

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.

**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.**

Petitioners

-and-

ERNST & YOUNG INC.

Monitor

APPLICATION FOR A THIRD EXTENSION OF THE STAY OF PROCEEDINGS
(Section 11.02 (2) Companies' Creditors Arrangement Act, R.S.C. (1985), c. C-36)

INTRODUCTION

1. By the present *Application for a Third Extension of the Stay of Proceedings* (the "**Application**"), the Petitioners (the "**Spectra Group**") seek an extension of the stay of proceedings until May 31, 2021.

BACKGROUND

2. 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 and an Amended and Restated Initial Order was issued on March 24, 2020 (the "**A&R Initial Order**"), as appears from the Court record.

3. The A&R Initial Order provided, *inter alia*, that all proceedings against Spectra Group were stayed until June 6, 2020.
4. On June 5, 2020, the Court issued an Order extending the stay of proceedings until September 26, 2020.
5. On September 25, 2020, this Court issued a Second Amended and Restated Initial Order (the “**Second A&R Initial Order**”) ordering that the stay of proceedings be extended until January 30, 2021.
6. On the same date, this Court also issued a Claims Process Order as well as an Order authorizing the wind-up of the debtors Spectra Premium (Shanghai) Automotive Technical Services Co. Ltd. and Spectra Premium (Chongqing) Automotive Services Co. Ltd.

ACTIVITIES SINCE THE LAST EXTENSION

7. 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 Second A&R Initial Order and of Spectra Group's continuous operations in the normal course of business.
8. Spectra Group's management finalized 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.
9. Accordingly, Spectra Group has continued the review and downsizing of its operations in order to realign its activities with its post restructuring business plan, including among other:
 - a) The closing in the fall of 2020 of the manufacturing plant in Debert, Nova Scotia with the permanent layoff of approximately 30 employees and the transfer of some of the manufacturing equipment at the Boucherville and Québec plants;
 - b) The sale in December 2020 and January 2021 of the 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) used to reduce the outstanding balance owed under the LBC/EDC Secured Loan;
 - c) The cancellation and remittance as of October 31, 2020 of the leased warehouse in Redland, California;
 - d) The termination in the fall of 2020 of the manufacturing activities at the Laval plant with the transfer of approximately 35 employees at the Boucherville plant and the permanent layoff of approximately 95 employees, as well as the cancellation and remittance of the leased property as of December 31, 2020;
 - e) The final approval by the Swedish Court in January 2021, following the positive vote by the creditors, of the compromise of the subsidiary Spectra Premium AB under the insolvency laws of Sweden;

- f) The ongoing negotiation of a new lease for the main warehouse in Indianapolis, USA, to be effective as of June 1, 2021, with a reduction in size of the leased premises from 250,000 square feet to 175,000 square feet;
 - g) The ongoing negotiation of certain conditions of the lease for the main plant in Boucherville;
 - h) The significant reduction over a period of 8 months by over 18% of the non-working inventory, thereby reducing the pressure of the working capital of Spectra Group; and
 - i) The cancellation of all third-party logistic agreements in the US, thereby reducing the expenses related to the management of the inventory.
10. Spectra Group is also finalizing the completion of the sale of its fuel pump products inventory as authorized previously by the Court in May of 2020.
 11. Finally, Spectra Group also maintains the ongoing support of 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 May 29, 2021 are presently being finalized. This information will be included in the 6th Monitor's Report and will be communicated to the Court and the Service List before the hearing on the present motion.
13. Spectra Group is able to report that its financial situation as of the week ended on January 16, 2021 is in line with the forecasts for the period ending January 30, 2021, such that the position of the creditors has continuously improved.

CLAIMS PROCESS

14. As mentioned above, on September 25, 2020, this Court issued a Claim Process Order
15. Pursuant to the Claims Process Order, the Claims Bar Date was November 20, 2020.
16. As contemplated in the Claims Process Order, the Monitor has sent notices establishing the aggregate amount of the claims of the Applicants' employees, subject to the right of such employees to file a Notice of dispute by the Claims Bar Date.
17. Following the issuance of the Claims Process Order, the Applicants have worked diligently to provide the Monitor with the information required to prepare such notices.
18. Out of the 609 claims (i.e. excluding the claims of Wells Fargo, LBC and of the Employees) filed before the Claims Bar Date, 107 are actually under review by Spectra Group and the Monitor.
19. With respect to the 1223 Employees' Claims, 30 Employees' Claims were subject to a Notice of dispute, 18 of them being settled and 12 being under review and negotiation with the involved parties.

GROUND FOR THE EXTENSION OF THE STAY OF PROCEEDINGS

20. The Applicants have acted in good faith and with due diligence since the issuance of the First Initial Order and continue to do so.
21. The Stay of Proceedings currently expires on January 30, 2021 and the Applicants seek an extension of the Stay of Proceedings until May 31, 2021.
22. The actual Covid-19 pandemic is not without creating its load of uncertainty in term of the forecasts for Spectra Group.
23. Despite being able to (i) adjust and restructure its operations and (ii) prepare and put in place a business plan in the middle of this pandemic, Spectra Group is facing numerous challenges as to the stability of its market in continuous transformation to adjust to the current market conditions.
24. Considering the uncertainty caused by the pandemic, the Spectra Group believes that an extension of the stay will provide an additional delay to make a better analysis of the consequences of the pandemic on the market in which Spectra Group operates, make the necessary adjustments under the circumstances, and file a plan that presents even better chances of success for Spectra Group and all the stakeholders.
25. Additionally, the extension sought will allow Spectra Group to, inter alia:
 - (a) Finalize the review and analysis, together with the Monitor, of the Proofs of Claim and Notices of Dispute (as such terms are defined in the Claims Process Order) received;
 - (b) Continue the implementation of measures to rationalize its expenses and maximize the value of its assets, the whole in the interest of all stakeholders and with a view to ultimately proposing a plan of arrangement or compromise to their creditors;
 - (c) Continue, with the assistance of the Monitor and of Spectra Group's financial advisor, the process already underway with a view to secure an exit financing, including a possible alliance with a strategic partner; and
 - (d) Continue working towards bringing forward a plan of arrangement or compromise to the creditors.
26. The extension sought will not negatively impact Spectra Group's creditors as it continues to satisfy for its post-filing obligations in the normal course of business.

CONCLUSION

27. Considering the above facts, Spectra Group submits that it is appropriate to render the order sought herein.
28. 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.
29. The Monitor has verbally announced that it supports the issuance of the order sought herein and that it will file a report regarding same before the hearing.

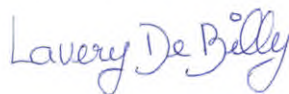
FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

GRANT the present *Application for a Third Extension of the Stay of Proceedings*.

EXTEND the Stay Period (as such term is defined in paragraph 8 of the Second Amended and Restated Initial Order dated September 25, 2020) until May 31, 2021.

THE WHOLE without costs, save and except if contested.

MONTREAL, January 26, 2021

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

AFFIDAVIT

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:

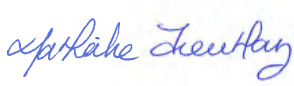
1. I am the authorized representative of the Petitioners and, as such, I have cognizance of all the facts in the present matter.
2. All the facts alleged in the present *Application for a Third Extension of the Stay of Proceedings* are true.

AND I HAVE SIGNED:



 DENIS CHABOT

SOLEMNLY AFFIRMED before me in St-Hubert on January 26, 2021 by videoconference Teams, allowing me to recognize Denis Chabot in Boucherville, and witnessing him having read the motion and the sworn declaration and having signed it. The document transferred by email is an *Application for a Third Extension of the Stay of Proceedings*.

 Commissioner of Oaths for Province of Quebec

NOTICE OF PRESENTATION

TO: THE SERVICE LIST

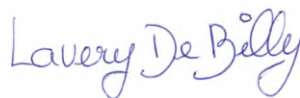
TAKE NOTICE that the present *Application for a Third Extension of the Stay of Proceedings* will be presented for before the Honourable Justice Louis J. Gouin, S.C.J., **on January 29, 2021.**

Any party wishing to object to this motion shall file a notice of objection providing written summary of the grounds of contestation **no later than January 28, 2021 at noon.**

If no such notice is received within the delay, judgment may be rendered without a hearing on September 29, 2021. If a notice of objection is filed, the details for the hearing will be circulated to the service list.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, January 26, 2021



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

SUPERIOR COURT
(Commercial Division)
DISTRICT OF MONTRÉAL

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ERNST & YOUNG INC.

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**APPLICATION FOR A THIRD EXTENSION OF THE
STAY OF PROCEEDINGS**
*(Section 11.02 (2) Companies' Creditors Arrangement
Act, R.S.C. (1985), c. C-36)*
AFFIDAVIT, NOTICE OF PRESENTATION

ORIGINAL

O/file: 001320-00060

BL 1332

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Me Jonathan Warin : 514 878-5616

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