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.

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 FOURTH 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 Fourth Extension of the Stay of Proceedings* (the "**Application**"), the Petitioners (the "**Spectra Group**") seek an extension of the stay of proceedings until September 30th, 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.

7. On November 19, 2020, this Court issued three (3) Approval and Vesting Orders with regards to the sale of the three (3) Spectra Premium Industries Inc.'s properties constituting the Debert plant.

8. On January 14, 2021, this Court issued an Order authorizing the Spectra Group to enter into factoring contracts with Wells Fargo Bank, National Association in order to allow the Spectra Group to significantly reduce the terms of payment of certain clients in consideration for a discount rate.

9. On January 29, 2021, this Court issued an Order extending the stay of proceedings until May 31, 2021.

<u>ACTIVITIES SINCE THE LAST EXTENSION</u>

10. 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.

11. As previously communicated, Spectra Group's management finalized the details of its post restructuring business plan.

12. Accordingly, Spectra Group has continued to restructure its operations in order to realign its activities with its post restructuring business plan, as more fully detailed in the *Application for a Third Extension of the Stay of Proceedings*.

13. Furthermore, Spectra Group, with the assistance of its consultants and the Monitor, has put together a detailed restructuring action plan to secure exit financing through a transaction with a strategic partner/investor with a view to ultimately allow Spectra Group to submit a plan to its creditors (the "**Go to Market Process**").

14. As part of the Go to Market Process, Spectra Group, with the assistance of its consultants and the Monitor, reached out to several potential important key strategic stakeholders in order to evaluate and seek their respective participation interests.

15. As a result, Spectra Group received several Expressions of Interest ("**EOI**") which are currently being analysed and evaluated and have been disclosed to Spectra Group's secured creditors (Wells Fargo and Laurentian Bank of Canada).

16. All of the EOIs' received relate to Spectra Group's operations continuing as a whole on a going concern basis.

17. Spectra Group anticipates completing the Go to Market Process by selecting the partner/investor by the end of June 2021 with the ultimate goal of completing by the month of August a transaction that would be contingent to the approval of this Court and that may contemplate the filing of a plan of arrangement by Spectra Group.

18. The goal of this foreseen process would be to lead to a closing of a transaction and the emergence from the ongoing restructuring process for the business of Spectra Group in Fall 2021.

19. To succeed in its ongoing plan of action, Spectra Group needs the ongoing support of Wells Fargo, as agent for the Lenders who support the operating credit granted to Spectra Group.

20. Spectra Group is actually working with the Lenders to agree on the terms and condition of such support for the period of extension required and has obtained the support of Investissement Quebec who has provided a non-binding letter of intention with respect to a guarantee for losses of up to $5.0M.

21. An agreement in principle is still being negotiated between Wells Fargo and Spectra Group and the latter is confident that a Forbearance Agreement will be agreed upon prior to the date of presentation of this Application.

FINANCIAL SITUATION TO DATE AND PROJECTIONS

22. The details of Spectra Group's financial situation as well as the cashflow forecast for the period ending October 2nd, 2021 are presently being finalized ("**Cash Flow Period**"). This information will be included in the 7th Monitor's Report and will be communicated to the Court and the Service List before the hearing on the present motion.

23. Spectra Group is able to report that its financial situation as of the week ended on May 28, 2021 slightly differs from the forecasts for such period, because of decreases in sales/collections which are more fully detailed and explained in the 7th Monitor's Report.

24. Despite said decrease in sales/collections, Spectra Group projects an uptick on sales in July 2021 through the remainder of the Cash Flow Period and afterwards.

GROUND FOR THE EXTENSION OF THE STAY OF PROCEEDINGS

25. The Applicants have acted in good faith and with due diligence since the issuance of the First Initial Order and continue to do so.

26. The Stay of Proceedings currently expires on May 31, 2021, and the Applicants seek an extension of the Stay of Proceedings until September 30, 2021.

27. The actual Covid-19 pandemic and the negative market conditions caused by the actual worldwide shortage of supply of electronic ships are still creating their load of uncertainty in term of the forecasts for Spectra Group as some of the OEM clients of Spectra Group have had to suspend or delay their production.

28. 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.

29. Additionally, the extension sought will allow Spectra Group to, inter alia, continue and complete by September 2021, with the assistance of the Monitor and of Spectra Group's financial advisor, the Go to Market Process with a view to secure an exit financing and complete a transaction with a plan of arrangement that will allow the emergence from the ongoing restructuring process of the business of Spectra Group.

30. 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

31. Considering the above facts, Spectra Group submits that it is appropriate to render the order sought herein.

32. 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.

33. 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 Fourth 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 September 30, 2021.

THE WHOLE without costs, save and except if contested.

MONTREAL, May 27, 2021

Lavery De Billy

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 Fourth Extension of the Stay of Proceedings* are true.

AND I HAVE SIGNED:

DENIS CHABOT

SOLEMNLY AFFIRMED before me in St-Hubert on May 27, 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 Fourth Extension of the Stay of Proceedings*.

Nathalie Tremblay 119,696

Commissioner of Oaths for Province of Quebec

NOTICE OF PRESENTATION

TO: **THE SERVICE LIST**

TAKE NOTICE that the present *Application for a Fourth Extension of the Stay of Proceedings* will be presented before the Honourable Justice Louis J. Gouin, S.C.J., siting in and for the district of Montreal by **Teams Videoconference on May 31, 2021** at **9h30.**

The instructions to connect to the Teams videoconference shall be communicated to the distribution list before the hearing.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, May 27, 2021

Lavery De Billy

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

Nº: 500-11-058116-209

S U P E R I O R   C O U R T
(Commercial Division)
DISTRICT OF MONTRÉAL

IN THE MATTER OF THE 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

APPLICATION FOR A FOURTH 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

O R I G I N A L

O/file: 001320-00060 BL 1332

Me Jean Legault: 514 878-5561
Me Ouassim Tadlaoui : 514 878-5567

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