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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No.: 500-11-058116-209

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

IN THE MATTER OF THE 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.

EIGHTH MONITOR'S REPORT
DATED SEPTEMBER 24, 2021

INTRODUCTION AND CCAA BACKGROUND

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**" or "**Spectra Canada**"), 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 had 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 in China, 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 in China (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 (the "**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. On May 28, 2021, the Monitor filed its seventh report with the Court, dated May 28, 2021, which presented an update on operations and restructuring, including the financial situation and cash-flow projections of Spectra Group (the "**Seventh Monitor's Report**").

32. On May 31, 2021, an order was issued by the Court granting the May 27, 2021 Application extending the Stay Period until September 30, 2021 (the "**May 31, 2021 Order**").

33. On September 20, 2021, the Debtors filed an application in the CCAA Proceedings for i) the issuance of an Approval and Vesting Order; ii) the issuance of an Assigned Contracts Order; and iii) a fifth extension of the stay of proceedings up to April 30, 2022 (the "**September 20, 2021 Application**").

34. On September 21, 2021 the Foreign Representative filed the following two (2) motions, jointly (the "**September 21, 2021 U.S. Motions**") to the U.S. Court:

    - Foreign Representative's motion for an order (i) enforcing (a) Canadian court order approving sale of debtors' assets and (b) Canadian court order approving assignment of certain contracts, (ii) approving sale of debtors' assets, including assumption and assignment of certain contracts, and (iii) granting related relief; and,

    - Motion of the Foreign Representative to file under seal the asset purchase agreement.

35. 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

36. The present Monitor's report ("**Eighth 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 orders being sought in the September 20, 2021 Application, including the approval of a sale outside the ordinary course of business of substantially all of the assets of Spectra Group. The Eighth Monitor's Report is presented under the following headings:

- Introduction and CCAA Background;
- Purpose;
- Terms of reference and disclaimer;
- Spectra Group's background, operations and operational restructuring update;
- Actual receipts and disbursements for the seventeen (17) week period from May 9 to September 4, 2021;
- Updated cash flow projections for the thirty-four (34) week period from September 5, 2021 to April 30, 2022;
- Go-to-market process update;
- Main terms of the APA;
- Reasons justifying the approval of the proposed Turnspire Transaction;
- Creditors affected by the proposed Turnspire Transaction;
- Restructuring update, request for an APA approval and vesting order, request for an assigned contracts order and request for an extension of the Stay Period; and,
- Overall comments and conclusions.

TERMS OF REFERENCE AND DISCLAIMER

37. 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, Sixth Monitor's Report and Seventh Monitor's Report as the case may be.

38. In preparing the Eighth 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 Eighth 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 Eighth 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 Eighth 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 Eighth 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.

39. 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.

40. 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.

41. 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.

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

SPECTRA GROUP'S BACKGROUND, OPERATIONS AND OPERATIONAL RESTRUCTURING UPDATE

43. 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.

44. 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.

45. 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

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

    - Concluded the GTM Process and signed an asset purchase agreement for the sale of substantially all of its assets on a going-concern basis, the whole subject to Court approval.

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

    - Closed the Windsor (Ontario) distribution facility effective September 30, 2021.

    - The total number of Spectra Group employees was approximately 797 (682 in Canada and 115 in U.S.) on September 22, 2021, as compared to approximately 703 on April 30, 2021 and 1,146 on March 1st, 2020.

    - Management has indicated that the vast majority of the operational restructuring measures have been completed at the date of this report. The only remaining operational restructuring measures outstanding at this time relate to the continued optimization of their cost structure, the sale of excess inventory on hand and an excess real-estate asset (a vacant land in Debert).

Spectra Shanghai and Spectra Chongqing

47. Spectra has completed the wind-up of Spectra Shanghai and Spectra Chongqing in accordance with the applicable Chinese laws, in conjunction with the September 25, 2020

Order. Per Management, these Chinese companies have been liquidated and dissolved, the only outstanding item is to finalize the closure the Chinese bank account of Spectra Shanghai and transfer the remaining funds (approximately $33K) to Spectra Canada.

Spectra Premium AB (Sweden)

48. 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 had been able to successfully complete a financial restructuring under the Swedish insolvency and restructuring laws, in early April 2021, but it received an early termination notice from Volvo Car Company ("**Volvo**") for the existing gas tanks supply contract (the "**Volvo Contract**"), effective May 30, 2021, which represent the main operations of the company. Spectra Sweden completed the ongoing orders from Volvo under the Volvo Contract and ended its production operations in April 2021.

49. The Volvo Contract was Spectra Sweden's primary source of revenue and as such the unilateral early termination notice by Volvo had a dramatic effect on company's future. All operations and transactions with Spectra Sweden have ceased. Consequently, the company filed for bankruptcy under the insolvency laws of Sweden on May 5, 2021.

50. The trustee appointed under the Swedish insolvency and restructuring laws has undertaken to realize on Spectra Sweden's assets and works in collaboration with Spectra Canada, as a secured creditor of Spectra Sweden, and with Spectra Group's secured lenders, including EDC which would hold a security interests on specific equipment that were financed by a term loan granted to Spectra Canada.

51. The Spectra Sweden trustee is in the process of the realization of the Spectra Sweden assets. We presently have limited information from the Spectra Sweden trustee about its administration, and the potential recovery of Spectra Canada but we understand that the recovery for Spectra Canada could have a material value. Management and the Monitor will request more information from the Spectra Sweden trustee on its administration, the net value of the recovery of Spectra Sweden's assets, and the potential distribution to Spectra Canada from this bankruptcy proceeding.

Trico Sale Transaction and other liquidation sales of inventory

52. 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.

53. An amount of $15.4M (US $11.6M) has been collected from Trico up to September 4, 2021, of which approximately $0.7M (US$0.5M) had not yet been delivered to Trico at that date. Management has indicated that Trico has placed the final purchase orders for the remaining inventory related to the Trico Sale Transaction and it is expected to be picked up for the Spectra location(s) in the coming weeks and before October 29, 2021.

ACTUAL RECEIPTS AND DISBURSEMENTS FOR THE SEVENTEEN (17) WEEK PERIOD FROM MAY 9 TO SEPTEMBER 4, 2021

54. 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 Eighth Monitor's Report. Attached as **Appendix "A"** to this report, and summarized below, is a statement of receipts and disbursements for the seventeen (17) week period from May 9 to September 4, 2021 (the "**Actual Period**"), the period from the issuance of the Seventh Monitor's Report, with a comparison to the weekly cash flow projections attached as Appendix B to the Seventh Monitor's Report (the "**Sixth Cash Flow**").

55. Appendix "A" also includes a cumulative statement of receipts and disbursements from March 1, 2020 to September 4, 2021 (79 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 seventeen (17) week period from May 9 to September 4, 2021
Unaudited - In $000s CAD

	Actual	Forecast	Variance
Cash Inflows	71,635	65,067	6,567
Cash Outflows (excl. Wells Fargo interests and fees)	(65,268)	(72,053)	6,785
Cash Outflows - Wells Fargo interests and fees	(700)	(881)	181
Net Cash Flow (incl. Wells Fargo interest and fees)	**5,666**	**(7,867)**	**13,533**
Opening Cash Balance (net of $15K of cheques in circulation)	168	-	168
Closing Cash Balance (net of $38K of cheques in circulation)	**287**	**-**	**287**
Opening Line of Credit	(34,797)	(47,555)	12,758
Ending Line of Credit	**(29,924)**	**(42,496)**	**12,572**
Other Wells Fargo Potential Obligations	(3,153)	(2,843)	(310)
Total Obligations to Wells Fargo	**(33,077)**	**(45,339)**	**12,262**
Borrowing Base ("BB") Availability	**44,614**	**49,417**	**(4,803)**
Availability Surplus & Cash Balance based on BB Availability[1]	**11,824**	**4,077**	**7,747**

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

56. Net Cash Flow (including Wells Fargo interests and fees (Debtor's operating lender)) for the Actual Period is $5,666K compared to the projected amount of negative $7,867K representing a favourable net cash flow variance of $13,533K.

57. The favourable net cash flow variance of $13,533K is primarily explained by the following:

Cash Inflows (Favourable variance of $6,567K):

- Collections: Favourable variance of $7,602K largely due to permanent and temporary differences as collections were higher than projected during the Actual Period. This favorable variance is net of unbudgeted collections of $620K in non-accounts receivable scrap metal sales; and,
- Government Wage/Rent Subsidies and Other: Unfavourable variance of $1,035K is largely due to timing differences in the collection of CEWS governmental wage subsidies which were collected subsequent to September 4, 2021.

Cash Outflows, including Wells Fargo interests and fees (Favourable variance of approximately $6,966K):

- Payment of AP balances: Favourable variance of $4,660K is due to permanent and temporary differences largely due to lower than budgeted purchase of inventories;
- Payroll: Favourable variance of $290K is largely due to permanent differences in lower than budgeted utilization of part-time employees. This favorable variance is net of approximately $357K in higher than budgeted retention bonuses paid during the Actual Period;
- US Duty/Tariff: Favourable variance of $549K 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 $245K mainly due to temporary differences that are expected to reverse in the future;
- Financing costs / debt payments, including Wells Fargo interests and fees: Favourable variance of approximately $139K mostly explained by permanent differences in lower than budgeted interest and other payments ($298K). This favorable variance is net of other higher than budgeted payments related to financing costs and capital repayments to LBC ($159K);
- Capital expenditures (CAPEX): Favourable variance of $146K due to permanent and temporary differences in lower than budgeted capital expenditures; and
- Other (Rent, Factoring fee, Restructuring - closing/moving costs and Miscellaneous): Favorable variance of $937K primarily due to forecasted expenses which were not incurred in the Actual Period.

Take note that as at September 4, 2021, the Debtors had post-filing outstanding cheques of $38K and post-filing payables (excluding intercompany accounts) of $5,816K ($1,833K in accounts payables and $3,983K of approved payments held back as at September 4, 2021), mainly related to inventory purchases, sales taxes on exports, customs brokers, transportation suppliers, professional fees and various other suppliers for which payment terms have been provided that were not initially projected. The held back payments of $3,983K are projected to be released throughout the end of October 2021.

58. The Ending Cash Balance as at September 4, 2021 is $325K compared to the projected amount of $0, representing a favourable variance of $325K. 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 September 4, 2021, net of cheques in circulation of $38K, is $287K.

59. The Ending Line of Credit ("**LOC**") as at September 4, 2021 is $29,924K compared to the projected amount of $42,496K, representing a favourable variance of $12,572K, which is explained by the favourable variance in the Net Cash Flow of $13,352K, the Ending Cash Balance as of September 4, 2021 of $287K not applied to LOC, and the unfavourable variation in the U.S. exchange rate of $353K. The Total Obligations to Wells Fargo as at September 4, 2021 of $33,077K include Other Wells Fargo Potential Obligations of $3,153K, which pertain to a letter of credit ($2,504K) and reserves ($649K).

60. The Estimated Borrowing Base Availability as at September 4, 2021 is $44,614K compared to the projected amount of $49,417K, representing an unfavourable variance of $4,803K ($5,593K unfavourable variance for accounts receivable and $790K favourable variance for inventory).

    Given the Estimated Borrowing Base Availability of $44,614K as at September 4, 2021, the availability on the LOC as at September 4, 2021, considering the cash balance, is $11,824K ($11,537K if the cash balance is not considered). Although the availability surplus based on the Borrowing Base is $11,824K, the actual availability on the LOC is $2,572K, representing the difference between the maximum allowable indebtedness to Wells Fargo (LOC + letter of credit duties US$ 2M) of $35M (the "**Maximum Allowable Indebtedness to Wells Fargo**") and the actual indebtedness to Wells Fargo (LOC + letter of credit duties US$ 2M) of $32,428k. The previous cap on Total Obligations to Wells Fargo was $50M per the Fourth Amendment.

    Note that the calculation of the borrowing base as at September 4, 2021 has been made using the actual credit conditions at this date, in accordance with the Fifth Amendment to the Forbearance Agreement, dated August 10, 2021.

UPDATED CASH FLOW PROJECTIONS FOR THE THIRTY-FOUR (34) WEEK PERIOD FROM SEPTEMBER 5, 2021 TO APRIL 30, 2022

61. The Debtors, with the assistance of the Monitor, have prepared the updated consolidated cash flow projections (the "**Seventh Cash Flow**") for the thirty-four (34) week period from September 5, 2021 to April 30, 2022 (the "**Cash Flow Period**") for the purpose of projecting the estimated results of the Debtors' planned operating activities during the Cash Flow Period. The Seventh 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 Seventh Cash Flow also excludes the results and operations of Spectra Shanghai and Spectra Chongqing which are liquidated and dissolved. In addition, the Seventh 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 Seventh Cash Flow including notes and the main assumptions upon which it is based is presented herewith as **Appendix "B"**.

62. The Seventh Cash Flow is based on the assumption that the Companies will conclude a transaction for the sale of substantially all of their assets with Turnspire Capital Partners ("**Turnspire**") on October 29, 2021 (the "**Closing Date**" or "**Closing**") and that there will be no cash flows from operations following the Closing. No amounts related to the realization

on Excluded Assets (defined below) have been included in the Seventh Cash Flow as their amounts and timing remain unknown at this time.

63. Included in the week ending November 13, 2021 is an amount of approximately $1.4M received from Turnspire, which will in turn be immediately disbursed to settle various professional fees and expenses related to the transaction and amounts owing on account of unpaid vacation and benefits in respect of employees whose employment was terminated prior to the Closing Date, the whole in accordance with the terms of the APA (as defined below).

64. The Seventh Cash Flow projects net cash outflows of $2.7M over the Cash Flow Period resulting from projected receipts of $35.8M less projected disbursements of $38.6M. The net cash outflow of $2.7M is largely attributed to the payment in full of outstanding post-filing accounts payable as at September 4, 2021 of $5.8M over the Cash Flow Period.

The Seventh Cash Flow projects the indebtedness to Wells Fargo (LOC + Letter of Credit Duties US$ 2M), which is of $32.4M at the beginning of the Cash Flow Period on September 4, 2021, to fluctuate throughout the Cash Flow Period between a low of $29.7M in the week ending September 25, 2021 and a high of $35M in the week ending October 30, 2021 and assumed to be fully reimbursed by the proceeds of the Turnspire Transaction (as defined below). The Maximum Allowable Indebtedness to Wells Fargo of $35M is projected to be respected throughout the Cash Flow Period.

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

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

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

68. 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 Eighth 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 Seventh Cash Flow does not reflect the probable and hypothetical assumptions.

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

70. 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, January 30, 2021, May 29, 2021 and most recently on August 10, 2021 (the "**Fifth Amendment**") through September 30, 2021. Spectra Group is in default of the Fifth Amendment to the Wells Forbearance Agreement as of August 31, 2021, however Wells Fargo has tolerated the default as an asset purchase agreement was in advanced stages of negotiation, which was since signed with Turnspire as of September 17, 2021, and the transaction is expected to close on October 29, 2021, subject to the Courts approval. It is therefore not expected that the Wells Forbearance Agreement be extended any further at this time.

71. 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. The Seventh Cash Flow projects that the monthly interest and capital repayments on the LBC loan will be made on October 1, 2021, the accrued interest for the month of October 2021 will be paid in the week ending October 30, 2021 and that the balance owing to LBC at Closing, estimated at $13,625K, will be fully reimbursed by Turnspire per the terms of the APA (as defined below).

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

73. Wells Fargo and LBC support the continuation of the CCAA Proceedings in accordance with the Seventh Cash Flow as well as the contemplated Turnspire Transaction (as defined below).

GO-TO-MARKET PROCESS UPDATE

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

75. The services of Ernst & Young Orenda Corporate Finance Inc. ("**EY Orenda**") have been retained to develop and oversee the GTM Process.

76. Although the GTM Process described below was spearheaded by Spectra Group and their advisors and consultants, the Monitor has been involved in the process and has been consulted on issues and decisions made with respect to the proposed sale transaction.

77. 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, while obtaining the best possible offer deriving the most value for Spectra Group in the circumstances.

78. The GTM Process procedures sought to ensure, *inter alia*, the promotion of the following objectives:

    - Fairness, transparency and integrity of the process;
    - Commercial efficacy;
    - The flexibility necessary to accommodate the broader range or type of possible bids/offers given the industry in which it operates, as well as the cross-border implications of the business; and,
    - The maximization of the chance of securing the best possible value in the circumstances for Spectra Group and its business or assets and for the creditors and stakeholders.

79. In February 2021 Spectra Group, with the assistance of EY Orenda and the Monitor, began (i) populating a list of strategic and financial parties who may potentially be interested in acquiring the assets or a majority equity stake in Spectra Group (each, a "**Potential Bidder**"), and concurrently, (ii) preparing the documentation required to implement the GTM Process, including:

    - An initial offering summary (the "**Teaser Letter**") to be sent to all Potential Bidders to notify them of the existence of the GTM Process and to invite them to make an offer;
    - A Confidential Information Memorandum (the "**CIM**") describing the opportunity to acquire a majority equity stake in Spectra Group;
    - A sell-side financial due diligence report (the "**VDD Report**") providing Management and its board with a buyer's perspective of Spectra Group; and,

- An initial process letter (the "**EOI Process Letter**") containing guidelines and instructions related to the submission of Expressions of Interest (the "**EOI**") including submission deadline.

80. The Potential Bidders were determined by screening the S&P Capital IQ database, a standard tool used in the corporate finance industry, as well as market intelligence and any expressed interest received from the online publication of the process on the Monitor's website. General criteria used in identifying and selecting potential financial purchasers were:

- Private investment firms (i.e.: private equity firms) based in either Canada or the U.S.;
- Interested in companies and transactions that are middle market, mature or later stage, turnaround situations and/or buyouts; and,
- Have either an expressed interest or prior and/or current direct investments in the automotive aftermarket parts industry.

81. The results of this process were further reviewed on a one-by-one basis to exclude evidently unsuitable companies due to lack of fit based on size, interest in turnaround situations or other factors. Additional names were then added from the other named sources above.

82. 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 the CIM.

83. A total of 104 Potential Bidders were solicited, of which 73 expressed interest in the Teaser Letter while 31 declined the opportunity before receiving the Teaser Letter or did not provide any response despite several follow-up attempts. The 73 Potential Bidders were then requested to execute a confidentiality agreement (the "**Confidentiality Agreement**"). Of the 73 Potential Bidders who received the Teaser Letter and Confidentiality Agreement, 46 declined the opportunity or did not provide any further response despite several follow-up attempts and 27 signed the Confidentiality Agreement, thereby qualifying them as a qualified bidder ("**Qualified Bidder**").

84. Subsequently, Spectra Group, with the assistance of EY Orenda provided Qualified Bidders with a copy of the EOI Process Letter, CIM, financial model and VDD Report. The Qualified Bidders were able to immediately begin their preliminary due diligence with regards to the transaction. In addition, and upon request, EY Orenda provided ad-hoc support to Qualified Bidders in conducting their preliminary due diligence and analyses.

85. As per the EOI Process Letter, Qualified Bidders were instructed to submit their EOIs by no later than May 10, 2021 at 5:00 pm (prevailing Eastern Time), in the manner prescribed in the EOI Process Letter. Of the 27 Qualified Bidders, three (3) indicated interest in bidding on the Company (the "**Submitting Entities**"). To ensure a competitive post-EOI GTM Process, an extension of three (3) days was granted to two (2) of the three (3) Submitting Entities who submitted their EOI on May 13, 2021.

86. As promptly as practicable after Qualified Bidders qualified as Submitting Entities, Spectra Group, with the assistance of EY Orenda provided Submitting Entities with a second process

letter (the "**LOI Process Letter**") as per which they were instructed, among other things, to submit a Letter of Intent (the "**LOI**") by no later than June 18, 2021.

87. Submitting Entities were then granted access to a data room that contained information regarding Spectra Group and its operations. In conjunction, Spectra Group coordinated and held several Management Presentations and Q&A Sessions with each of the three (3) Submitting Entities to respond to their questions, to assist each of them in their due diligence efforts and to ensure the submission competitive LOIs by the prescribed deadline of June 18, 2021.

88. On June 18, 2021, one (1) of the three (3) Submitting Entities submitted an LOI for the acquisition of substantially all of Spectra Group's assets on a going-concern basis while the two (2) other Submitting Entities formally declined the opportunity. Upon reception of the LOI, Spectra Group reviewed its proposed terms and conditions, which complied with the required terms and conditions included in the LOI Process Letter.

89. On June 30, 2021, Spectra Group signed the LOI at the best possible terms and conditions in order to maximize value for all stakeholders. The remaining submitting entity, Turnspire Capital Partners, therefore qualified as the exclusive purchaser (the "**Exclusive Purchaser**"). The Turnspire LOI contemplated the acquisition of substantially all of Spectra Group's assets on a going-concern basis.

90. Between early July 2021 and late August 2021, the Exclusive Purchaser conducted a thorough confirmatory due-diligence process with the aim of validating its assumptions and develop a post-acquisition business plan alongside Spectra Group. In July 2021, members of the Exclusive Purchaser's team visited Spectra Group's Canadian and US locations. During that period, several in-person, online Management presentations and Q&A sessions were held between Spectra Group and the Exclusive Purchaser. In addition, EY Orenda assisted the Exclusive Purchaser in conducting its confirmatory due-diligence as well as in performing ad-hoc analyses.

91. Throughout the end of August and early September Spectra Group, with the assistance of its consultants and input from its main secured creditors, continued discussions with Turnspire to improve and clarify the offer and negotiate the terms and conditions of an asset purchase agreement for the sale of substantially all of Spectra Group's assets. The terms of the proposed transaction are memorialized in an Asset Purchase Agreement entered into on September 17, 2021 by Spectra Group and Turnspire (the "**APA**" or "**Turnspire Transaction**"), which a copy is include in the Exhibit R-2 (under seal) of the September 20, 2021 Application and further summarized below.

92. The GTM Process has been conducted as thoroughly as possible and much the same as a sale and investment solicitation process ("**SISP**") that we normally see in distressed M&A transactions and other CCAA restructurings. Consequently, the Monitor is of the opinion that Spectra Group undertook a broad canvassing of the market and the GTM Process was reasonable in the circumstances and appropriate to maximize the value of Spectra Groups' business and assets.

MAIN TERMS OF THE APA

93. The APA provides, *inter alia*, that substantially all of Spectra Group's assets (with the exception of the Excluded Assets as defined below), be sold on a going-concern basis, to Turnspire (the "**Purchaser**") through its designees: Spectra Premium Mobility Solutions Canada Ltd. and Spectra Premium Mobility Solutions USA, LLC. The assets to be sold represent substantially all the assets of Spectra Canada, including the shares of Spectra Taiwan, and all of the assets of Spectra US, but excluding the Excluded Assets, and are defined in the APA as the Canadian Purchased Assets and the US Purchased Assets (collectively referred herein as the "**Purchased Assets**"). Spectra Canada and Spectra US are defined as the "**Sellers**" in the APA.

94. The Purchased Assets include the Assumed Contracts as defined in the APA and described in Schedule A of the September 20, 2021 Application, to which the Sellers are parties. These contracts, which are key to the continued operations of Spectra 2.0, will be assigned to the Purchasers in accordance with the requirements of the CCAA.

95. The excluded assets which are not included in the Purchased Assets are defined in the APA (the "**Excluded Assets**") and include mainly the following assets:

- The shares of and any assets owned by Spectra Sweden, Spectra Shanghai, Spectra Chongqing, Spectra Holdings US and Spectra Properties US, including, without limitation, any claims or receivables; if any
- The shares of Spectra US;
- Any claims and receivables owing from Spectra Sweden to the Sellers up to an amount equal to the outstanding indebtedness owed by Spectra Canada to EDC that would be secured;
- The vacant land located at 124 Dakota Road, Debert, Nova Scotia; and
- Other assets that the Purchasers may decide to exclude prior to the Closing Date.

96. The consideration received for the Purchased Assets (the "**Consideration Received**") includes the following:

   i. The purchase price (the "**Purchase Price**"), subject to sales tax if applicable, to be paid at Closing, includes the following:
      - an amount equal to the Sellers' indebtedness (including accrued interest) owed to Wells Fargo as of the Closing Date up to a maximum of $35M;
      - an amount equal to the Sellers' indebtedness (including accrued interest) owed to LBC as of the Closing Date up to a maximum of $13,625K; and
      - $1,388K, which shall be paid, on behalf of the Sellers to Lavery de Billy, L.L.P. in trust who shall distribute such amount, as follows:
         - $750K on account of transaction expenses; and

- $638K on account of unpaid vacation, benefits and related taxes in respect of employees of the Sellers whose employment was terminated prior to the Closing Date.

ii. The amount of certain selected liabilities of the Sellers, (the "**Assumed Liabilities**") as defined in the APA, including:

- ➢ Employee current liabilities related to those employed by the Sellers at the Closing Date;
- ➢ Liabilities pursuant to the Assumed Contracts;
- ➢ Certain customer liabilities including rebates and obligations under written warranty agreements; and
- ➢ Current Liabilities (as defined in the APA) which include certain accounts payable that relate to ordinary course transactions in the period subsequent to March 10, 2020 up to a maximum of $5M.

97. The APA also includes the following provisions:

- The Purchased Assets are to be transferred to the Purchasers upon Closing which is anticipated to occur on October 29, 2021;
- It is anticipated that the Purchase Price will reimburse the secured debts of Wells Fargo and LBC as well as all unpaid vacation for Terminated Employees (defined below), including the portion that ranks in priority to Wells Fargo/LBC;
- The Closing is subject to the fulfillment of certain common conditions for this type of transaction, including;

  - ➢ The issuance of the Approval and Vesting Order and Assigned Contract Order (uncontested) by the court in both the CCAA Proceedings and the Chapter 15 Proceedings;
  - ➢ Issuance of the Closing Certificate by the Monitor (as defined in the APA);
  - ➢ The Purchasers shall have closed their debt financing in accordance with and on no less favourable terms than those already received.

98. The Monitor has received, at the date of this report, an amount equivalent to US$3.2M by way of deposit from Turnspire.

REASONS JUSTIFYING THE APPROVAL OF THE PROPOSED TURNSPIRE TRANSACTION

99. In order to analyze the reasonability of the Turnspire Transaction (i.e. APA) the Monitor has prepared an estimated liquidation analysis presented herewith as **Appendix "C"**, to present the estimated expected results of a theoretical forced liquidation (bankruptcy) carried out on or around August 31, 2021 (the "**Liquidation Analysis**"). This Liquidation Analysis highlights the following:

- The amount available to creditors, after realization costs, is estimated in the range of $39.9M and $52.9M (including an estimated recovery from the Spectra Sweden bankruptcy between $4M and $6.1M), and $35.9M and $46.8M excluding these recoveries, which represents the estimated net forced liquidation value of the Purchased Assets (the "**Liquidation Value**");
- The Consideration Received is estimated to amount $70M, representing the sum of the following:
    - The estimated Purchase Price of $50M per paragraph 96 i) above; and,
    - The estimated value of the Assumed Liabilities of $20M per paragraph 96 ii) above.
- Based on the above figures, the estimated Consideration Received by Spectra Group is higher than the Liquidation Value in a bankruptcy context.
- The Purchase Price allows for the payment in full of the main secured creditors (Wells Fargo and LBC) as well as the settlement of the priority claims ranking ahead of these main secured creditors and it is expected that the payment of the CCAA post-filing obligations will be settled in full (i.e. via the Assumed Liabilities).
- The estimated value of the Excluded Assets (primarily the estimated recovery from the Spectra Sweden bankruptcy of between $4M and $6.1M) would serve to reimburse the secured debt of EDC related to the loan to Spectra Canada that financed the Spectra Sweden equipment, and which is estimated at $6.1M (subject to their security validity review).
- The estimated net realizable value of Spectra Group's assets, after realization costs, payment of secured creditors and priority claims (portion of unpaid vacation of the employees) would not result in any residual amounts available for distribution to unsecured creditors.

100. The Monitor is of the view that the Turnspire Transaction is advantageous for the Debtors, its creditors and its stakeholders as a whole for several reasons, including the following:

- It is the only offer received resulting from the robust GTM Process;
- Wells Fargo and LBC support the Turnspire Transaction. EDC has confirmed that they do not object to the Turnspire Transaction;
- The Turnspire Transaction calls for the injection of significant amounts of cash to finance the working capital and future capital expenditures of the Purchasers;
- The Purchase Price that Turnspire has offered allows for the settlement of the main secured creditors and priority claims, despite being insufficient and/or not providing for the payment to unsecured creditors;
- The Consideration Received, which include the Purchase Price, but also include the Assumed Liabilities of the Sellers representing an amount estimated at $20M. The Turnspire Transaction provides an opportunity for creditors whose claims are included in the Assumed Liabilities to obtain payment of their debt by the Purchasers. These would include creditors who have provided credit for goods and services in the period subsequent to the Initial Order;

- The Turnspire Transaction provides for a continuity of employment for those employed at the Closing Date, preserving their entitlement to wage arrears and vacation pay;
- The Turnspire Transaction provides an opportunity for suppliers to have a continuing customer; and,
- The Turnspire offer ensures that Spectra Group's operations will continue as a going concern, an outcome that will benefit Spectra's employees, customers and suppliers.

101. Based on the information presented in this report and the work done to date, the Monitor has no reason to believe that the proposed Turnspire Transaction is not consistent with the statutory requirements of section 36 of the CCAA.

102. According to the Monitor, the Turnspire offer would be more beneficial to the creditors, as well as the stakeholders, than a sale or disposition in a bankruptcy context. The Monitor recommends that Spectra Group concludes the Turnspire Transaction.

CREDITORS AFFECTED BY THE PROPOSED TURNSPIRE TRANSACTION

103. If the Court authorizes the Turnspire Transaction, the process will result in the sale of substantially all assets of Spectra Group (with the exception of the Excluded Assets, which include a portion of the amounts to be received from the Spectra Sweden trustee), to Turnspire, on terms consistent with the APA. The APA provides (among other things) that the sale be free and clear of all liens and claims (other than Permitted Encumbrances as defined in the APA).

104. Based on the information available to date, the following creditors will be affected by Turnspire Transaction as follows:

Secured Creditors

105. Spectra Group's main secured creditors, Wells Fargo and LBC will be fully reimbursed upon Closing by the Purchasers as per the terms of the APA.

106. EDC appears to hold a security interests on specific equipment of Spectra Sweden that were financed by a term loan granted to Spectra Canada, the balance of which is currently estimated at \$6.1M. It is our understanding that the Spectra Sweden trustee is in the process of concluding a transaction for the sale of the equipment. It is anticipated that the proceeds of this sale will result in a significant shortfall for EDC. This shortfall would be guaranteed by a 3rd ranking security pledging the assets of Spectra Group after those of Wells Fargo and LBC.

As the Purchase Price is not sufficient to repay EDC, the only Spectra Group assets remaining to reimburse EDC are the Excluded Assets which include the anticipated distribution to Spectra Canada from the Spectra Sweden trustee in its bankruptcy proceeding (the "**Sweden Recovery**"). The only potential significant realization on the Excluded Assets is that of the

Sweden Recovery which, subject to fees and priority claims, would serve to reduce EDC's shortfall. If the amount of the Sweden Recovery is greater than the amount owed to EDC, the excess is included in the Purchased Assets, and consequently the amount will be remitted to the Purchasers. As the amount and timing of realizations on the Excluded Assets remain unknown at this time, no related amounts have been included in the Seventh Cash Flow.

107. In regard to other potential secured creditors, we understand that the rights of these creditors are considered in the APA as Permitted Encumbrances and that the Purchasers will negotiate directly with them after the closing.

Employees claims

Employees transferred to the Purchasers (active & inactive employees)

108. It is anticipated that all individuals who are employed by the Sellers at the Closing Date will be transferred to the Purchasers upon Closing (the "**Transferred Employees**"). All amounts owing to the Transferred Employees as at the Closing Date will be assumed by the Purchasers.

Employees not transferred to the Purchasers

109. Those individuals whose employment was terminated prior to the Closing Date (the "**Terminated Employees**") will not be transferred to the Purchasers upon Closing and their amounts owing will be treated as follows:

- Included in the Purchase Price is an amount of $638K related to all unpaid vacation, benefits and related taxes in respect of the Terminated Employees, which includes all Employees' Claims or potential claims that may rank in priority to those of secured creditors.

- The Sellers, with the assistance of the Monitor, are expected to issue these payments in the weeks after the Closing. It is presently anticipated that this process should be completed by the end November 2021.

- All amounts owing to the Terminated Employees other than those noted in the above paragraph will remain unpaid and represent the unpaid termination/severance pay of the Terminated Employees. It is not anticipated that these amounts be settled with the realization on Excluded Assets. However, should Spectra Canada become bankrupt or a receiver be appointed, Terminated Employees of Spectra Canada could be eligible to the Wage Earner Protection Program, for which an amount of up to approximately $7,500 could be received by each eligible employee.

Other unsecured claims (pre and post-filing)

Pre-filing unsecured claims

110. Certain pre-filing claims associated with the Assumed Liabilities will be settled by the Purchasers in accordance with the terms of the APA, mainly:
    - Employee liabilities related to those employed by the Sellers at the Closing Date;
    - Certain liabilities pursuant to the Assumed Contracts; and
    - Certain customer liabilities including rebates and obligations under written warranty agreements.

The remaining pre-filing claims will remain unpaid. It is not anticipated that these amounts be settled with the realization on Excluded Assets.

Post-filing unsecured claims

111. Management has indicated that it is anticipated that all post-filing unsecured claims be settled in full by the Purchasers as part of the Assumed Liabilities in accordance with the terms of the APA, including:
    - Employee liabilities related to those employed by the Sellers at the Closing Date;
    - Certain liabilities pursuant to the Assumed Contracts;
    - Certain customer liabilities including rebates and obligations under written warranty agreements; and
    - Post-filing accounts payable (Current Liabilities per the APA) up to a maximum of $5M.

RESTRUCTURING UPDATE, REQUEST FOR AN APPROVAL AND VESTING ORDER, REQUEST FOR AN ASSIGNED CONTRACTS ORDER, AND REQUEST FOR AN EXTENSION OF THE STAY PERIOD

112. As mentioned above, the Turnspire LOI was the only LOI received and the only viable alternative available at this time that will allow the continuity of the Debtors' operations and ensure their sustainability for the benefit of their stakeholders, including the Sellers current employees. Furthermore, the Consideration Received is the highest and most advantageous for Spectra Groups' creditors and stakeholders, despite being most likely insufficient for a distribution to unsecured creditors.

Request for an APA approval and vesting order, and an assigned contract order

113. As indicated in the APA, and in accordance with the Second Amended and Restated Initial Order, the Debtors require the Court and U.S. Courts' approval of the APA and a vesting order to give effect to the contemplated Turnspire Transaction, as more detailed in the September 20, 2021 Application.

114. The signed APA reflects the intention to pay the priority claims ranking in priority to the security held by the secured creditors, including the employee claims calculated in conformity with paragraph 136(1)d) and/or 81.3 of the BIA, that will be in compliance with paragraph 36(7) of the CCAA that states "*The court may grant the authorization only if the court is satisfied that the company can and will make the payments that would have been required under paragraphs 6(4)(a) and (5)(a)* (rather read 6(5)(a) and(6)(a), error in the CCAA) *if the court had sanctioned the compromise or arrangement*".

115. As the majority of the Purchase Price, as defined in the APA, will be paid to the main secured creditors (i.e. Wells Fargo and LBC), the Monitor requested and obtained, from its legal counsels, a security opinion on the validity and opposability of the Wells Fargo and LBC security registered in Canada and the U.S. on the Debtors' assets.

- Norton Rose Fulbright Canada LLP provided its legal opinion to the Monitor, dated December 20, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets located in the province of Quebec are valid and opposable to Spectra Group and its unsecured creditors, subject to the normal qualifications for this kind of opinion.
- Norton Rose Fulbright Canada LLP provided its legal opinion to the Monitor, dated November 13, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets located in the provinces of Ontario, Alberta and British Columbia are valid and opposable to Spectra Group and its unsecured creditors, subject to the normal qualifications for this kind of opinion.
- Filmore Riley provided its legal opinion to the Monitor, dated November 13, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets located in the province of Manitoba are valid and opposable to Spectra Group and its unsecured creditors, subject to the normal qualifications for this kind of opinion.
- McInnes Cooper provided its legal opinion to the Monitor, dated November 13, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets located in the provinces of New Brunswick, Nova Scotia and Newfoundland/Labrador are valid and opposable to Spectra Group and its unsecured creditors, subject to the normal qualifications for this kind of opinion.
- Norton Rose Fulbright US LLP provided its legal opinion to the Monitor, dated November 2, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets in the states of New York, Delaware, the District of Columbia and California of United States are valid and opposable to Spectra Group's and its unsecured creditors, subject to the normal qualifications for this kind of opinion.
- Krieg DeVault LLP provided its legal opinions to the Monitor, dated November 2, 2020, that concluded that the Wells Fargo and LBC security on Spectra Group's assets in the states of Indiana of United States are valid and opposable to Spectra Group's and its unsecured creditors, subject to the normal qualifications for this kind of opinion

116. The proposed Turnspire Transaction constitutes an outcome that provides Spectra Group with the ability to safeguard the sustainability of its operation.

117. Based on the information presented in this report and the work done to date, the Monitor has no reason to believe that the proposed Turnspire Transaction is not consistent with the statutory requirements of section 36 of the CCAA.

118. The proposed approval and vesting order contemplates the issuance of a Certificate of the Monitor upon closing of the Turnspire Transaction (in accordance with the terms of the APA). The issuance of the Certificate will confirm the execution and closing of the APA and the vesting of Spectra Group's assets in the Purchasers.

119. The proposed Assigned Contracts Order is required under the provisions of the APA, and necessary to complete the Turnspire Transaction. It is not expected that the contracting parties with Spectra Group to these contracts will suffer prejudice as a result of the assignment of the requested contracts. The Monitor supports the proposed assignment of the Assumed Contracts.

120. Given the foregoing, the Monitor supports the September 20, 2021 Application and the September 21, 2021 U.S. Motions that will allow Spectra Group to obtain the issuance of i) the proposed Approval and Vesting Order, ii) the proposed Assigned Contracts Order.

Claims Process Update

121. 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.

122. 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.

123. The status of the Claims Process could be summarized as follows:

- 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 618 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.

Status of the Debtors post-closing and next steps

124. Following the closing of the Turnspire Transaction and given the cessation of active operations by the Debtors, the only remaining assets of Spectra Group will be the Excluded Assets. It is not anticipated that there be any surplus in the realization value of the Excluded Assets after repayment of the EDC secured claim. Should such an amount become available, the excess would be included in the Purchased Assets, and consequently the amount will be remitted to the Purchasers.

125. It is anticipated that the next steps for Spectra Group and the CCAA Proceedings are as follows:

- Approval of the APA and assignment of certain contracts, including the issuance of the related orders, by the Court and the U.S. Court;
- Execution of the Closing of the Turnspire Transaction by October 29, 2021;
- Payment of the $1,388K included in the Purchase Price;
- Request to the U.S. Court to terminate the Chapter 15 Proceedings;
- Realize upon the Excluded Assets and repayment of EDC, as applicable;
- Close the CCAA Proceedings and discharge of the Monitor;
- Possibility of initiating bankruptcy proceedings for Spectra Canada.

Request to an extension of the Stay Period

126. Pursuant to the May 31, 2021 Order, the Stay Period continues until and including, September 30, 2021. In the September 20, 2021 Application, Spectra Group is seeking an extension of the Stay Period to April 30, 2022.

127. 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

128. The Debtors require an extension of the Stay Period in order to close the proposed Turnspire Transaction, subject to its approval by this Court and the U.S. Court.

129. During the Stay Period, and with the assistance of the Monitor, Spectra Group will also perform all of the tasks detailed in paragraph 125 above.

130. As mentioned above, based on the Seventh Cash Flow and the fact that the anticipated realization on the Excluded Assets have not been included in the Seventh 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 until closing of the Turnspire Transaction and thereafter.

Good Faith Efforts and Due Diligence

131. 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 execution of the Turnspire APA;
- Spectra Group, with the assistance of the Monitor and other consultants, has undertaken numerous activities in developing and executing a restructuring process; and,
- Spectra Group continued to focus on operational improvements and value enhancement initiatives.

132. 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.

133. 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.

134. Based on the foregoing, the Monitor recommends that this Court grant an order extending the Stay Period until and including, April 30, 2022.

OVERALL COMMENTS AND CONCLUSIONS

135. 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, and conclude a transaction that will allow the continuity of its operations and to ensure their sustainability.

136. Based on its review and analysis of the documents submitted and for the reasons set forth in this report, the Monitor supports the Turnspire Transaction which is actually the sole viable alternative that will allow the continuity of the Debtors' operations and to ensure their sustainability. Taking into account the financial situation of Spectra Group and its estimated force liquidation value, the Turnspire Transaction will maximize the recovery of the creditors, despite the fact that substantially all the pre-filing unsecured creditors of Spectra Group will not recover their debts.

137. The impact of not completing the Turnspire Transaction would have negative financial consequences on the Debtors and its stakeholders. In this situation, Spectra Group will have no choice but to consider bankruptcy, and/or its main secured creditors will begin proceedings to appoint a receiver (forced liquidation scenario).

138. Considering the foregoing, notably the continued tolerance of Wells Fargo, and as explained in this report, the Monitor believes that despite forecasting a net negative cash flow of $2.7M during the Cash Flow Period that will be financed with the LOC, the continuation of the CCAA Proceedings in accordance with the Seventh Cash Flow, is appropriate and to the benefit of the Debtors' stakeholders as a whole.

139. The Monitor is of the view that an extension of the Stay Period up to April 30, 2022 is in the best interest of the stakeholders as a whole and will allow to the Purchasers and Spectra Group to complete the Turnspire Transaction. Subsequent to the Closing Date, the extension of the Stay Period will also allow Spectra Group to pay the unpaid pre-filing vacation to the Terminated Employees and realize on the value of the Excluded Assets, which the proceed may serve to reimburse the secured debt of EDC.

140. In light of the foregoing the Monitor supports the September 20, 2021 Application and the September 21, 2021 U.S. Motions that will allow Spectra Group to obtain the issuance of i) the proposed Approval and Vesting Order, ii) the proposed Assigned Contracts Order, and iii) an extension of the Stay Period until and including April 30, 2022.

All of which is respectfully submitted this 24th day of September 2021.

ERNST & YOUNG INC.,
Licensed Insolvency Trustee
in its capacity as the Monitor in the matter of the 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 SEVENTEEN (17) WEEK PERIOD FROM TO MAY 9 TO SEPTEMBER 4, 2021
AND THE CUMULATIVE SEVENTY NINE (79) WEEK PERIOD FROM MARCH 1, 2020 TO SEPTEMBER 4, 2021
(UNAUDITED - IN $000s CAD)

	Current Period			Cumulative Period		
	Fifteen (17) week period from May 9 to September 4, 2021			Seventy seven (79) week period from March 1, 2020 to September 4, 2021		
	Actual	Forecast[1]	Variance	Actual	Forecast[1]	Variance
Cash Inflows:						
Collections	68,368	60,766	7,602	368,199	336,107	33,831
Government wage/rent subsidy and other	3,267	4,302	(1,035)	16,998	18,103	(1,105)
Ford Edge reimbursement	-	-	-	1,454	1,459	(6)
Trico sale transaction collections	-	-	-	15,382	13,228	414
Collections - Excess inventory sales	-	-	-	-	1,203	(1,203)
Collection Spectra Premium AB	-	-	-	4,761	2,994	1,767
Total Cash Inflows	71,635	65,067	6,567	406,793	373,094	33,699
Cash Outflows[2] (without Wells Fargo interests and fees):						
Payment of AP balances	42,325	46,985	4,661	214,654	229,629	14,975
Payroll & benefits (including KERP)	16,820	17,110	290	74,381	77,752	3,371
Rent	2,017	2,004	(13)	12,516	13,211	696
Factoring fee	240	350	110	1,794	3,451	1,658
Financing costs / debt payments[2]	764	722	(42)	7,934	7,652	(282)
US Duty/Tariff	1,651	2,200	549	10,058	12,326	2,268
Capital expenditures (CAPEX)	201	347	146	1,335	6,130	4,794
Restructuring - closing/moving costs	10	-	(10)	2,869	2,110	(759)
Professional Fees (including Restructuring/CCAA)	1,241	1,486	245	6,961	10,407	3,446
Miscellaneous	-	850	850	3,549	8,058	4,509
Total Cash Outflows[2] (without Wells Fargo interests and fees)	65,268	72,053	6,785	336,050	370,726	34,676
Net Cash Flow[2] (without Wells Fargo interests and fees)	6,367	(6,986)	13,352	70,743	2,368	68,375
Opening cash balance	183	-	183	1,491	-	1,491
Foreign currency transfers from HSBC accounts to LOC	(299)	-	(299)	(6,016)	-	(6,016)
Net cash flow from above	6,367	(6,986)	13,352	70,743	2,368	68,375
Net operating line draw / (repayment)	(5,926)	6,986	(12,912)	(65,894)	(2,368)	(63,526)
Closing cash balance	325	-	325	325	-	325
Cheques in Circulation	(38)	-	(38)	(38)	-	(38)
Closing cash balance (net of cheques in circulation)	287	-	287	287	-	287
Opening Line of Credit	(34,797)	(47,555)	12,758	(100,568)	(100,549)	(19)
Adjustment to Opening LOC in connection to change in budget	-	12,927	(12,927)	-	60,985	(60,985)
(Draw) / repayment	5,926	(6,986)	12,912	65,894	2,368	63,526
Transfer from HSBC CAD Account	-	-	-	6,084	-	6,084
Interest paid directly by LOC[2]	(492)	(711)	219	(3,426)	(3,991)	565
Other fees / Adjustments paid directly by LOC[2]	(209)	(170)	(39)	(1,557)	(1,309)	(248)
Change in FX rate	(353)	-	(353)	3,649	-	3,649
Closing Line of Credit	(29,924)	(42,496)	12,572	(29,924)	(42,496)	12,572
Other Wells Fargo potential obligations	(3,153)	(2,843)	(310)	(3,153)	(2,843)	(310)
Letter of Credit USD - Duties	(2,504)	(2,431)	(61)	(2,504)	(2,431)	(72)
Letter of Credit CAD - Sweden	-	-	-	-	-	-
Reserve (Rent) CAD	(443)	(404)	(20)	(443)	(404)	(39)
Reserve (Rent) USD	-	-	-	-	-	-
Reserve (OEC)	(206)	(8)	(103)	(206)	(8)	(198)
Total Obligations to Wells Fargo	(33,077)	(45,339)	12,262	(33,077)	(45,339)	12,262
Borrowing Base[3]:						
Inventory[3]	29,459	28,669	790	29,459	28,669	790
AR[3]	15,155	20,747	(5,593)	15,155	20,747	(5,593)
Borrowing Base Availability[3]	44,614	49,417	(4,803)	44,614	49,417	(4,803)
Maximum Allowable Obligations to Wells Fargo	55,339	55,339	-	60,339	60,339	-
Availability Surplus & Cash Balance based on Borrowing Base Availability	11,824	4,077	7,747	11,824	4,077	7,747

Note 1: The forecast from March 1, 2020 to September 4, 2021 (79 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; (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; and (vi) the Sixth Cash Flow filed with the Seventh Monitor's Report, dated May 28, 2021 for the (17 weeks) from May 9 to September 4, 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 September 4, 2021 has been made using the credit conditions at this date, in accordance with the Fifth Amendement to the Wells Forberance Agreement dated August 10, 2021.

Appendix "B"

SPECTRA PREMIUM INDUSTRIES INC. & AL. (EXCLUDING SPECTRA PREMIUM AB (SWEDEN))
WEEKLY FORECAST RECEIPTS AND DISBURSEMENTS
FOR THE 34 WEEK PERIOD FROM SEPTEMBER 5, 2021 TO APRIL 30, 2022
UNAUDITED - IN $000s CAD

	Actual	September = 4 weeks				October = 4 weeks				November = 4 weeks				December	From December 5 2021 to April 30, 2022	Total (34 weeks)
		Weekly Forecast														
Week ending	4-Sep	11-Sep	18-Sep	25-Sep	2-Oct	9-Oct	16-Oct	23-Oct	30-Oct	6-Nov	13-Nov	20-Nov	27-Nov	4-Dec		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14-34	
Net Cash Flow, LOC and Total Obligations to Wells Fargo:																
Cash Inflows																
Collections		3,517	5,284	3,731	1,591	4,781	3,185	7,265	1,692							31,047
Spectra Premium AB (Sweden) reimbursement		-	-	-	-	-	-	-	-							-
Collections - Trico Liquidation		-	-	-	-	-	-	-	-							-
Portion of Purchase Price to be received per the APA (for payment of Priority Claims)									-		1,388					1,388
Gov. Subsidies (CEWS + Rent) and other		35	102	2,927	-	-	-	-	336							3,399
Total Cash Inflows		3,553	5,386	6,658	1,591	4,781	3,185	7,265	2,028	-	1,388	-	-	-	-	35,834
Cash Outflows																
Payment of AP balances		2,994	3,756	2,580	2,580	2,759	2,759	3,059	2,979							23,466
Payroll & benefits		307	1,521	250	1,950	250	1,650	250	1,650		638					8,465
Rent		308	-	-	242	308	-	-	242							1,101
Factoring fees		11	2	50	-	50	-	50	-							163
Financing costs / debt payments		-	-	32	645	40	32	32	112							894
US Duty/Tariff		-	-	688	-	-	-	600	-							1,288
Capital expenditures		-	-	-	72	28	-	-	-							100
Miscellaneous		-	-	50	50	50	50	50	50							300
Professional fees (restructuring /CCAA and other(go to market))		158	171	288	288	288	288	288	288		750					2,805
Total Cash Outflows		3,778	5,450	3,937	5,826	3,774	4,779	4,329	5,321	-	1,388	-	-	-	-	38,581
Net Cash Flow		(225)	(64)	2,721	(4,235)	1,007	(1,594)	2,936	(3,293)	-	-	-	-	-	-	(2,747)
Opening Line of Credit		(29,924)	(29,862)	(29,926)	(27,205)	(31,440)	(30,433)	(32,027)	(29,091)	-	-	-	-	-	-	
Net Cash Flow		(225)	(64)	2,721	(4,235)	1,007	(1,594)	2,936	(3,293)	-	-	-	-	-	-	
Cash Balance (net O/S cheques)		287	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing Line of Credit ("LOC")	(29,924)	(29,862)	(29,926)	(27,205)	(31,440)	(30,433)	(32,027)	(29,091)	(32,384)	-	-	-	-	-	-	
Letter of Credit USD - Duties	(2,504)	(2,526)	(2,544)	(2,544)	(2,544)	(2,544)	(2,544)	(2,544)	(2,544)	-	-	-	-	-	-	
Total Obligations to Wells Fargo ("Wells Obligations" excluding reserves) (Limited to a Max. of $35M)	(32,428)	(32,388)	(32,470)	(29,749)	(33,984)	(32,977)	(34,571)	(31,635)	(34,928)	-	-	-	-	-	-	
Other Wells Fargo reserves																
Additional Reserve OEC	(206)	(208)	-	(208)	(208)	(208)	(208)	(208)	(208)	-	-	-	-	-	-	
Reserve (Rent) CAD	(443)	(443)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	-	-	-	-	-	-	
Total other Wells Fargo Reserves	(649)	(651)	(430)	(638)	(638)	(638)	(638)	(638)	(638)	-	-	-	-	-	-	
Total Obligations to Wells Fargo ("Wells Obligations" including reserves)	(33,077)	(33,039)	(32,900)	(30,387)	(34,622)	(33,615)	(35,209)	(32,273)	(35,566)	-	-	-	-	-	-	
Estimated Borrowing Base:																
Inventory	29,459	29,905	30,071	30,164	30,257	30,367	30,476	30,586	30,696							
AR	15,155	15,257	14,817	15,177	16,126	15,647	16,089	14,518	15,396							
Total Estimated Borrowing Base	44,613	45,162	44,888	45,341	46,383	46,014	46,566	45,104	46,092							
Availability Surplus (LOC) based on Estimated Borrowing Base/Reserves	11,536	12,123	11,988	14,954	11,762	12,399	11,357	12,831	10,526							
Working Capital items:																
A/R	37,407	37,640	36,640	37,458	39,617	38,527	39,533	35,958	37,956							-
A/P - Pre-filing	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044	68,044
A/P - Post-filing (includes only post-filing AP as at Sept 4, 2021 and no addional credit/accruals created afterwards)	5,816	4,718	3,620	3,123	2,625	2,127	1,629	831	0	0	0	0	0	0	0	0
Inventory	58,398	59,343	59,671	59,855	60,040	60,257	60,475	60,692	60,909							

In the Matter of the 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., Spectra Premium (Chongqing) Automotive Services Co. Ltd. (“Spectra” or the “Companies”)

Notes to the Companies’ Unaudited Cash Flow Projection for the thirty-four (34) week period from September 5, 2021 to April 30, 2022

Purpose:

The attached statement of projected cash flow (the “Seventh Cash Flow”), for the thirty-four (34) week period from September 5, 2021 to April 30, 2022 (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 Seventh 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 Seventh Cash Flow includes a number of adjustments that reflect Spectra’s planned course of action over the Cash Flow Period as the Companies continue to execute their restructuring plan. The Seventh 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 Seventh Cash Flow will be significantly impacted resulting in a decrease in the forecasted results.

General:

The Seventh Cash Flow reflects cash flows from the Companies’ operations. The Companies have prepared the Seventh Cash Flow based primarily on historical results and the Companies’ current expectations. The Seventh 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 September 4, 2021. Take note that the opening balances denominated in US currency have been converted into Canadian dollars using an exchange rate of USD $0.7988 = 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 Seventh Cash Flow. Included in the Seventh Cash Flow are receipts related to amounts owing by tax authorities for sales taxes as at September 4, 2021.

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

Notes and Assumptions:

1. Closing of the Turnspire Transaction

   The Seventh Cash Flow is based on the assumption that the Companies will conclude a transaction (the "Turnspire Transaction") for the sale of substantially all of their assets with Turnspire Capital Partners ("Turnspire") on October 29, 2021 (the "Closing Date" or "Closing") and that there will be no cash flows from normal operations following the Closing. No amounts related to the realization on assets excluded from the Turnspire Transaction have been included in the Seventh Cash Flow as their amounts and timing remain unknown at this time. The only potential significant realization on the excluded assets is that of the Sweden Recovery (as defined in the 8th Monitors Report) which, subject to fees and priority claims, would serve to reduce EDC's secured loan (subject to their security validity review).

   The Seventh Cash Flow is based on the assumption that the balances owing to Wells and LBC at Closing, estimated at $35M and $13,625K respectively, will be fully reimbursed by the proceeds of the Turnspire Transaction.

2. Creditor support

   The Seventh 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 through the Closing Date. It is assumed that the Wells and LBC loans will be fully reimbursed in conjunction with the Closing.

3. Sales Collections ($31.0M)

   Spectra's sales collections of $31.0M over the Cash Flow Period are based on forecasted collections from opening accounts receivable as at September 4, 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.

4. Funds received from Turnspire at Closing ($1.4M)

   Included in the week ending November 13, 2021 is an amount of approximately $1.4M related to a portion of Purchase Price to be received per the Turnspire Transaction for payment of priority claims. This amount will in turn be disbursed to settle various professional fees and expenses related to the Turnspire Transaction and amounts owing on account of unpaid vacation and benefits in respect of employees whose employment was terminated prior to the Closing Date, the whole in accordance with the terms of the Turnspire Transaction.

5. Government subsidies and sales taxes receivable ($3.4M)

Spectra is eligible for the Canada Emergency Wage Subsidy (“CEWS”) program (the federal government's employer subsidy related to Covid-19), subject to continuing to meet the established criteria/conditions. The Companies have projected to receive $3.1M related to the CEWS in the Cash Flow Period. This amount relates primarily to wage subsidies eligible for the period from April to July 2021. Also included in the Seventh Cash Flow is $0.1M 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 June to August 2021. Included in the Seventh Cash Flow are receipts totalling $0.2M related to sales taxes receivable as at September 4, 2021.

6. Payment of AP balances ($23.5M)

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. Included in the payment of AP balances is an amount of approximately $5.8M owing as at September 4, 2021.

7. Payroll & Benefits ($8.5M)

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 week ending November 13, 2021 are $0.6M in payments related to unpaid vacation and benefits in respect of employees whose employment was terminated prior to the Closing Date.

8. Rent ($1.1M)

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.

9. Factoring Fees ($0.2M)

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.

10. Financing costs / Debt payments ($0.9M)

These disbursements relate to interest and financing fee payments, as well as, capital repayments made on the Laurentian Bank of Canada /Export Development Canada (collectively “LBC”) loan, and various capital leases entered into by the Companies. The Seventh Cash Flow assumes that the capital repayments on the LBC loan will resume in the first week of October 2021 and that the accrued interest for the month of October 2021 will be paid in the week ending October 30, 2021. Financing costs also include various Wells Fargo Capital Finance

(“Wells”) and LBC/EDC fees as well as professional fees in regard to the Companies’ restructuring proceedings and amendments to the credit agreement.

11. US duty/tariff payments ($1.3M)

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

12. Capital expenditures ($0.1M)

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.

13. Miscellaneous ($0.3M)

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

14. Professional Fees (Restructuring/CCAA/ GTM Process) ($2.8M)

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. Included in the week ending November 13, 2021 are $0.8M in professional fees payments related to the CCAA Proceedings and the Turnspire Transaction.

Appendix "B"

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

In the matter of the 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., 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 thirty-four (34) week period from September 5, 2021 to April 30, 2022 (the "Seventh Cash Flow"), as of the 24th day of September 2021.

The probable and hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes accompanying the Seventh 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 Seventh 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 Seventh 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 24th day of September 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

Appendix "C"

Appendix "C"

SPECTRA PREMIUM INDUSTRIES INC. AND AL. (EXCLUDING SPECTRA PREMIUM AB (SWEDEN/TECHROI)) [1]
ESTIMATED FORCED LIQUIDATION VALUE (IN CAD '000S)
AS AT AUGUST 31st, 2021
(UNAUDITED)

As at August 31st, 2021	Approximate book value	Estimated forced liquidation value MIN	MAX
Assets			
Accounts receivable	44,756	13,295	16,213
Inventories	69,159	15,521	20,177
Prepaid expenses	4,388	-	-
Property, plant and equipment	21,464	10,094	14,385
Investments & advances - Spectra Premium AB (Sweden/Techroi) [1]	37,263	4,000	6,100
Intangible and Other assets (incuding goodwill, trademarks and patents)	35,147	-	-
Estimated realizable value	212,177	42,910	56,875
Less: Professional fees and realisation costs - General [2]		3,004	3,981
Estimated net amount available to creditors		39,906	52,894
Liabilities [3]			
Secured creditors (Wells Fargo, LBC/EDC, EDC (loan equipement Sweden) and other)		52,672	52,672
Estimated available amount to unsecured creditor		(12,766)	222
Priority claims			
DAS		-	-
Employees		1,683	1,683
Estimated available amount to unsecured creditors		(14,448)	(1,461)
Unsecured creditors			
Creditors - Pre-filing, including restructuring claims under review		116,302	116,302
Creditors - Post-filing		20,728	20,728
Estimated percentage of distribution		0.0%	0.0%

[1] The assets and liabilities of Spectra Sweden are not considered in this analysis, however the value of the investment and advances made by Spectra Canada are considered.

[2] Profesionnal fees and realisation costs - General represents 7% of the estimated realizable value. This percentage is an estimate and it is currently the most reasonable estimate based on available information. Certain realization costs and professional fees have already been considered in the realizable value.

[3] The total amount of liabilities is based on the book value as at August 31, 2021 and the total value of proofs of claim pre-filing received as of September 2, 2021.

General notes

The figures used are those as of August 31st, 2021.

Forced liquidation scenario assumptions : Realization of assets in the context of a bankruptcy and/or a receivership proceedings over a period of four to six months, which we consider to be the most pessimistic of scenarios.