opening Line of Credit	(41 725)	(40 455)	(1 270)
Ending Line of Credit	**(39 905)**	**(38 903)**	**(1 002)**
Other Wells Fargo Potential Obligations	(3 835)	(4 104)	269
Total Obligations to Wells Fargo	**(43 740)**	**(43 007)**	**(733)**
Borrowing Base ("BB") Availability	**59 631**	**60 728**	**(1 097)**
Availability Surplus & Cash Balance based on BB Availability[1]	**16 739**	**17 721**	**(981)**

Note 1: Based on the Borrowing Base ("BB") Availability as compared to the Total Obligations to Wells Fargo.

44. Net Cash Flow (including Wells Fargo interests and fees (Debtor's operating lender)) for the Actual Period is $1,361K compared to the projected amount of $1,552K representing an unfavourable net cash flow variance of $191K.

45. The unfavourable net cash flow variance of $191K is primarily explained by the following:

    Cash Inflows (Favourable variance of $6,470K):

    – Collections: Favourable variance of $7,520 largely due to permanent and timing differences as sales were higher than projected during the Actual Period. Additionally, there were unbudgeted collections of $433K in non-accounts receivable scrap metal sales during the Actual Period (permanent difference);

    – Trico Sale Transaction Collections: Unfavourable variance of $759K due to timing differences that are expected to reverse in the future;

    – Collections - Excess inventory sales: Unfavorable variance of $1,203K due to permanent differences as Spectra's budgeted sale of excess inventory (distributors) to a supplier did not materialize during the Actual Period;

    – Collections from Spectra Sweden: Favourable variance of $1,561K largely due to permanent differences resulting from higher than budgeted sales of straps to Spectra Sweden; and,

    – Government Wage Subsidy and Other: Unfavourable variance of $649K largely due to timing differences as Spectra submitted its claims for the Canada Emergency Wage Subsidy ("**CEWS**") program for the months of October and November later than expected. Management has confirmed that these amounts ($1,738K) were received in the week ended January 23, 2021.

Cash Outflows, including Wells Fargo interests and fees (Unfavourable variance of $6,661K):

- Payment of AP balances: Unfavourable variance of $10,875K is due to permanent and timing differences due, in part, to an increase in the purchase of inventories. This unfavourable variance is net of lower than forecasted payments of pre-filing balances in accordance with the Second Amended and Restated Initial Order of approximately $1,500K;
- Payroll: Favourable variance of $247K is largely due to permanent differences resulting from lower than budgeted utilization of part-time employees and certain lower than budgeted one-time payments. These favorable variances are net of unbudgeted retroactive payrolls of $130K during the Actual Period;
- Rent: Favourable variance of $114K largely due to permanent differences explained by budgeted rent not required to be paid during the Actual Period largely as a result of the closure of certain facilities earlier than forecasted (mainly the Laval manufacturing plant);
- Factoring fee: Favourable variance of $2K is due to timing differences that are expected to reverse in the future;
- US Duty/Tariff: Unfavourable variance of $85K due to timing differences that are expected to reverse in the future;
- Professional Fees (including Restructuring/CCAA): Favourable variance of $1,316K due mainly to timing differences that are expected to reverse in the future;
- Financing costs / debt payments, including Wells Fargo interests and fees: Favourable variance of approximately $1,127K mainly due to permanent favorable variances in Wells Fargo interest payments and other fees ($1,142K) largely due to the unbudgeted receipt of a credit for previously paid interest ($658K) and lower than budgeted interest expense during the Actual Period;
- Restructuring – closing/moving costs: Unfavourable variance of $241K is mainly due to permanent differences resulting from higher than budgeted closing/moving costs associated with the various facilities which were closed during the Actual Period;
- Miscellaneous: Favourable variance of $901K is due to forecasted miscellaneous expenses not incurred in the Actual Period; and,
- Capital expenditures (CAPEX): Favourable variance of $833K due to permanent and temporary differences in lower than budgeted capital expenditures.

Take note that as at January 16, 2021, the Debtors had post-filing outstanding cheques of $8K and post-filing account payables (excluding intercompany accounts) of $3,347K, mainly related to inventory purchases, sales taxes on exports, customs brokers, transportation suppliers and utilities suppliers for which payment terms have been provided that were not initially projected.

46. The Ending Cash Balance as at January 16, 2021 is $857K compared to the projected amount of $0, representing a favourable variance of $857K. This is explained by the assumption that there are no timing differences between the receipt or the use of cash to make payments in the blocked or operating accounts, i.e. no distinction between cash accounts and the line of credit. The Ending Cash Balance as at January 16, 2021, net of cheques in circulation of $8K, is approximately $848K.

47. The Ending Line of Credit ("**LOC**") as at January 16, 2021 is $39,905K compared to the projected amount of $38,903K, representing an unfavourable variance of $1,002K, which is explained by the unfavourable variance in the Net Cash Flow of $191K, and the Ending Cash Balance as of January 16, 2021 of 857K $ not applied to LOC. The Total Obligations to Wells Fargo as at January 16, 2021 of $43,740K include Other Wells Fargo Potential Obligations of $3,835K, which pertain to a letter of credit ($2,545K) and reserves ($1,290K).

48. The Estimated Borrowing Base Availability as at January 16, 2021 is $59,631K compared to the projected amount of $60,728K, representing an unfavourable variance of $1,097K ($511K favourable variance for accounts receivable and $1,608K unfavourable variance for inventory).

    Given the Estimated Borrowing Base Availability of $59,631K as at January 16, 2021, the availability on the LOC as at January 16, 2021, considering the cash balance, is $16,739K ($15,891K if the cash balance is not considered). Despite the availability on the LOC based on the Estimated Borrowing Base noted above, the actual availability on the LOC as at January 16, 2021 is limited to $15,115K ($14,267K if the cash balance is not considered) due to the cap on the Total Obligations to Wells Fargo (lesser of $90.0M and the Maximum Allowable Obligations to Wells Fargo, i.e. the Total Obligations to Wells Fargo forecasted at the end of each week plus $15M).

    Note that the calculation of the borrowing base as at January 16, 2021 has been made using the actual credit conditions at this date, however, as mentioned in the next section of this report, these conditions are expected to change with the execution of the upcoming amended and extended Wells Forbearance Agreement. The Fifth Cash Flow reflects these new credit conditions.

UPDATED CASH FLOW PROJECTIONS FOR THE NINETEEN (19) WEEK PERIOD FROM JANUARY 17 TO MAY 29, 2021

49. The Debtors, with the assistance of the Monitor, have prepared the updated consolidated cash flow projections (the "**Fifth Cash Flow**") for the nineteen (19) week period from January 17 to May 29, 2021 (the "**Cash Flow Period**") for the purpose of projecting the estimated results of the Debtors' planned operating activities during the Cash Flow Period. The Fifth Cash Flow includes the expected cash flow results of the Debtors over the Cash Flow Period and excludes any result pertaining to Spectra Sweden. The Fifth Cash Flow also excludes the results and operations of Spectra Shanghai and Spectra Chongqing which are in the process of being liquidated and dissolved and expected to be wound-up by the end of the Cash Flow Period. In addition, the Fifth Cash Flow excludes the results and operations of Spectra Taiwan. Management has indicated that their operations are not material and that the entity is self-sufficient and does not require funding from other Debtors. A copy of

the Fifth Cash Flow including notes and the main assumptions upon which it is based is presented herewith as **Appendix "B"**.

50. The Fifth Cash Flow projects net cash outflows of $11.3M over the Cash Flow Period resulting from projected receipts of $82.2M less projected disbursements of $93.5M. The net cash outflow of $11.3M is mainly attributed to the seasonality of sales and to the increase in working capital during the Cash Flow Period.

51. The Fifth Cash Flow projects the indebtedness to Wells Fargo, which is of $43.7M at the beginning of the Cash Flow Period on January 17, 2021, to fluctuate throughout the Cash Flow Period between a low of $38.7M in the week ending February 13, 2021 and a high of $54.2M at the end of the Cash Flow Period on May 29, 2021.

52. Although a net negative cash flow is projected over the Cash Flow Period ($11.3M), the forecasted availability on the LOC based on the estimated borrowing base as of May 29, 2021 is of approximately $12.4M. This availability is expected to be limited to $10.0M due to the updated credit conditions to be enacted resulting in a cap on the Total Obligations to Wells Fargo (lesser of $75.0M and the Maximum Allowable Obligations to Wells Fargo, i.e. the total Obligations to Wells Fargo forecasted at the end of each week plus $10M). Spectra projected to have a minimum availability on the LOC over the Cash Flow Period of $10M at all times and to respect their updated credit conditions with Wells Fargo over the Cash Flow Period.

53. The Fifth Cash Flow assumes that the secured creditors will continue to provide Spectra with a credit facility and that the Wells Forbearance Agreement currently in place, will be amended and extended throughout the Cash Flow Period under similar terms and conditions, taking into consideration modifications to certain credit conditions which have been agreed upon between Spectra Group and Wells Fargo. These modified credit conditions have been reflected in the Fifth Cash Flow.

54. The Fifth Cash Flow includes assumptions that respond to the changes in operations resulting from the impacts of the Covid-19 pandemic. The Fifth Cash Flow assumes that any government-imposed Covid-19 shutdowns, which occur during the Cash Flow Period, will not result in a forced closure of Spectra facilities as they have been deemed an essential service. Should further forced facility closures occur as a result of government-imposed shutdowns, the Fifth Cash Flow will be significantly impacted resulting in a decrease in the forecasted results. The potential for unknown ramifications on customers, suppliers, supply chains, commercial counterparties (both direct and indirect) to the Debtors' operations, future decisions that the Debtors may make as a result of the evolving Covid-19 pandemic and potentially adverse geopolitical outcomes, means that the actual results achieved during the Cash Flow Period may vary materially from the Fifth Cash Flow. The full impact of the Covid-19 pandemic is not able of being qualitatively or quantitatively assessed at this time.

55. The Fifth Cash Flow includes several adjustments and changes in assumptions that reflect Spectra's planned course of action over the Cash Flow Period as the restructuring plan continues to be executed. The Fifth Cash Flow includes the liquidation of certain excess inventories related to business lines which Spectra is exiting (mainly US aftermarket inventory for certain product lines, including fuel pumps and parts) as well as certain costs

associated with the recent closure of several facilities (prior to the Cash Flow Period). No further facility closures are projected to occur during the Cash Flow Period.

56. The Fifth Cash Flow represents Management's estimates of the projected cash flow during the Cash Flow Period. The Fifth Cash Flow has been prepared by Management, using probable and hypothetical assumptions as set out in the notes to the Fifth Cash Flow (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**").

57. The Monitor has reviewed the Fifth Cash Flow as to its reasonableness as required by Section 23(1)(b) of the CCAA. Pursuant to this standard, the Monitor's review of the Fifth Cash Flow consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. Since the Probable and 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 Fifth Cash Flow. The Monitor also reviewed the support provided by Management for the Probable and Hypothetical Assumptions and the preparation and presentation of the Fifth Cash Flow.

58. Based on this review, nothing has come to the Monitor's attention that causes it to believe that, in all material respects:

    - the hypothetical assumptions are not consistent with the purpose of the projection;
    - as at the date of this Fifth Monitor's Report, the probable assumptions developed by the Debtors are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or,
    - the Fifth Cash Flow does not reflect the probable and hypothetical assumptions.

59. Since the Fifth Cash Flow 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 assurance as to whether the Fifth Cash Flow will be achieved. The Fifth Cash Flow has been prepared solely for the purpose described in the notes accompanying the Fifth Cash Flow, and readers are cautioned that it may not be appropriate for other purposes.

60. Since the commencement of the CCAA Proceedings, the Debtors have been operating and have financed their operations, as applicable, with the support of Wells Fargo Capital Finance Corporation Canada, in its capacity as administrative agent for itself and for the Canadian Imperial Bank of Commerce as lenders (collectively, "**Wells Fargo**"), in accordance with a Wells Forbearance Agreement entered into on March 9, 2020 and amended and extended on July 8, 2020, and again on September 22, 2020 extending Wells Forbearance Agreement to January 30, 2021. As mentioned above, the Wells Forbearance Agreement will be amended and extended throughout the Cash Flow Period under the similar terms and conditions, taking into consideration modifications to certain credit conditions which have been agreed upon between Spectra Group and Wells Fargo.

61. Spectra has also continued to receive the support of the Laurentian Bank of Canada, in its capacity as administrative agent for itself and Export and Development Canada (collectively, "**LBC**"), in accordance with a Support Agreement entered into on March 23, 2020.

62. Wells Fargo and LBC are the principal secured creditors of the Debtors, and both have been informed on a weekly basis of the financial situation and received a copy of the Fifth Cash Flow.

63. Wells Fargo and LBC support the continuation of the CCAA Proceedings in accordance with the Fifth Cash Flow.

CLAIMS PROCESS UPDATE

64. Pursuant to the Claims Process Order (see the Fourth Monitor's Report summarizing the significant objectives and details of the Claims Process), the Debtors commenced the Claims Process in early October 2020 which has been managed in large part by the Monitor.

65. Since the issuance of the Claims Process Order (September 25, 2020), the Monitor, with the assistance of the Debtors, performed all the tasks in order to execute the Claims Process in accordance with the Claims Process Order, including:

    - Notification of the creditors through a publication in two newspapers (La Presse+ (online version) and the Globe & Mail, national edition (paper version)) on October 9, 2020;
    - Notification of the creditors, including Employees, through correspondences sent by the Monitor to the creditors' mailing address, fax number, or email as reflected in the Debtors' records, between October 8 and 13, 2020;
    - Publication of all of the documents necessary to file a proof of claim (including proof of claim form, instructions, notice of scheduled employee's claim form, notice of dispute form (employees), a copy of an updated list of creditors and a copy of the Claims Process Order) on the Monitor's website (www.ey.com/ca/spectra);
    - Compiled and commenced the review of all the Proofs of Claim received by the Monitor from the creditors, other than employees, Wells Fargo and LBC, who are not required to file a proof of claim;
    - Complied and commenced the review of all Notices of Dispute filed by employees;
    - Answer to all creditors queries related to their proofs of claim and the Claims Process;
    - Communications with various creditors regarding deficiencies in their proofs of claim filed or discrepancies with the Debtors books and records.

66. The status of the Claims Process could be summarized as following:

    - Pursuant to the Claims Process, the Claims Bar Date for creditors, excluding employees, was the later of November 20, 2020, or 30 days following the date of receipt by a creditor of a notice from the Debtors giving rise to a Restructuring Claim as defined in the Claims Process Order, further to a disclaimer of an agreement becoming final;
    - The Claims Bar Date for Employees, was the later of November 20, 2020, or 30 days after the date on which the Monitor sends a Notice of Scheduled Employee's Claim, as defined in the Claims Process Order;

- As of the date of this report the Monitor has received approximately 609 claims (excluding the claims of Wells Fargo, LBC and of the Employees), of which approximately 107 are actually under review by the Monitor and/or Spectra Group and/or in discussion with the involved parties;
- With respect to the 1,223 Employees' Claims, 30 Employees' Claims were subject to a Notice of Dispute, 18 of which have been settled and 12 of which are under review by the Monitor and/or Spectra Group and/or in discussion with the involved parties.

RESTRUCTURING UPDATE AND REQUEST FOR AN EXTENSION OF THE STAY PERIOD

67. Pursuant to the Second Amended and Restated Initial Order, the Stay Period continues until and including, January 30, 2021. In the January 26, 2021 Application, Spectra Group is seeking an extension of the Stay Period to May 31, 2021.

68. The Monitor has considered the burden of evidence that resides with Spectra Group to demonstrate that an extension of the Stay Period by this Court is warranted, in the context of the Covid-19 pandemic, having regard to:

    - The circumstances justifying the issuance of an extension order;
    - The good faith efforts of the Debtors to effect and implement the restructuring; and,
    - The due diligence with which the Debtors are implementing the restructuring.

Circumstances that justify the Extension Order

69. The Debtors require an extension of the Stay Period in order to pursue a value maximization strategy.

70. During the Stay Period requested, Spectra Group will continue to analyze the effect of the actual economic downturn, as well as, the Covid-19 pandemic on its operational restructuring plan and continue the discussions with the main stakeholders in order to update and execute its post-restructuring business plan (Spectra 2.0), determine the optimal capital structure and secure the financing required to exit the CCAA proceedings (execute a plan of arrangement) and the financing related to its post-restructuring business plan (Spectra 2.0). More precisely, during the Stay Period, and with the assistance of the Monitor, Spectra Group:

    - Will review scenarios to restructure and enhance its business model, including discussions of the financing options with the actual stakeholders and with potential strategic partners and/or selling certain of Spectra Group's assets that do not fit with its future growth areas;
    - Will continue its effort to rationalize its expenses and maximize the value of the assets;
    - Will execute the third extension of the Wells Forbearance Agreement that will expire at the end of the Cash Flow Period, and, in relevant time, will negotiate an additional extension of it for the period after this date;

- Will complete, with the Monitor the Claims Process; and,
- Will prepare a plan of compromise and arrangement to its creditors.

71. As mentioned above, based on the Fifth Cash Flow, the Monitor is also of the view that Spectra Group will have sufficient cash flow to sustain operations throughout the Stay Period requested.

Good Faith Efforts and Due Diligence

72. In the Monitor's view, Management is acting in good faith and with due diligence in these proceedings, as evidenced by the following:

   - Spectra Group is compliant with their statutory obligations under the CCAA and have complied with the provisions of the Second Amended and Restated Initial Order;
   - Spectra Group and the Monitor have maintained on-going discussions with key stakeholders;
   - Spectra Group, with the assistance of the Monitor and other consultants, has undertaken numerous activities in developing a restructuring process; and,
   - Spectra Group continues to focus on operational improvements and value enhancement initiatives.

73. Based on the discussions held to date, it is the view of the Monitor, in the context of the Covid-19 pandemic, that the Debtors have been pursuing the advancement of their restructuring efforts in good faith and with due diligence.

74. The Monitor is of the view that an extension of the Stay Period is in the best interests of the stakeholders as a whole and that this Court would be justified to extend the Stay Period, subject to possible further extensions for such other periods as the Court may consider appropriate.

75. Based on the foregoing, the Monitor recommends that this Court grant an order extending the Stay Period until and including, May 31, 2021.

OVERALL COMMENTS AND CONCLUSIONS

76. Based on the work performed to date, the Monitor has no reason to question the Debtors diligence, good faith and proper intentions in pursuing these restructuring proceedings.

77. The Monitor considers that the restructuring efforts implemented by the Debtors in the proceedings herein and within the context of uncertainty of the Covid-19 pandemic, are reasonable.

78. Management has finalized the details of its post-restructuring business plan (Spectra 2.0) that will serve as the basis to secure the support and participation of important stakeholders and ultimately allow Spectra Group to submit a plan to its creditors.

79. The Monitor is of the view that an extension of the Stay Period is in the best interests of the stakeholders as a whole and will allow the Debtors to:

- complete the review of the strategic alternatives available to Spectra Group regarding its capital structure, including exit financing, financing of their post-restructuring business plan (Spectra 2.0), and possible alliance(s) with strategic partners;
- select the best alternative for Spectra Group and its creditors;
- complete the negotiations with the main stakeholders and finalize the appropriate agreements; and,
- complete the Claims Process under the management and assistance of the Monitor.

80. Considering the foregoing and notably the continued support of Wells Fargo and LBC, the Monitor believes that despite forecasting a net negative cash flow of $11.3M during the Cash Flow Period that will be financed with the LOC, as explained in this report, the continuation of the CCAA Proceedings in accordance with the Fifth Cash Flow, is appropriate and to the benefit of the Debtors' stakeholders as a whole.

81. Consequently, the Monitor supports an extension of the Stay Period until and including May 31, 2021.

All of which is respectfully submitted this 27th day of January 2021.

ERNST & YOUNG INC.,
Licensed Insolvency Trustee
in its capacity as the Monitor in the matter of the proposed compromise and arrangement of Spectra Premium Industries Inc. *et al*.

Per: Éric St-Amour, CPA, CA, CIRP, LIT
Senior Vice-President

Per: Mario Denis, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix "A"

SPECTRA PREMIUM INDUSTRIES INC. & AL. (EXCLUDING SPECTRA PREMIUM AB (SWEDEN))
ACTUAL VS. FORECAST RECEIPTS AND DISBURSEMENTS
FOR THE EIGHTEEN (18) WEEK PERIOD FROM SEPTEMBER 13, 2020 TO JANUARY 16, 2021
AND THE CUMULATIVE FORTY SIX (46) WEEK PERIOD FROM MARCH 1, 2020 TO JANUARY 16, 2021
(UNAUDITED - IN $000s CAD)

	Current Period Eighteen (18) week period from September 13, 2020 to January 16, 2021			Cumulative Period Forty Six (46) week period from March 1, 2020 to January 16, 2021		
	Actual	Forecast[1]	Variance	Actual	Forecast[1]	Variance
Cash Inflows:						
Collections	75 319	67 799	7 520	238 995	213 884	26 850
Government wage subsidy and other	4 209	4 858	(649)	8 795	9 078	(283)
Ford Edge reimbursement	-	-	-	1 454	1 459	(6)
Trico sale transaction collections	3 370	4 129	(759)	12 363	10 028	596
Collections - Excess inventory sales	-	1 203	(1 203)	-	1 203	(1 203)
Collection Spectra Premium AB	1 797	237	1 561	3 142	1 801	1 341
Total Cash Inflows	84 695	78 226	6 470	264 749	237 453	27 295
Cash Outflows[2] (without Wells Fargo interests and fees):						
Payment of AP balances	52 890	42 015	(10 875)	129 353	130 986	1 633
Payroll & benefits (including KERP)	17 145	17 391	247	42 796	45 777	2 982
Rent	2 883	2 997	114	8 138	8 967	828
Factoring fee	260	262	2	1 328	2 701	1 373
Financing costs / debt payments[2]	2 009	1 996	(14)	4 608	4 632	24
US Duty/Tariff	2 026	1 941	(85)	6 501	7 779	1 278
Capital expenditures (CAPEX)	369	1 202	833	983	4 689	3 706
Restructuring - closing/moving costs	1 551	1 310	(241)	2 791	1 860	(931)
Professional Fees (including Restructuring/CCAA)	894	2 210	1 316	4 229	6 536	2 306
Miscellaneous	3 223	4 124	901	3 549	6 408	2 859
Total Cash Outflows[2] (without Wells Fargo interests and fees)	83 251	75 449	(7 802)	204 276	220 334	16 058
Net Cash Flow[2] (without Wells Fargo interests and fees)	1 445	2 777	(1 332)	60 473	17 119	43 353
Opening cash balance	1 448	-	1 448	1 491	-	1 491
Foreign currency transfers from HSBC accounts to LOC	(1 880)	-	(1 880)	(4 078)	-	(4 078)
Net cash flow from above	1 445	2 777	(1 332)	60 473	17 119	43 353
Net operating line draw / (repayment)	(156)	(2 777)	2 621	(57 030)	(17 120)	(39 910)
Closing cash balance	857	-	857	857	-	857
Cheques in Circulation	(8)	-	(8)	(8)	-	(8)
Closing cash balance (net of cheques in circulation)	848	-	848	848	-	848
Opening Line of Credit	(41 725)	(58 935)	17 210	(100 568)	(100 549)	(19)
Adjustment to Opening LOC in connection to change in budget	-	18 480	(18 480)	-	48 213	(48 213)
(Draw) / repayment	156	2 777	(2 621)	57 030	17 120	39 910
Transfer from HSBC CAD Account	2 008	-	2 008	4 200	-	4 200
Interest paid directly by LOC[2]	160	(927)	1 087	(2 460)	(2 684)	224
Other fees / Adjustments paid directly by LOC[2]	(244)	(298)	55	(1 042)	(1 001)	(40)
Change in FX rate	(260)	-	(260)	2 936	-	2 936
Closing Line of Credit	(39 905)	(38 903)	(1 002)	(39 905)	(38 903)	(1 002)
Other Wells Fargo potential obligations	(3 835)	(4 104)	269	(3 835)	(4 104)	59
Total Obligations to Wells Fargo	(43 740)	(43 007)	(733)	(43 740)	(43 007)	(733)
Borrowing Base[3]:						
Inventory[3]	36 000	37 608	(1 608)	36 000	37 608	(1 608)
AR[3]	23 631	23 120	511	23 631	23 120	511
Borrowing Base Availability[3]	59 631	60 728	(1 097)	59 631	60 728	(1 097)
Availability Surplus (LOC) based on Borrowing Base[3]	15 891	17 721	(1 830)	15 891	17 721	(1 830)
Availability Surplus & Cash Balance based on Borrowing Base Availability[3]	16 739	17 721	(981)	16 739	17 721	(981)

Note 1: The forecast from March 1, 2020 to January 16, 2021 (46 weeks) uses: (i) the First Cash Flow attached in the Pre-Filing Monitor's report, dated March 9, 2020, for the period (7 weeks) from March 1 to April 18, 2020; (ii) the Second Cash Flow filed with the First Monitor's Report, dated April 28, 2020, for the period (5 weeks) from April 19 to May 23, 2020; (iii) the Third Cash Flow filed with the Third Monitor's Report, dated June 4, 2020, for the period (16 weeks) from May 24 to September 12, 2020; and (iv) the Fourth Cash Flow filed with the Fourth Monitor's Report, dated September 22, 2020 for the (18 weeks) from September 13, 2020 to January 16, 2021.

Note 2: Cash Outflows and Net Cash Flow do not include Wells Fargo interests and fees. They are include direclty in the roll forward of the Line of Credit, see operations detail in the section Line of Credit for Wells Fargo interests and fees.

Note 3: Note that the calculation of the borrowing base as at January 16, 2021 has been made using the actual credit conditions at this date, however, these conditions will change with the execution of the upcoming amended and extended Wells Forbearance Agreement. The Fifth Cash Flow reflects these new credit conditions.

Appendix "B"

Appendix "B"

SPECTRA PREMIUM INDUSTRIES INC. & AL. (EXCLUDING SPECTRA PREMIUM AB (SWEDEN))
WEEKLY FORECAST RECEIPTS AND DISBURSEMENTS
FOR THE 19 WEEK PERIOD FROM JANUARY 17 TO MAY 29, 2021
UNAUDITED - IN $000s CAD
(See Notes and Assumptions attached)

	Actual	January = 2 weeks		February = 4 weeks				March = 5 weeks					April = 4 weeks				May = 4 weeks				Total (19 weeks)
		Weekly Forecast																			
Week ending	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	27-Feb	6-Mar	13-Mar	20-Mar	27-Mar	3-Apr	10-Apr	17-Apr	24-Apr	1-May	8-May	15-May	22-May	29-May	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Net Cash Flow, LOC and Total Obligations to Wells Fargo:																					
Cash Inflows																					
Collections		7 198	2 355	3 550	6 680	5 050	1420	3 132	5 480	3 132	1566	2 349	3 926	6 282	3 926	1570	3 843	6 149	3 843	1537	72 987
Spectra Premium AB (Sweden) reimbursement		42	124	92	42	42	42	174	42	42	42	174	42	42	42	42	174	42	42	42	1317
Collections - Trico Liquidation		-	-	3 200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 200
Gov. Subsidies (CEWS + Rent) and other		1721	88	700	-	339	348	400	-	-	80	767	-	-	80	200	-	-	-	-	4 723
Total Cash Inflows		8 960	2 566	7 542	6 722	5 431	1810	3 705	5 522	3 173	1687	3 289	3 968	6 323	4 048	1812	4 017	6 191	3 885	1579	82 227
Cash Outflows																					
Payment of AP balances		3 195	4 695	3 470	3 470	3 470	2 970	3 004	3 004	3 004	3 004	3 019	3 040	3 040	3 040	3 040	3 193	3 193	3 193	3 193	61 236
Payroll & benefits (including KERP)		1400	400	1490	325	1490	325	1490	325	1490	325	1 490	325	1490	325	1850	325	1490	325	1490	18 170
Rent		-	279	-	308	-	279	-	308	-	-	279	308	-	-	171	308	-	-	232	2 473
Factoring fees		50		50		50		50		50			50		50		50		50		450
Financing costs / debt payments		83	3	598	101	79	-	632	10	105	-	635	10	-	101	649	24	21	81	-	3 134
US Duty/Tariff		547					600				600				600					600	2 947
Capital expenditures		50	50	50	50	50	50	50	50	344	50	50	50	50	50	50	50	50	50	50	1244
Restructuring - closing /moving costs		50	50	50	50	50															250
Miscellaneous		50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	950
Professional fees (restructuring /CCAA and other(strategic plan))		111	50	331	40	339	-	264	225	101	-	193	239	67	-	188	239	57	204	15	2 662
Total Cash Outflows		5 535	5 578	6 088	4 394	5 577	4 274	5 540	3 973	5 144	4 029	5 716	4 072	4 697	4 216	5 998	4 239	4 861	3 953	5 630	93 515
Net Cash Flow		3 425	(3 012)	1453	2 328	(147)	(2 464)	(1 835)	1549	(1 971)	(2 342)	(2 427)	(105)	1626	(168)	(4 186)	(222)	1330	(68)	(4 051)	(11 288)
Opening Line of Credit		(39 905)	(35 632)	(38 644)	(37 190)	(34 863)	(35 009)	(37 473)	(39 309)	(37 760)	(39 731)	(42 072)	(44 499)	(44 604)	(42 978)	(43 147)	(47 333)	(47 555)	(46 226)	(46 294)	(39 905)
Net Cash Flow		3 425	(3 012)	1453	2 328	(147)	(2 464)	(1 835)	1549	(1 971)	(2 342)	(2 427)	(105)	1626	(168)	(4 186)	(222)	1330	(68)	(4 051)	(11 288)
Cash Balance as at January 16, 2021 (net O/S cheques)		848	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	848
Closing Line of Credit ("LOC")	(39 905)	(35 632)	(38 644)	(37 190)	(34 863)	(35 009)	(37 473)	(39 309)	(37 760)	(39 731)	(42 072)	(44 499)	(44 604)	(42 978)	(43 147)	(47 333)	(47 555)	(46 226)	(46 294)	(50 344)	(50 344)
Other Wells Fargo potential obligations	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)	(3 835)
Total Obligations to Wells Fargo ("Wells Obligations") (Limited to a Max. of $75 M)	(43 740)	(39 467)	(42 479)	(41 025)	(38 698)	(38 844)	(41 308)	(43 144)	(41 595)	(43 566)	(45 907)	(48 334)	(48 439)	(46 813)	(46 982)	(51 168)	(51 390)	(50 061)	(50 129)	(54 179)	(54 179)
Estimated Borrowing Base and Availability LOC:																					
Estimated Borrowing Base:																					
Inventory	36 000	35 096	35 202	33 769	34 444	35 119	35 531	35 895	36 258	36 622	36 986	37 265	37 416	37 568	37 720	37 871	37 790	37 709	37 629	37 548	37 548
AR	23 631	21 906	22 643	22 821	21 519	20 988	22 172	22 364	21 445	21 636	22 567	23 128	23 594	22 948	23 415	24 995	25 937	25 441	26 488	29 078	29 078
Total Estimated Borrowing Base	59 631	57 003	57 845	56 590	55 964	56 108	57 703	58 258	57 703	58 258	59 553	60 392	61 011	60 516	61 134	62 866	63 727	63 150	64 116	66 626	66 626
Maximum Allowable Obligations to Wells Fargo (Represents Wells Obligations +$10M)	53 740	49 467	52 479	51 025	48 698	48 844	51 308	53 144	51 595	53 566	55 907	58 334	58 439	56 813	56 982	61 168	61 390	60 061	60 129	64 179	64 179
Availability Surplus (LOC) based on Estimated Borrowing Base (Min. $10M)	15 891	17 536	15 367	15 565	17 266	17 263	16 395	15 115	16 108	14 692	13 645	12 058	12 572	13 703	14 153	11 698	12 337	13 090	13 988	12 446	12 446
Working Capital items:																					
A/R	52 415	49 131	50 691	51 067	48 313	47 189	49 695	50 099	48 155	48 559	50 529	51 716	52 704	51 336	52 323	55 667	57 231	56 489	58 054	61 924	61 924
A/P - Pre-filing	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816	69 816
A/P - Post-filing	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347	3 347
Inventory	66 900	66 600	66 800	64 082	65 363	66 644	67 425	68 115	68 806	69 496	70 186	70 715	71 003	71 291	71 578	71 866	71 712	71 559	71 406	71 252	71 252

In the Matter of the CCAA of Spectra Premium Industries Inc., Spectra Premium Holdings (USA) Corp., Spectra Premium (USA) Corp., Spectra Premium Properties (USA) Corp., Spectra Premium Taiwan Co. Ltd., Spectra Premium (Shanghai) Automotive Technical Services Co. Ltd., Spectra Premium (Chongqing) Automotive Services Co. Ltd. ("Spectra" or the "Companies")

Notes to the Companies' Unaudited Cash Flow Projection for the nineteen (19) week period from January 17 to May 29, 2021

Purpose:

The attached statement of projected cash flow (the "**Fifth Cash Flow**"), for the nineteen (19) week period from January 17 to May 29, 2021 (the "**Cash Flow Period**"), has been prepared by the Companies' Management to present the anticipated cash inflows and outflows resulting from current operations during the Cash Flow Period in the context of proceedings in virtue of the *Companies' Creditors Arrangement Act* ("**CCAA**").

Since the projection is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Period will vary from the Fifth Cash Flow, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Fifth Cash Flow includes a number of adjustments that reflect Spectra's planned course of action over the Cash Flow Period as the Companies continues to execute their restructuring plan. The Fifth Cash Flow assumes that any government-imposed Covid-19 shutdowns, which occur during the Cash Flow Period, will not result in a forced closure of Spectra facilities as they have been deemed an essential service. Should further forced facility closures occur as a result of government-imposed shutdowns, the Fifth Cash Flow will be significantly impacted resulting in a decrease in the forecasted results.

General:

The Fifth Cash Flow reflects cash flows from the Companies' operations. The Companies have prepared the Fifth Cash Flow based primarily on historical results and the Companies' current expectations. The Fifth Cash Flow is presented in thousands of Canadian dollars. Receipts and disbursements denominated in US currency have been converted into Canadian dollars using an exchange rate of USD $0.7692 = CAD $1.00.

The opening balances (Total Obligations to Wells, including the balance of the line of credit, accounts receivable, accounts payable and inventories) represent actual balances as at January 16, 2021. Take note that the opening balances denominated in US currency have been converted into Canadian dollars using an exchange rate of USD $0.7857 = CAD $1.00.

The receipt and disbursement amounts exclude sales taxes. The sales tax impact on sales and expenses (input tax credit) is considered a flow through and is thus not considered for the purposes of the Fifth Cash Flow.

The numbered notes hereunder set out the significant hypothetical assumptions made by the Companies' Management in preparing the Fifth Cash Flow.

Notes and Assumptions:

1. Creditor support

The Fifth Cash Flow is based on the assumption that the secured creditors will continue to provide the Companies with a credit facility, and that the trade creditors will continue to provide support to the Companies through the delivery of goods and services.

2. Sales Collections

Spectra's sales collections of $77.5M over the Cash Flow Period are based on forecasted collections from opening accounts receivable as of January 16, 2021 and collections of projected sales during the Cash Flow Period ($73.0M – collected on average 60 days from date of sale), collections related to the bulk sale of U.S aftermarket inventory (Trico Sale Transaction) ($3.2M - COD) as well as the collection of sales to Spectra Premium AB (Sweden) ($1.3M - COD). Projected sales are estimated based on Spectra's order book, production plan and estimated prices. The timing of collections could vary from the projections.

3. Government subsidies and other

Spectra is eligible for the Canada Emergency Wage Subsidy ("**CEWS**") program (the federal government's employer subsidy related to Covid-19), subject to continuing to meet the established criteria/conditions. The Companies have projected to receive $3.8M related to the CEWS in the Cash Flow Period. This amount relates to the primarily to wage subsidies eligible for the period from October 2020 to March 2021. Also included in the Fifth Cash Flow is $0.3M related to the Canada Emergency Rent Subsidy ("**CERS**") program (the federal government's rent subsidy related to Covid-19), subject to continuing to meet the established criteria/conditions. This amount relates to the rent subsidies eligible for the period from September to December 2020 (with the possibility to collect CERS for January to March 2021 which are not projected in the Fifth Cash Flow). The Fifth Cash Flow also includes projected collections of $0.6M related to net sales taxes receivable for the months of September and October 2020.

4. Payment of AP balance

Spectra's payment of accounts payable ("**AP**") balance relates to the purchase of materials from third party suppliers as well as various freight costs, utilities, general and administrative payments including the payment of certain supplier deposits and the potential payment of various Court approved pre-filing balances. The disbursements are projected based on the Companies' forecast of cost of goods sold, ending inventory balances, and cash availability. Subject to operational constraints and material shipments, the timing of payments could vary substantially from those projected. All payments are projected to be made on COD terms.

5. Payroll & Benefits

Payroll and benefit related payments include payroll costs for all salaried and hourly employees and are forecast based on historical run rates (including anticipated salary increases), projected headcount levels and expected disbursements. Salaried and hourly wages are paid bi-weekly through external payroll service providers who disburse the net salaries, payroll remittances and related fringe benefits. Benefit payments are based on the estimated weekly activity rate. Included in the Cash Flow Period are $360K in payments related to the Key Employee Retention Plan and other retention plans ("**KERP**").

6. Rent

These disbursements represent monthly rental payments for various manufacturing facilities, distribution centers and offices across Canada and the US pursuant to current leases with third parties.

7. Factoring Fees

These disbursements relate to the fees paid on the various accounts receivable subject to "US customers factoring agreements" in place and have been estimated at rates of 2% to 4% of customer collections subject to these factoring agreements.

8. Financing costs / Debt payments

These disbursements relate to interest and financing fee payments, as well as, capital repayments made on the Laurentian Bank of Canada ("**LBC**")/Export Development Canada ("**EDC**") loan, EDC loan Spectra Premium AB (Sweden) and various capital leases entered into by the Companies. Financing costs also include various Wells Fargo Capital Finance ("**Wells**") and LBC/EDC fees and professional fees in regard to the Companies' restructuring proceedings and amendments to the credit agreement.

9. US duty/tariff payments

These disbursements relate to tariffs required to be paid in the US for goods imported mainly from China.

10. Capital expenditures

These disbursements relate to repairs and maintenance and certain capital projects (mostly OEM production lines) as well as installment payments to a secured creditor for the purchase of equipment and machinery in the normal course of business.

11. Restructuring - closing/moving costs

These disbursements include mainly the costs to complete the implementation of various pieces of equipment which were relocated from the Laval facility to the Boucherville facility. Also included is the payment of certain post-filing accounts payable balances related to the relocation noted above.

12. Miscellaneous

These disbursements represent a provision for payments to other suppliers not included in other specific line items and/or reserves for disbursements not forecasted.

13. Professional Fees (Restructuring/CCAA)

Professional fees related to the restructuring include the estimated fees and disbursements of the CCAA Monitor, their legal counsels, the Companies' legal counsels, as well as, the fees for other professional services in relation to the Companies' restructuring proceedings and strategic alternatives.

Appendix "B"

Insolvent Person's Report on Cash-flow Forecast
(Section 10(2) of the *Companies' Creditors Arrangement Act*)

In the matter of the proposed plan of compromise and arrangement with respect to SPECTRA PREMIUM INDUSTRIES INC., SPECTRA PREMIUM HOLDINGS (USA) CORP., SPECTRA PREMIUM (USA) CORP., SPECTRA PREMIUM PROPERTIES (USA) CORP., SPECTRA PREMIUM TAIWAN CO. LTD., SPECTRA PREMIUM (SHANGHAI) AUTOMOTIVE TECHNICAL SERVICES CO. LTD., SPECTRA PREMIUM (CHONGQING) AUTOMOTIVE SERVICES CO. LTD. (the "Companies")

The Companies' management has developed the assumptions and prepared the attached statement of consolidated weekly cash-flow forecast of the Companies for the nineteen (19) week-period from January 17 to May 29, 2021 (the "**Fifth Cash Flow**"), as of the 27th day of January 2021.

The probable and hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the Fifth Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Companies and provide a reasonable basis for the forecast. All such assumptions have been disclosed in notes attached to the Fifth Cash Flow.

Since the forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The forecast has been prepared solely for the purpose described in the notes accompanying the Fifth Cash Flow, using a set of probable and hypothetical assumptions set out in the said notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT MONTREAL, this 27th day of January 2021.

SPECTRA PREMIUM INDUSTRIES INC.,
SPECTRA PREMIUM HOLDINGS (USA) CORP.,
SPECTRA PREMIUM (USA) CORP.,
SPECTRA PREMIUM PROPERTIES (USA) CORP.,
SPECTRA PREMIUM TAIWAN CO. LTD.,
SPECTRA PREMIUM (SHANGHAI) AUTOMOTIVE TECHNICAL SERVICES CO. LTD., and
SPECTRA PREMIUM (CHONGQING) AUTOMOTIVE SERVICES CO. LTD.

Per: Mr. Denis Chabot, CPA, CA
President and Chief Executive Officer