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CANADA
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTRÉAL
COURT NO.: 500-11-062677-238
ESTATE NO.: 41-2971497

SUPERIOR COURT
Commercial Division
In Matters of Bankruptcy and Insolvency

IN THE MATTER OF THE BANKRUPTCY OF 4406443 CANADA INC. (formerly known as Spectra Premium Industries Inc.), hereafter referred to as the "**Company**", a body politic and corporate duly incorporated according to law, having a place of business at 900 boul. De Maisonneuve West, Suite 2300, Montréal, Province of Québec, Canada, H3A 0A8.

"**Debtor**" or "**Company**"

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

PRELIMINARY COMMENTS

1. 4406443 Canada Inc. (formerly known as Spectra Premium Industries Inc.) made an assignment in bankruptcy on August 1st, 2023, and the undersigned, Ernst & Young Inc., Licensed Insolvency Trustee, was appointed trustee of the estate of the bankrupt (the "**Trustee**" or "**EY**") by the Official Receiver, subject to the affirmation by the creditors of the Trustee's appointment or substitution of another trustee by the creditors at the first meeting of creditors.

2. This preliminary report (the "**Report**") provides details of the Trustee's administration to date of the bankrupt estate.

DISCLAIMER

3. In preparing this Report, EY has relied upon unaudited financial information and information collected from the records of the Company and obtained during discussions and meetings with the Company's former management and employees. EY has not carried out an audit or other review of the information, and accordingly EY expresses no opinion thereon.

4. This Report was prepared exclusively for the creditors of the Company, to provide them with certain general information on the state of the Company's business affairs. Considering the nature of the Trustee's mandate, this information is preliminary and subject to change during the course of the mandate. In light of the preceding reservations, this Report must not be distributed or used for any other purpose or reproduced, without our prior notification and written consent. EY shall bear no liability or obligation for losses incurred by the reader as a result of the distribution, publication, reproduction or use of our report in violation of the provisions of this paragraph.

5. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the various Monitor's reports pertaining to the CCAA Proceedings of the Company, as defined and explained below. A copy of these Monitor's reports can be found at the following website: www.ey.com/ca/spectra.

BACKGROUND

6. The Company is a Canadian-controlled private corporation founded in 1989, that operated in the business of the design, manufacture, and distribution of automotive parts. The Company was formerly known as Spectra Premium Industries Inc. until November 2021, when it changed its legal name to 4406443 Canada Inc. This name change occurred further to the sale of substantially all of its assets and operations to Turnspire Capital Partners ("**Turnspire**") in the context of the Company's CCAA Proceedings. Details of the CCAA Proceedings and of the Turnspire Transaction are further discussed below. In November 2021, in conjunction with the Turnspire Transaction, the Company ceased all operations.

7. The Company's main production facilities were located in Boucherville, Laval and Quebec City, in the province of Quebec. The Company also operated various distribution centers and points of sale in the other provinces of Canada.

8. As of the date of bankruptcy, the Company owned investments in three US subsidiaries (Spectra Holdings US, Spectra US and Spectra Properties US) whose assets and operations were sold as part of the Turnspire Transaction. These US subsidiaries have no assets, are insolvent and have no value at this time.

9. The Company also had other subsidiaries prior to the Turnspire Transaction, namely Spectra Sweden (which was excluded from the CCAA Proceedings and went bankrupt in May 2021), Spectra Taiwan (sold as part of the Turnspire Transaction), Spectra Shanghai and Spectra Chongqing (liquidated and dissolved during the CCAA proceedings).

10. In late 2019 and early 2020, Spectra Group experienced financial difficulties resulting from both the strain placed on its cash flow as a result of Spectra Group's failed venture in Sweden (Spectra Sweden), as well as a general decrease in profitability. This decreased profitability resulted from a shift in customer demand to lower priced products, over capacity of production in the US market, and the impact of tariffs imposed in the US on goods imported from China. The difficulties encountered by the Spectra Group and the resulting cash flow strain had rendered the Company insolvent.

11. Consequently, on March 10, 2020, further to an application filed by Spectra Group, the Superior Court of Québec (the "**Court**") issued an initial order (the "**Initial Order**"), which has been restated or amended from time to time, under the *Companies' Creditors Arrangement Act*[1] (the "**CCAA**") and appointed EY as Monitor to the CCAA Proceedings.

12. On March 12, 2020, the United States Bankruptcy Court for the District of Delaware 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

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

provisional relief to recognize and effect the CCAA Proceedings (the "**Chapter 15 Proceedings**"). EY acted as foreign representative in the Chapter 15 Proceedings.

13. A more detailed description of the different factors leading to the Company's financial difficulties, as well as a detailed account of the CCAA Proceedings can be found in the different Monitor's reports made available on the Trustee's website[2].

14. During the CCAA Proceedings, in February 2021, a sale and investment solicitation process ("**SISP**") was launched to identify and attract a partner/investor for the Spectra Group's post-restructuring business, known as the go-to-market process (the "**GTM Process**").

15. Following the extensive GTM Process, only one Letter of Intent was received, that from Turnspire. The terms of the proposed transaction were memorialized in the Asset Purchase Agreement ("**APA**") entered into on September 17, 2021, by the Company, Spectra US and Turnspire.

16. The Court approved APA provided, inter alia, that substantially all of the Spectra Group's assets and operation be sold, on a going-concern basis, to Turnspire (the "**Purchased Assets**").

17. On November 12, 2021, the Turnspire Transaction was concluded, and the Monitor issued the Monitor's Certificate confirming the closing of the Turnspire Transaction. As a result of this Court approved transaction, Spectra Premium's business continued in operation, as a going concern, in newcos called Spectra Premium Mobility Solutions Canada Ltd. and Spectra Premium Mobility Solutions USA, LLC.

18. On December 2, 2021, an order was issued by the Court granting the expansion of the powers of the Monitor in the CCAA Proceedings. This order, amongst other things, permitted the Monitor to proceed with the realization of the Excluded Assets from the Turnspire Transaction, which included the Company's claim in Spectra Sweden.

19. On June 22, 2023, the Company obtained the Distribution and Termination Order, permitting the Final Distribution of the realized Excluded Assets to the remaining secured creditor, Export Development Canada ("**EDC**"), granting the discharge of the Monitor and the CCAA Parties, as well as the termination of the CCAA Proceedings at the date of the bankruptcy of the Company (i.e. August 1st, 2023), and the power to assign the Company in bankruptcy by the Monitor.

20. On July 26, 2023, the Company obtained an Order Closing Chapter 15 Cases by the U.S. Court terminating the Chapter 15 Proceedings.

21. The Monitor's reports, and particularly the Ninth and Final Monitor's Report, dated June 20, 2023, provide an overview of the CCAA Proceedings (including the Chapter 15 Proceedings), the Turnspire Transaction, the Final Distribution by the Monitor, the termination of the CCAA and Chapter 15 Proceedings, and the recovery expectations for creditors of the Company and other CCAA Parties.

22. On July 31, 2023, the Company filed an assignment in bankruptcy with the Official Receiver issuing its bankruptcy certificate on August 1st, 2023, appointing EY as the Trustee.

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[2] www.ey.com/ca/spectra

SECURITY AND SAFEGUARD MEASURES

23. Further to EY's appointment as Trustee, EY undertook the following actions:

    a. Mailed a Notice of bankruptcy and first meeting of creditors, statement of affairs, proof of claim form, and proxy form by regular mail to all known creditors of the Company on August 7, 2023;

    b. Made available to creditors and interested parties all public information and documents relating to the bankruptcy proceedings of the Company on its website at www.ey.com/ca/spectra;

    c. Placed a Notice of bankruptcy and first meeting of creditors in the national edition of the Globe and Mail newspaper on Friday, August 11, 2023;

    d. Mailed a notice to all eligible employees concerning the Wage Earners Protection Program ("**WEPP**") and the details of their claim according to the Company's records on August 22, 2023;

    e. Compiled and made a summary review of the proofs of claim received from various creditors since the date of bankruptcy;

    f. Initiated the process of registering eligible employees in the WEPP;

    g. Responded to requests from creditors and other stakeholders; and

    h. Prepared this Report.

24. The APA in the Turnspire Transaction provides that the Purchasers, Spectra Premium Mobility Solutions Canada Ltd. and Spectra Premium Mobility Solutions USA, LLC, retain possession of the Company's books and records and make them available to the Trustee. As such, the Trustee has not taken possession of the Company's books and records.

25. The Official Receiver did not require a security as provided for in subsection 16(1) and (2) of the BIA.

RESIDUAL ASSETS AVAILABLE FOR CREDITORS

26. The only assets that remained in the Company at the date of the bankruptcy were intercompany receivables, investments in subsidiaries and a potential sales tax receivable according to the information obtained by the Trustee.

27. As noted above and confirmed by the Company's statutory balance sheet as at July 31, 2023, included in the Notice of bankruptcy and first meeting of creditors dated August 7, 2023, we do not anticipate any realization from the remaining assets.

28. Should any amount be collected during these bankruptcy proceedings, these amounts would be distributed to the secured creditor EDC, who suffered a significant shortfall after the realization of the Excluded Assets during the CCAA proceedings.

CREDITORS AND CLAIMS PROCESS

29. The Company's statutory balance sheet and the preliminary list of creditors as at July 31, 2023, included in the Notice of bankruptcy and first meeting of creditors, dated August 7, 2023, presents debts totalling $40,683k which are detailed as follows:

Secured Creditors

30. The only secured creditor remaining following the Turnspire Transaction is EDC for an amount of approximately $1,565k as of July 31, 2023. As per the independent security opinion received from Norton Rose Fulbright LLP dated June 14th, 2023, EDC holds a valid and enforceable first ranking security interest over the assets of the Company.

Unsecured Creditors, excluding Unsecured Terminated Employees

31. The total amount owing to the Unsecured Creditors, excluding Unsecured Terminated Employees, is $38,231k as of July 31, 2023.

Unsecured Terminated Employees debts

32. The total amount owing to Unsecured Terminated Employees is approximately $887k as of July 31, 2023 and represent unpaid termination/severance pay.

33. As indicated in the Ninth and Final Monitor's Report dated June 20, 2023, the Company's terminated employees with outstanding claims related to unpaid termination/severance pay, could be eligible to the WEPP. Under the WEPP, eligible terminated employees could be entitled to receive an amount of up to $8,279 from Employment and Social Development Canada. Terminated Employees of the Company must submit and prove their claims to the Trustee to be eligible for any WEPP payments.

Crown and Preferred Claims

34. According to the information available to the Trustee as of the date of the bankruptcy, the Trustee has no reason to believe there are any crown or preferred claims owing by the Company.

Claims Process

35. In accordance with the Distribution and Termination Order dated June 22, 2023 (Paragraph 20), creditors who have proven their claim in the claims process conducted in the CCAA Proceedings and that are included in the "Proven unsecured claim" portion of the preliminary list of creditors included in the Notice of bankruptcy and first meeting of creditors, dated August 7, 2023, are not required to file a new proof of claim unless they wish to amend their proven claim. The Trustee will review all new proofs of claims received. All other creditors must prove their claim against the assets to be entitled to share in the distribution of amounts realized from the assets, if any.

36. Considering the significant number of unproven claims and the possibility of amended claims, the Trustee is not able to determine at this time whether there will be a significant difference between the amounts owing declared by the Company and the amounts included in the claims proven by creditors.

LEGAL PROCEEDINGS

37. According to the information available to the Trustee, as of the date of bankruptcy no new legal proceedings have been initiated by or against the Company were ongoing other than those for which the Monitor issued a Stay of Proceedings notices in the CCAA Proceedings.

PREFERENTIAL PAYMENTS AND TRANSFERS AT UNDERVALUE

38. At this time the Trustee has not completed the review and analysis of preferential payments, transactions at undervalue, or any other transactions that may be subject to review. The Trustee will share its findings at a later date to the inspectors who will be appointed at this meeting. However, transactions made by the Company since March 10, 2020, were under the supervision of the Monitor in the CCAA Proceedings, and the Monitor did not identify or was not made aware of any transactions of this nature.

CONFLICT OF INTEREST DISCLOSURE

39. Ernst & Young Inc. acted as Court appointed Monitor in the CCAA Proceedings of the Company during the period preceding the bankruptcy. We are not aware of any conflict of interests arising from the above-mentioned engagement, or any other conflicts of interest.

THIRD-PARTY DEPOSIT

40. The costs associated with the bankruptcy proceedings will be funded from the retainer/provision of $150,000 as contemplated in the Distribution and Termination Order dated June 20, 2023. Any remaining amount held as a retainer shall be remitted to EDC upon the discharge of EY as Trustee.

ANTICIPATED REALIZATION AND DISTRIBUTION PROCESS

41. As noted above, no realization is expected from the assets as they have no realizable value according to the information held by the Trustee, and EDC is a secured creditor for an amount of approximately $1,565k.

42. The Company's Terminated Employees with outstanding claims related to unpaid termination/severance pay could be entitled to receive an amount of up to $8,279 through the WEPP from Employment and Social Development Canada.

43. The Trustee has sent to all known eligible Terminated Employees the documents pertaining to WEPP. If Terminated Employees receive an amount through WEPP, their claims will be subrogated to the Government of Canada for the amount received through the program.

44. Other than for the aforementioned, the Trustee does not anticipate that there will be an amount available for distribution to the unsecured creditors.

SIGNED IN MONTRÉAL, this 31st day of August 2023

ERNST & YOUNG INC.
Licensed Insolvency Trustee
Trustee of the bankrupt estates of 4406443 Canada Inc.
(Formerly known as Spectra Premium Industries Inc.)

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