Ernst & Young Inc.
900, boul. De Maisonneuve Ouest
Bureau 2300
Montréal (Québec) H3A 0A8

Tél./Tel: +1 514 875 6060
Téléc./Fax: +1 514 879 2600
ey.com

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.

SEVENTH MONITOR'S REPORT
DATED MAY 28, 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**").

[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. On January 27, 2021, the Monitor filed its sixth report with the Court, dated January 27, 2021, which presented an update on operations and restructuring, including the financial situation and cash-flow projections of Spectra Group (the "**Sixth Monitor's Report**").

28. On January 29, 2021, an order was issued by the Court granting the January 26, 2021 Application extending the Stay Period until May 31, 2021 (the "**January 29, 2021 Order**").

29. On March 10, 2021, the U.S. Court issued an order under Chapter 15 of the *U.S. Bankruptcy Code* enforcing the Canadian order (i.e. Wells Fargo Factoring Order) authorizing Debtors to enter into factoring agreements to sell receivables further to a motion, dated February 23, 2021, filed by the Foreign Representative.

30. On May 27, 2021, the Debtors filed an application for a fourth extension of the stay of proceedings up to September 30, 2021 (the "**May 27, 2021 Application**").

31. 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

32. The present Monitor's report ("**Seventh 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 May 27, 2021 Application. The Seventh 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 sixteen (16) week period from January 17 to May 8, 2021;
- Updated cash flow projections for the twenty-one (21) week period from May 9 to October 2, 2021;
- Claims Process update;

- Go-to-market process;
- Restructuring update and request for an extension of the Stay Period; and,
- Overall comments and conclusions.

TERMS OF REFERENCE AND DISCLAIMER

33. 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, Fifth Monitor's Report and Sixth Monitor's Report as the case may be.

34. In preparing the Seventh 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 Seventh 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 Seventh 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 Seventh 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 Seventh 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.

35. 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.

36. This report does not take into account all future impacts of the 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 pandemic 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 evolving Covid-19 pandemic. The full impact of the virus is not capable of being qualitatively or quantitatively assessed at this time.

37. 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.

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

BACKGROUND, OPERATIONS AND OPERATIONAL RESTRUCTURING UPDATE

39. 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.

40. 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.

41. 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

42. Since the date of the Sixth 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.

- 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 703 at the end of April 2021, as compared to approximately 1,146 on March 1st, 2020. This represents a permanent reduction in headcount of 443 during this period.

- Management has indicated that they have entered into a new lease agreement for the existing distribution center in Greenfield, Indiana with a term from June 1st, 2021 through May 31, 2028 and includes a reduction in size of the leased premises from 250,000 square feet to 175,000 square feet.

- Management has indicated that they have renegotiated certain terms of the existing lease of the Boucherville premises, mainly regarding the condition upon which the premises is to be remitted at the end of the lease. These modifications have not affected the length of the lease or the amount of rent payable under the lease agreement.

- 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).

Spectra Shanghai and Spectra Chongqing

43. Spectra is 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. Spectra Chongqing was liquidated and dissolved prior to the Cash Flow Period and Spectra Shanghai is in the process of being dissolved and is expected to be fully wound-up in the coming months. It is Management's intention to remove these entities from those listed in the CCAA proceedings once the wind-ups are completed.

Spectra Premium AB (Sweden)

44. In regard to Spectra Premium AB (Sweden) a.k.a. TechRoi ("Spectra Sweden"), a subsidiary of Spectra that is not part of the CCAA proceedings, the company filed for bankruptcy under the insolvency laws of Sweden on May 5, 2021. At the date of this report all operations and transactions with Spectra Sweden have ceased and Spectra Group is in the process of determining how to proceed with and maximize the recovery of amounts invested in and/or owing from Spectra Sweden.

Trico Sale Transaction and other liquidation sales of inventory

45. 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.

46. An amount of $15.4M (US $11.6M) has been collected from Trico up to May 8, 2021, including $3.0M (US $2.3M) since the Sixth Monitors Report, for merchandise, of which approximately $1.8M (US$1.4M) had not yet been delivered to Trico at that date. Trico has indicated that they have been delayed and unable to pick up the remaining merchandise due to various logistical constraints and warehousing issues on their side. There remains a degree of uncertainty regarding the timing of the delivery/pick up of this inventory as well as the estimated remaining unpaid merchandise under the Trico Sale Transaction (approximately US$0.3M).

47. 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).

ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE SIXTEEN (16) WEEK PERIOD FROM JANUARY 17 TO MAY 8, 2021

48. 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 Seventh Monitor's Report. Attached as **Appendix "A"** to this report, and summarized below, is a statement of receipts and disbursements for the sixteen (16) week period from January 17 to May 8, 2021 (the "**Actual Period**"), the period from the issuance of the Sixth Monitor's Report, with a comparison to the weekly cash flow projections attached as Appendix B to the Sixth Monitor's Report (the "**Fifth Cash Flow**").

49. Appendix "A" also includes a cumulative statement of receipts and disbursements from March 1, 2020 to May 8, 2021 (62 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 sixteen (16) week period from January 17 to May 8, 2021
Unaudited - In $000s CAD

	Actual	Forecast	Variance
Cash Inflows	70,410	70,573	(163)
Cash Outflows (excl. Wells Fargo interests and fees)	(66,505)	(78,339)	11,834
Cash Outflows - Wells Fargo interests and fees	(780)	(733)	(47)
Net Cash Flow (incl. Wells Fargo interest and fees)	**3,125**	**(8,499)**	**11,624**
Opening Cash Balance (net of $8K of cheques in circulation)	848	-	848
Closing Cash Balance (net of $15K of cheques in circulation)	**168**	**-**	**168**
Opening Line of Credit	(39,905)	(39,057)	(848)
Ending Line of Credit	**(34,797)**	**(47,555)**	**12,758**
Other Wells Fargo Potential Obligations	(2,843)	(3,835)	992
Total Obligations to Wells Fargo	**(37,640)**	**(51,390)**	**13,750**
Borrowing Base ("BB") Availability	**49,912**	**63,727**	**(13,815)**
Availability Surplus & Cash Balance based on BB Availability[1]	**12,441**	**12,337**	**104**

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

50. Net Cash Flow (including Wells Fargo interests and fees (Debtor's operating lender)) for the Actual Period is $3,125K compared to the projected amount of negative $8,499K representing a favourable net cash flow variance of $11,624K.

51. The favourable net cash flow variance of $11,624K is primarily explained by the following:

Cash Inflows (Unfavourable variance of $163K):

- Collections: Unfavourable variance of $621K largely due to permanent and temporary differences as sales were lower than projected during the Actual Period. This unfavorable variance is net of unbudgeted collections of $698K in non-accounts receivable scrap metal sales;
- Government Wage/Rent Subsidies and Other: Favourable variance of $213K is largely due to a permanent difference in an unbudgeted collection of $200K from the wind-up of Spectra Chongqing;
- Trico Sale Transaction Collections: Unfavourable variance of $181K due to a permanent difference mainly related to a weaker than projected exchange rate; and,
- Collections from Spectra Sweden: Favourable variance of $426K largely due to permanent differences resulting from higher than budgeted payments for capital and interest remitted to EDC by Spectra of $465K, partially offset by $39K in lower than budgeted receipts from Spectra Sweden.

Cash Outflows, including Wells Fargo interests and fees (Favourable variance of $11,787K):

- Payment of AP balances: Favourable variance of $8,681K is due to permanent and temporary differences largely due to lower than budgeted purchase of inventories;
- Payroll: Favourable variance of $100K is due to temporary and permanent differences. During the Actual Period, there were budgeted but unpaid payments related to retention plans of $360K which will partially reverse in the coming weeks. This favorable variance is net of $50K in unbudgeted payments for post-filing accrued vacation to terminated Laval facility employees and $210K in payments for higher than budgeted utilization of part-time employees (permanent differences);
- Rent: Unfavourable variance of $120K largely due to a permanent difference explained by the payment of $83K in base rent for the month of May for Spectra's Indiana facility which was budgeted to be paid by the application of a security deposit held by the landlord, however the security deposit was withheld by the landlord for a new lease signed and the base rent was paid by Spectra. The remaining variance relates to higher than budgeted rent at the remaining facilities.;
- Factoring fee: Favourable variance of $174K is due to permanent differences resulting from lower than anticipated collections from US customers who finance their accounts payable with factoring agreements;
- US Duty/Tariff: Favourable variance of $441K due to permanent and temporary differences due, in part, to lower than budgeted purchase of inventories from Asia;
- Professional Fees (including Restructuring/CCAA): Favourable variance of $895K due mainly to temporary differences that are expected to reverse in the future;

- Financing costs / debt payments, including Wells Fargo interests and fees: Unfavourable variance of approximately $311K explained by the following permanent differences: unfavorable variances in capital and interest payments to EDC (Spectra Sweden loan) ($329K), favorable variances in interest payments to LBC ($65K) and unfavorable variances in Wells Fargo interest payments and other fees ($47K) largely due to a higher than budgeted forbearance fee during the Actual Period;
- Restructuring – closing/moving costs: Favourable variance of $183K is mainly due to permanent differences resulting from lower than budgeted closing/moving costs associated with the various facilities which were permanently closed;
- Miscellaneous: Favourable variance of $800K is due to forecasted miscellaneous expenses not incurred in the Actual Period; and,
- Capital expenditures (CAPEX): Favourable variance of $943K due to permanent and temporary differences in lower than budgeted capital expenditures.

Take note that as at May 8, 2021, the Debtors had post-filing outstanding cheques of $15K and post-filing payables (excluding intercompany accounts) of $5,969K ($3,048 in accounts payables and $2,921K of approved payments held back as at May 8, 2021), 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. The held back payments of $2,921K are expected to be released in the coming weeks.

52. The Ending Cash Balance as at May 8, 2021 is $183K compared to the projected amount of $0, representing a favourable variance of $183K. 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 May 8, 2021, net of cheques in circulation of $15K, is approximately $168K.

53. The Ending Line of Credit ("**LOC**") as at May 8, 2021 is $34,797K compared to the projected amount of $47,555K, representing a favourable variance of $12,758K, which is largely explained by the favourable variance in the Net Cash Flow of $11,623K, and the Ending Cash Balance as of May 8, 2021 of $183K not applied to LOC. The Total Obligations to Wells Fargo as at May 8, 2021 of $37,640K include Other Wells Fargo Potential Obligations of $2,843K, which pertain to a letter of credit ($2,431K) and reserves ($412K).

54. The Estimated Borrowing Base Availability as at May 8, 2021 is $49,912K compared to the projected amount of $63,727K, representing an unfavourable variance of $13,815K ($8,815K favourable variance for accounts receivable and $5,000K unfavourable variance for inventory).

    Given the Estimated Borrowing Base Availability of $49,912K as at May 8, 2021, the availability on the LOC as at May 8, 2021, considering the cash balance, is $12,441K ($12,273K if the cash balance is not considered).

    Note that the calculation of the borrowing base as at May 8, 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 Sixth Cash Flow reflects these new credit conditions.

UPDATED CASH FLOW PROJECTIONS FOR THE TWENTY-ONE (21) WEEK PERIOD FROM MAY 9 TO OCTOBER 2, 2021

55. The Debtors, with the assistance of the Monitor, have prepared the updated consolidated cash flow projections (the "**Sixth Cash Flow**") for the twenty-one (21) week period from May 9 to October 2, 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 Sixth 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 Sixth 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 Sixth 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 Sixth Cash Flow including notes and the main assumptions upon which it is based is presented herewith as **Appendix "B"**.

56. The Sixth Cash Flow projects net cash outflows of $7.0M over the Cash Flow Period resulting from projected receipts of $83.1M less projected disbursements of $90.1M. The net cash outflow of $7.0M is attributed to a temporary decrease in sales in the months of April through June 2021 (May through August 2021 collections) due mainly to the global shortage in computer chips which caused the closure/slowdown in production at several of Spectra's major OEM customers and to the increase in working capital during the Cash Flow Period. Note that the net cash outflow of $7.0M assumes that the capital repayments on the LBC loan will be subject to a moratorium for the period from June to September 2021, and thus no related amounts have been included in the Sixth Cash Flow for these months.

57. The Sixth Cash Flow projects the indebtedness to Wells Fargo, which is of $37.6M at the beginning of the Cash Flow Period on May 9, 2021, to fluctuate throughout the Cash Flow Period between a low of $35.8M in the week ending May 22, 2021 and a high of $45.5M in the week ending July 10, 2021, and is projected to be of $44.5M at the end of the Cash Flow Period on October 2, 2021.

58. Although a net negative cash flow is projected over the Cash Flow Period ($7.0M), the forecasted availability on the LOC based on the estimated borrowing base at the end of the Cash Flow Period on October 2, 2021 is projected to be $4.3M, with a low of $3.6M in the week ending July 10, 2021 during Cash Flow Period. Spectra has projected to have a minimum availability on the LOC over the Cash Flow Period of $2M at all times and to respect their modified credit conditions with Wells Fargo over the Cash Flow Period.

59. The Sixth 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 Sixth Cash Flow and include:

- Cap of $50M on Total Obligations to Wells Fargo (previously $75M);
- Minimum availability surplus of $2M considering a $5M guarantee from Investissement Quebec ("**IQ**") which is further detailed below.

Spectra has projected to respect these modified credit conditions throughout the Cash Flow Period.

60. The Sixth Cash Flow includes assumptions that respond to the changes in operations resulting from the impacts of the Covid-19 pandemic. The Sixth 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 Sixth 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 Sixth Cash Flow. The full impact of the Covid-19 pandemic is not able of being qualitatively or quantitatively assessed at this time.

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

62. The Monitor has reviewed the Sixth 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 Sixth 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 Sixth Cash Flow. The Monitor also reviewed the support provided by Management for the Probable and Hypothetical Assumptions and the preparation and presentation of the Sixth Cash Flow.

63. 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 Seventh 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 Sixth Cash Flow does not reflect the probable and hypothetical assumptions.

64. Since the Sixth 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 Sixth Cash Flow will be achieved. The Sixth Cash Flow has been prepared solely for the purpose described in the notes accompanying the Sixth Cash Flow, and readers are cautioned that it may not be appropriate for other purposes.

65. Since the commencement of the CCAA Proceedings, the Debtors have financed their operations with the support of Wells Fargo Capital Finance Corporation Canada, in its capacity as administrative agent for itself and the Canadian Imperial Bank of Commerce as lenders (collectively, "**Wells Fargo**"), in accordance with a Wells Forbearance Agreement entered into on March 9, 2020. The Wells Forbearance Agreement has been amended and extended on July 8, 2020, September 22, 2020 and again on January 31, 2021 through May 31, 2021. The Wells Forbearance Agreement is in the process of being amended and extended through September 30, 2021 (i.e up the end of 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, including those described in paragraph 59 above (the "**Fourth Amendment**").

66. The Fourth Amendment includes a condition that Spectra Group obtain a loan guarantee of $5M from IQ in favor of Wells Fargo. IQ has confirmed its intention to support of the Spectra Group restructuring in a letter of intention, dated May 27, 2021, which indicates that it will provide the above noted guarantee with a projected closing date of June 11, 2021.

67. 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. Spectra Group is in discussions with LBC regarding the conditions of a moratorium of capital repayments for the period from June to September 2021, which represents $383K per month.

68. Wells Fargo and LBC are the principal secured creditors of the Debtors, and both received a copy of the Sixth Cash Flow and have been informed on at least a bi-weekly basis of Spectra's financial situation.

69. Wells Fargo supports the continuation of the CCAA Proceedings in accordance with the Sixth Cash Flow. LBC has not yet confirmed its support of the continuation of the CCAA Proceedings in accordance with the Sixth Cash Flow. Management is in discussions with LBC to reach an agreement.

CLAIMS PROCESS UPDATE

70. 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.

71. Since the issuance of the Claims Process Order (September 25, 2020), the Monitor, with the assistance of the Debtors, performed all the tasks detailed in the Fourth Monitors Report in order to execute the Claims Process in accordance with the Claims Process Order.

72. 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 617 claims (excluding the claims of Employees), of which approximately 42 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, 31 Employees' Claims were subject to a Notice of Dispute, 20 of which have been settled and 11 of which are under review by the Monitor and/or Spectra Group and/or in discussion with the involved parties.

GO-TO-MARKET PROCESS

73. Subsequent to the January 29, 2021 Order and following discussions with various stakeholders including shareholders, it was determined that Spectra would launch, in February 2021, a process to identify and attract a partner/investor for its post-restructuring business (Spectra 2.0) (the "**GTM Process**").

74. The services of Ernst & Young Orenda Corporate Finance Inc. ("**EY Orenda**") have been retained to develop and oversee the GTM Process. This process has been conducted much the same as a sale and investment solicitation process (SISP) that we normally see in M&A transactions and other CCAA restructurings.

75. The GTM Process aimed to solicit a wide array of both strategic and financial players within the industry to find a suitable equity partner with a strong level of interest in the opportunity. Strategically targeted entities were actively solicited in April and May 2021 and those interested in further pursuing the opportunity were required to sign a non-disclosure agreement ("**NDA**") and subsequently received a confidential information memorandum ("**CIM**"). Following receipt of the CIM those parties performed their respective preliminary due diligence and analyses. Spectra received several non-binding expressions of interest ("**EOI**") by the deadline in mid-May 2021. All of the EOI's received relate to Spectra's operations as a whole on a going concern basis. Management believes that the contemplated transaction will allow Spectra Group to pursue its business activities as one organization in line with the Company's redesigned Spectra 2.0 plan. Management also believes that the transaction will likely result in an injection of capital and will allow Spectra Group to complete its current restructuring, thereby ensuring the long-term viability of the business.

76. Spectra is currently in the process of coordinating and holding Management presentations and responding to inquiries from the interested parties all with a view of assisting them in submitting competitive letters of intent ("**LOI**") by mid-June 2021. The content of these LOIs is expected to be negotiated through the end of June at which point the party having submitted the most competitive LOI will be selected for a period of exclusivity. By late July it is expected that all due diligence procedures be completed, and that final negotiations and legal documentation be completed in early August. Court approval of a transaction is anticipated to take place in mid-August 2021 with a closing of the transaction expected to take place by the end of August 2021.

77. A more detailed description of the GTM Process will be provided to the Court when a contemplated transaction will be acceptable to Spectra and presented to the Court for approval.

RESTRUCTURING UPDATE AND REQUEST FOR AN EXTENSION OF THE STAY PERIOD

78. Pursuant to the Second Amended and Restated Initial Order, the Stay Period continues until and including, May 31, 2021. In the May 27, 2021 Application, Spectra Group is seeking an extension of the Stay Period to September 30, 2021.

79. 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

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

81. During the Stay Period requested, Spectra Group will continue their efforts to close a transaction with a strategic or financial partner as well as continue to update and execute its post-restructuring business plan (Spectra 2.0) and secure the financing required. More precisely, during the Stay Period, and with the assistance of EY Oranda and the Monitor, Spectra Group:

    ➢ Will continue to work with the parties who have provided EOIs with the intention of narrowing the process down and providing exclusivity to one party with which a potential transaction will be pursued with;

    ➢ Will complete the final negotiations and legal documentation regarding the above noted transaction leading to the execution of the related agreement(s) (subject to Court approval);

    ➢ Will prepare a plan of compromise and arrangement to its creditors in accordance with the above noted transaction;

- Will complete, with the Monitor, the Claims Process; and,
- Will continue its effort to rationalize its expenses and maximize the value of the assets.

82. As mentioned above, based on the Sixth 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

83. 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 consultants (EY Oranda) and the Monitor, has undertaken numerous activities related to the GTM Process which have led to the receipt of several EOI's;
    - 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.

84. 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.

85. 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.

86. Based on the foregoing, the Monitor recommends that this Court grant an order extending the Stay Period until and including, September 30, 2021.

OVERALL COMMENTS AND CONCLUSIONS

87. 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.

88. 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.

89. 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, with the assistance of EY Oranda, to:

- Complete the GTM Process, select the best alternative for Spectra Group and its creditors and execute the contemplated transaction;
- Complete the Claims Process with a view to allow Spectra Group to present a plan of compromise and arrangement to its creditors in accordance with the above noted transaction.

90. Considering the foregoing and notably the continued support of Wells Fargo, the Monitor believes that despite forecasting a net negative cash flow of $7.0M 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 Sixth Cash Flow, is appropriate and to the benefit of the Debtors' stakeholders as a whole.

91. Consequently, the Monitor supports an extension of the Stay Period until and including September 30, 2021.

All of which is respectfully submitted this 28th day of May 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 SIXTEEN (16) WEEK PERIOD FROM TO JANUARY 17 TO MAY 8, 2021
AND THE CUMULATIVE SIXTY TWO (62) WEEK PERIOD FROM MARCH 1, 2020 TO MAY 8, 2021
(UNAUDITED - IN $000s CAD)

	Current Period Sixteen (16) week period from January 17 to May 8, 2021			Cumulative Period Sixty two (62) week period from March 1, 2020 to May 8, 2021		
	Actual	Forecast[1]	Variance	Actual	Forecast[1]	Variance
Cash Inflows:						
Collections	60,836	61,457	(621)	299,831	275,342	26,229
Government wage/rent subsidy and other	4,936	4,723	213	13,731	13,801	(70)
Ford Edge reimbursement	-	-	-	1,454	1,459	(6)
Trico sale transaction collections	3,019	3,200	(181)	15,382	13,228	414
Collections - Excess inventory sales	-	-	-	-	1,203	(1,203)
Collection Spectra Premium AB	1,619	1,193	426	4,761	2,994	1,767
Total Cash Inflows	70,410	70,573	(163)	335,158	308,027	27,131
Cash Outflows[2] (without Wells Fargo interests and fees):						
Payment of AP balances	42,977	51,658	8,681	172,330	182,644	10,314
Payroll & benefits (including KERP)	14,765	14,865	100	57,561	60,642	3,081
Rent	2,360	2,241	(120)	10,499	11,208	709
Factoring fee	226	400	174	1,554	3,101	1,547
Financing costs / debt payments[2]	2,562	2,298	(264)	7,170	6,930	(240)
US Duty/Tariff	1,906	2,347	441	8,407	10,126	1,719
Capital expenditures (CAPEX)	151	1,094	943	1,134	5,783	4,649
Restructuring - closing/moving costs	67	250	183	2,859	2,110	(749)
Professional Fees (including Restructuring/CCAA)	1,490	2,386	895	5,720	8,921	3,202
Miscellaneous	-	800	800	3,549	7,208	3,659
Total Cash Outflows[2] (without Wells Fargo interests and fees)	66,505	78,339	11,834	270,781	298,673	27,892
Net Cash Flow[2] (without Wells Fargo interests and fees)	3,904	(7,766)	11,670	64,377	9,354	55,023
Opening cash balance	857	-	857	1,491	-	1,491
Foreign currency transfers from HSBC accounts to LOC	(1,640)	-	(1,640)	(5,717)	-	(5,717)
Net cash flow from above	3,904	(7,766)	11,670	64,377	9,354	55,023
Net operating line draw / (repayment)	(2,938)	7,766	(10,704)	(59,967)	(9,354)	(50,614)
Closing cash balance	183	-	183	183	-	183
Cheques in Circulation	(15)	-	(15)	(15)	-	(15)
Closing cash balance (net of cheques in circulation)	168	-	168	168	-	168
Opening Line of Credit	(39,905)	(38,903)	(1,002)	(100,568)	(100,549)	(19)
Adjustment to Opening LOC in connection to change in budget	-	(154)	154	-	48,059	(48,059)
(Draw) / repayment	2,938	(7,766)	10,704	59,967	9,354	50,614
Transfer from HSBC CAD Account	1,884	-	1,884	6,084	-	6,084
Interest paid directly by LOC[2]	(474)	(595)	121	(2,934)	(3,279)	345
Other fees / Adjustments paid directly by LOC[2]	(306)	(138)	(168)	(1,348)	(1,139)	(209)
Change in FX rate	1,066	-	1,066	4,002	-	4,002
Closing Line of Credit	(34,797)	(47,555)	12,758	(34,797)	(47,555)	12,758
Other Wells Fargo potential obligations	(2,843)	(3,835)	992	(2,843)	(3,835)	992
Total Obligations to Wells Fargo	(37,640)	(51,390)	13,750	(37,640)	(51,390)	13,750
Borrowing Base[3]:						
Inventory[3]	32,790	37,790	(5,000)	32,790	37,790	(5,000)
AR[3]	17,122	25,937	(8,815)	17,122	25,937	(8,815)
Borrowing Base Availability[3]	49,912	63,727	(13,815)	49,912	63,727	(13,815)
Availability Surplus (LOC) based on Borrowing Base[3]	12,273	12,337	(64)	12,273	12,337	(64)
Availability Surplus & Cash Balance based on Borrowing Base Availability[3]	12,441	12,337	104	12,441	12,337	104

Note 1: The forecast from March 1, 2020 to May 8, 2021 (62 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; (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; and (v) the Fifth Cash Flow filed with the Sixth Monitor's Report, dated January 27, 2021 for the (16 weeks) from January 17 to May 8, 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 May 8, 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 Sixth 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 21 WEEK PERIOD FROM MAY 9 TO OCTOBER 2, 2021
UNAUDITED - IN $000s CAD
(See Notes and Assumptions attached)

	Actual	May = 3 weeks			June = 5 weeks					July = 4 weeks				August = 4 weeks				September = 5 weeks					Total (21 weeks)
		Weekly Forecast																					
Week ending	8-May	15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug	28-Aug	4-Sep	11-Sep	18-Sep	25-Sep	2-Oct	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
Net Cash Flow, LOC and Total Obligations to Wells Fargo:																							
Cash Inflows																							
Collections		3,315	5,489	1,757	3,339	3,096	3,967	2,712	2,423	3,706	3,005	6,713	2,304	4,208	3,188	6,923	2,044	2,575	4,928	4,928	5,774	1,891	78,287
Spectra Premium AB (Sweden) reimbursement		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections - Trico Liquidation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gov. Subsidies (CEWS + Rent) and other		-	-	626	617	641	40	50	500	-	500	50	228	500	-	50	500	-	-	50	500	-	4,852
Total Cash Inflows		3,315	5,489	2,383	3,956	3,737	4,007	2,762	2,923	3,706	3,505	6,763	2,532	4,708	3,188	6,973	2,544	2,575	4,928	4,978	6,274	1,891	83,139
Cash Outflows																							
Payment of AP balances		2,404	1,875	2,635	3,977	2,885	3,815	2,885	2,885	2,595	2,815	2,595	2,595	2,595	2,595	2,595	2,595	2,645	2,975	2,645	2,645	2,645	57,895
Payroll & benefits (including rentention bonus)		1,910	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	250	1,650	20,910
Rent		-	-	232	308	-	-	-	232	308	-	-	232	308	-	-	232	150	308	-	-	231	2,543
Factoring fees		-	50	-	50	-	50	-	-	50	-	50	-	50	-	50	-	-	50	-	50		450
Financing costs / debt payments		80	29	25	262	182	15	-	285	67	20	-	10	288	57	-	-	283	57	10	20	677	2,368
US Duty/Tariff		-	-	400				600				600					600				600		2,800
Capital expenditures		-	-	-	-	-	27	87	51	-	8	-	-	-	-	-	8	166	12	80	-	8	447
Restructuring - closing / moving costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous		50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	1,050
Professional fees (restructuring /CCAA and other(go to market))		196	189	50	126	180	90	90	45	20	20	205	10	25	10	60	145	25	10	-	80	90	1,666
Total Cash Outflows		4,639	2,442	5,042	5,023	4,948	4,297	5,362	3,798	4,740	3,163	5,150	3,147	4,967	2,962	4,405	3,880	4,969	3,713	4,435	3,695	5,351	90,129
Net Cash Flow		(1,325)	3,047	(2,659)	(1,066)	(1,210)	(290)	(2,600)	(875)	(1,034)	342	1,613	(615)	(258)	226	2,568	(1,336)	(2,394)	1,215	543	2,579	(3,460)	(6,990)
Opening Line of Credit		(34,797)	(35,954)	(32,906)	(35,566)	(36,632)	(37,842)	(38,132)	(40,733)	(41,607)	(42,641)	(42,299)	(40,686)	(41,302)	(41,560)	(41,334)	(38,766)	(40,102)	(42,496)	(41,281)	(40,738)	(38,159)	(34,797)
Net Cash Flow		(1,325)	3,047	(2,659)	(1,066)	(1,210)	(290)	(2,600)	(875)	(1,034)	342	1,613	(615)	(258)	226	2,568	(1,336)	(2,394)	1,215	543	2,579	(3,460)	(6,990)
Cash Balance as at May 8, 2021 (net O/S cheques)		168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	168
Closing Line of Credit ("LOC")	(34,797)	(35,954)	(32,906)	(35,566)	(36,632)	(37,842)	(38,132)	(40,733)	(41,607)	(42,641)	(42,299)	(40,686)	(41,302)	(41,560)	(41,334)	(38,766)	(40,102)	(42,496)	(41,281)	(40,738)	(38,159)	(41,619)	(41,619)
Other Wells Fargo potential obligations																							
Other Wells Fargo potential obligations	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)
Total Obligations to Wells Fargo ("Wells Obligations") (Limited to a Max. of $50M)	(37,640)	(38,797)	(35,750)	(38,409)	(39,475)	(40,686)	(40,975)	(43,576)	(44,450)	(45,484)	(45,142)	(43,529)	(44,145)	(44,403)	(44,177)	(41,609)	(42,945)	(45,339)	(44,124)	(43,581)	(41,002)	(44,462)	(44,462)
Estimated Borrowing Base and Availability LOC:																							
Estimated Borrowing Base:																							
Inventory	32,790	30,418	29,976	30,028	30,460	30,627	31,059	31,226	31,247	30,508	30,228	30,046	29,865	29,408	29,162	29,020	28,877	28,669	28,356	28,081	27,830	27,579	27,579
AR	17,122	17,151	15,797	16,540	16,565	16,698	16,444	16,747	17,418	18,595	19,330	18,259	19,143	19,634	20,232	19,005	19,941	20,747	20,684	20,559	20,019	21,200	21,200
Total Estimated Borrowing Base	49,913	47,569	45,772	46,568	47,025	47,325	47,503	47,973	48,665	49,103	49,557	48,306	49,008	49,042	49,394	48,024	48,818	49,417	49,040	48,640	47,849	48,779	48,779
Availability Surplus (LOC) based on Estimated Borrowing Base	12,273	8,772	10,023	8,159	7,550	6,639	6,528	4,398	4,215	3,618	4,415	4,776	4,863	4,640	5,217	6,415	5,872	4,077	4,916	5,059	6,846	4,317	4,317
Working Capital items:																							
A/R	41,552	41,616	38,562	40,239	40,295	40,594	40,022	40,706	42,220	44,874	46,531	44,117	46,111	47,219	48,567	45,799	47,910	49,730	49,587	49,305	48,086	50,750	50,750
A/P - Pre-filing	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538	68,538
A/P - Post-filing	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048	3,048
Inventory	60,547	60,729	60,961	61,067	61,946	62,286	63,165	63,505	63,547	62,043	61,474	61,105	60,736	59,807	59,307	59,017	58,727	58,305	57,668	57,107	56,597	56,087	56,087

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 twenty-one (21) week period from May 9 to October 2, 2021

Purpose:

The attached statement of projected cash flow (the "**Sixth Cash Flow**"), for the twenty-one (21) week period from May 9 to October 2, 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 Sixth 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 Sixth 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 Sixth 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 Sixth Cash Flow will be significantly impacted resulting in a decrease in the forecasted results.

General:

The Sixth Cash Flow reflects cash flows from the Companies' operations. The Companies have prepared the Sixth Cash Flow based primarily on historical results and the Companies' current expectations. The Sixth 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 $0.8000 = 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 May 8, 2021. Take note that the opening balances denominated in US currency have been converted into Canadian dollars using an exchange rate of USD $0.8226 = 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 Sixth Cash Flow. Included in the Sixth Cash Flow are receipts related to amounts owing by tax authorities for sales taxes as at May 8, 2021.

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

Notes and Assumptions:

1. Creditor support

The Sixth 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 ($78.3M)

Spectra's sales collections of $78.3M over the Cash Flow Period are based on forecasted collections from opening accounts receivable as at May 8, 2021 and collections of projected sales during the Cash Flow Period which are collected on average 60 days from date of sale. 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 sales taxes receivable ($4.8M)

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 $4.3M related to the CEWS in the Cash Flow Period. This amount relates primarily to wage subsidies eligible for the period from January to July 2021. Also included in the Sixth 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 March to August 2021. Included in the Sixth Cash Flow are receipts totalling $0.2M related to sales taxes receivable as at May 8, 2021.

4. Payment of AP balances ($57.9M)

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. 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 (including retention bonus) ($20.9M)

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 $260K in payments related to retention bonus'.

6. **Rent ($2.5M)**

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 ($0.4M)**

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 ($2.2M)**

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, and various capital leases entered into by the Companies. The Sixth Cash Flow assumes that the capital repayments on the LBC loan will be subject to a moratorium for the period from June to September 2021, and thus no related amounts have been included in the Sixth Cash Flow for these months. Financing costs also include various Wells Fargo Capital Finance ("**Wells**"), LBC/EDC, and Investissement Quebec (Wells loan guarantee of $5M) fees and professional fees in regard to the Companies' restructuring proceedings and amendments to the credit agreement.

9. **US duty/tariff payments ($2.8M)**

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

10. **Capital expenditures ($0.5M)**

These disbursements relate to repairs and maintenance and certain capital projects (mostly OEM production lines) the purchase of equipment and machinery in the normal course of business.

11. **Miscellaneous ($1.1M)**

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

12. **Professional Fees (Restructuring/CCAA) ($1.7M)**

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 go to market process.

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 twenty-one (21) week-period from May 9 to October 2, 2021 (the "Sixth Cash Flow"), as of the 28th day of May 2021.

The probable and hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the Sixth 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 Sixth 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 Sixth 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 28th day of May 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