



**Deloitte Restructuring Inc.**  
1190, avenue des Canadiens-de-  
Montréal  
Suite 500  
Montreal, QC H3B 0M7  
Canada

Tel: 514-393-7115  
Fax: 514-390-4103  
www.deloitte.ca

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT. No.: 500-11-057679-199

S U P E R I O R C O U R T  
Commercial Division

**IN THE MATTER OF A PLAN OF  
ARRANGEMENT OR COMPROMISE OF:**

**INVESTISSEMENT QUÉBEC**, a corporation duly constituted under the *Act respecting Investissement Québec* (CQLR c I-16.0.1), having its head office at 1195, avenue Lavigerie, suite 060, in the city of Quebec, Province of Quebec, G1V 4N3;

**Co-Applicant/Principal Secured Creditor**

- and -

**FIERA PRIVATE DEBT INC.**, a legal person initially incorporated under Part IA of the *Québec Companies Act*, CQLR c C-38 and subsequently continued under the *Québec Business Corporations Act*, CQLR c S-31.1, having its head office located 400-1699 Le Corbusier Blvd., in the city of Laval, Province of Quebec, H7S 1Z3, acting in its capacity, respectively, as manager and agent under the IAM Loan Agreement and under the Bridge Financing Agreement (as such terms are defined in the Application);

**Co-Applicant/Secured Creditor**

**FORTRESS GLOBAL ENTERPRISES INC.**, a legal person duly incorporated under the *British Columbia Business Corporations Act*, SBC 2002, c 57 having its head office at 157 Chadwick Court, 2nd floor, in the city of North Vancouver, Province of British Columbia, V7M 3K2;

- and -

**FORTRESS SPECIALTY CELLULOSE INC.**, a legal person initially incorporated under the *British Columbia Business Corporations Act*, SBC 2002, c 57 and subsequently continued under the *Canada Business Corporations Act*, RSC 1985, c C-44, having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9;

- and -

**FORTRESS BIOENERGY LTD.**, a legal person initially incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57 and subsequently continued under the *Canada Business Corporations Act*, RSC 1985, c C-44, having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9;

- and -

**FORTRESS XYLITOL INC.** a legal person initially incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57, having its registered office located at 1000 Cathedral Place 925 West Georgia Street, Vancouver, Province of British Columbia V6C 3L2 Canada;

- and -

**9217-6536 QUÉBEC INC.** a legal person incorporated under the Quebec *Business Corporations Act*, RLRQ, C. S-31.1 having its head office located at 2500-1100 René-Lévesque Boulevard, in the city of Montreal, Province of Quebec, H3B 5C9

#### **Debtors**

- and -

**DELOITTE RESTRUCTURING INC.**, a company incorporated under the laws of Canada, having a place of business at 500-1190 av. des Canadiens-de-Montreal, in the city of Montreal, Province of Quebec, H3B 0M7;

#### **Monitor**

**EIGHTEENTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR ("THE MONITOR")**  
*(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)*

## **INTRODUCTION**

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Application for the Issuance of a First Day Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") dated December 13, 2019 (the "**Initial Application**"). These proceedings commenced under the CCAA by Fortress will be referred to herein as the "**CCAA Proceedings**".
2. On December 13, 2019, Investissement Québec ("**IQ**" or the "**Interim Lender**") and Fiera Private Debt Inc. ("**Fiera**" and collectively with IQ, the "**Secured Creditors**"), in their respective capacity as secured creditors of Fortress Global Enterprises Inc. ("**Fortress Global**"), Fortress Specialty Cellulose Inc. ("**Fortress Specialty**"), Fortress Bioenergy Ltd. ("**Fortress Bioenergy**"), Fortress Xylitol Inc. ("**Fortress Xylitol**") and 9217-6536

Québec Inc. ("**9217**") (collectively, "**Fortress**"), filed the Initial Application seeking, *inter alia*, the issuance of a First Day Initial Order, an Amended and Restated Initial Order in respect of Fortress pursuant to Sections 9, 11, 11.51, 11.52 of the CCAA, as well as a Claims Procedure Order and a Receivership Order pursuant to Section 243 of the *Bankruptcy and Insolvency Act*.

3. On December 13, 2019, the Monitor (as defined below) issued its First Report, which purpose was to provide information to the Court with respect to (i) Deloitte's qualification to act as Monitor; (ii) the business, financial affairs and financial results of Fortress; (iii) Fortress' main creditors; (iv) Fortress' solicitation process; (v) the proposed restructuring; (vi) the Key Employee Retention Program ("**KERP**"); (vii) the appointment of a receiver; (viii) the charges sought in the First Day Order; (ix) the D&O Trust; (x) the Claims Procedure Order; (xi) payments to Essential Suppliers (as defined in the First Report); (xii) overview of the 22-week cash flow projections as of the date of the First Report, in accordance with Section 23(1)(b) CCAA; and (xiii) the Monitor's conclusions and recommendations in the circumstances of the hearing and the motion presented by the Secured Creditors as co-applicants.
4. On December 16, 2019, the Superior Court of Quebec, Commercial Division (the "**Court**") partially granted the Initial Application and rendered a First Day Initial Order (the "**First Day Order**") which provided for, *inter alia*, (i) a stay of proceedings against Fortress until December 26, 2019 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA (the "**Monitor**"); (iv) the approval of Interim Financing Facility; and (v) the granting of an Interim Lenders' Charge.
5. On the same day, the Court also rendered a Receivership Order appointing Deloitte as receiver to a bank account opened in the name of Fortress Global for the sole purpose of allowing its employees to recover certain amounts which may be owing to them pursuant to the Wage Earners Protection Program Act ("**WEPPA**").
6. On December 19, 2019, the Secured Creditors filed an Application for the Issuance of an Amended First Day Order, which was presentable by conference call on December 26, 2019.
7. On December 26, 2019, the above-mentioned application was granted, and the Court rendered an Amended First Day Order which provided for, *inter alia*, (i) an extension of the Stay Period until January 10, 2020; (ii) an increase of the maximum principal amount of the Interim Financing Facility to \$1.5M; (iii) an increase of the Interim Lender Charge to up to \$1.8M; and (iv) the payment of Essential Suppliers (as defined in the First Report) up to a maximum of \$250K. On such date, the Court advised the parties that it would hear the Secured Creditors' Application for an Amended and Restated First Day Order.
8. On January 8, 2020, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Fortress and of the Monitor since the commencement of the CCAA Proceedings and to support the Secured Creditors' demand for the issuance of an Amended & Restated Initial Order.
9. On January 10, 2020, an Amended & Restated Initial Order was rendered by the Court (the "**Amended & Restated Initial Order**") which provided for, *inter alia*, (i) an extension of the Stay Period until May 2, 2020; (ii) an increase of the maximum principal amount of the Interim Financing Facility to \$6M; (iii) an increase of the Interim Lender Charge to up to \$7.2M; (iv) a KERP and KERP Charge in an amount up to \$610K; (v) a D&O Charge in an amount up to \$500K; (vi) an Administration charge in an amount up to \$600K; (vii) an Intercompany Advance Charge in an amount up to \$3M; and (viii) the undertaking of the Monitor to file a report to the Court on further material development every two months, and to post these reports on the Monitor's website.

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10. On January 10, 2020, the Court also rendered a Claims Procedure Order (the "**Claims Procedure Order**") allowing the Monitor to conduct a process for the determination and, if applicable, adjudication of claims against Fortress. Pursuant to the Claims Procedure Order, a "Claims Bar Date" was set on March 16, 2020, at 5:00 p.m. (Montreal time).
  11. Since January 10, 2020, the Monitor has filed seventeen (17) reports with the Court, shared same with the Secured Creditors and served same to the Service List from time to time. Copies of all of the Monitor's reports are available on the Monitor's website.
  12. On March 23, 2020, at the request of the Monitor, the Court rendered an order, essentially clarifying that the Stay Period applied to the proceedings involving regulatory bodies and commenced before the *Tribunal Administratif du Québec* bearing the court file number STE-Q-211461-1509 (the "**TAT Proceedings**") and suspending the proceedings commenced before the Court of Québec, criminal and penal division, district of Gatineau, in connection with the notices of infraction bearing numbers 100400-1116574361, 1004400-1116574353, 100400-1116574346, 100400-1116574338 and 100400-1116574312 (the "**Penal Proceedings**") until May 2, 2020 (the "**Stay Order Regarding Regulatory Bodies**").
  13. On May 1, 2020, the Court extended the Stay Period, including the Stay Order Regarding Regulatory Bodies, up until August 11, 2020.
  14. On June 8, 2020, Lauzon – Plancher de Bois Exclusif Inc. ("**Lauzon**") filed an application (the "**Lauzon Application**") seeking, *inter alia*, the amendment of the Initial Order, together with various declaratory orders, which was opposed by the Monitor, with the support of IQ.
  15. On July 15, 2020, after a contested hearing which lasted 2 days, the Lauzon Application was rejected, in part, by the Court. As part of its order (the "**Lauzon Order**"), the Court essentially confirmed that the biomass stored on Lauzon's premises was the property of Fortress and ordered that the purchase agreement entered into between Lauzon and Fortress could not be terminated as will be discussed further below.
  16. On August 10, 2020, the Court extended the Stay Period up to and including October 23, 2020, and, at the request of the Secured Creditors, increased the Interim Financing Facility to \$8M and the Interim Lender's Charge to \$9.6M.
  17. On that same day, instead of specifically extending the Stay Order Regarding Regulatory Bodies, the Court reserved the parties' rights to make representations on the applicability or not of the Stay Period to the TAT Proceedings and Penal Proceedings.
  18. On October 23, 2020, the Court extended the Stay Period up to and including September 30, 2021, and increased, at the request of the Secured Creditors, the Interim Financing Facility to \$17M and Interim Lender's Charge to \$20.4M.
  19. On December 18, 2020, following a motion from the Company supported by the Monitor, the Court rendered:
    - (i) the Order Approving a Charge in Favour of Hydro-Québec (the "**Hydro-Québec Order**").
    - (ii) the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims (the "**Trust Order**").
  20. On June 16, 2021, the Monitor filed an Application for the Issuance of an Order Approving:
    - (i) a Litigation Funding Agreement; (ii) a Litigation Financing Charge; (iii) the Transfer of Certain Litigation Proceedings Before the Superior Court (Commercial Division); and (iv) an Agreement in Principle to Settle Certain Penal Proceedings (the "**Initial LFA Application**").

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21. On June 22, 2021, the Court rendered an order approving the settlement of the penal proceedings (the "**Penal Proceedings Order**") and postponed to August 12, 2021, the debate on the approval of the litigation funding agreement between Omni Bridgeway (Fund 5) Canada Investments Limited ("**Omni**"), the Monitor, in its capacity as Monitor of Fortress Specialty and Cain Lamarre LLP (the "**Lawyers**") (the "**Initial LFA**"), the litigation financing charge in favour of Omni and thereafter of the Lawyers in the amount of \$6M over only the litigation proceeds (the "**Litigation Financing Charge**") and the transfer of the litigation between Fortress Specialty and Goulds Pumps before the Superior Court (Commercial Division) (the "**Litigation Proceedings**").
  22. On August 12, 2021, and August 13, 2021, the debate regarding the Initial LFA, the Litigation Financing Charge and the transfer of the Litigation Proceedings was heard by the Court.
  23. On September 24, 2021, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Increasing the Interim Lender Charge.
  24. On September 29, 2021, the Court extended the Stay Period up to and including October 8, 2021.
  25. On October 8, 2021, the Court extended the Stay Period up to and including March 31, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$24M and the Interim Lender Charge to \$28.8M.
  26. On November 1, 2021, the Court rendered its judgment on the Initial LFA Application which refused to approve the LFA in its proposed form and expressed the Court's view with respect to the required changes as described further in this report (the "**Initial LFA Judgment**").
  27. On November 19, 2021, the Monitor filed an *Application for the Issuance of an Order Approving a Litigation Funding Agreement and a Litigation Financing Charge* (the "**Amended LFA Application**").
  28. On December 30, 2021, the Court rendered its judgment on the Amended LFA Application which refused to approve the Amended LFA in its proposed form and expressed the Court's view with respect to the required changes as described further in this report (the "**Amended LFA Judgment**").
  29. On February 11, 2022, the Monitor filed an Application for the Issuance of an Order Approving an Amended Litigation Funding Agreement and the creation of a Litigation Funding Charge (the "**Re-amended LFA Application**"). On the same day, the Court rendered an *Order Approving a Litigation Funding Agreement and a Litigation Financing Charge*.
  30. On February 23, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period and Approving a Fourth Amending Agreement to the Interim Financing Agreement*.
  31. On March 3, 2022, the Court extended the Stay Period up to and including May 31, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$27M and the Interim Lender Charge to \$32.4M.
  32. On May 24, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period and Approving a Fifth Amending Agreement to the Interim Financing Agreement*.
  33. On May 27, 2022, the Court extended the Stay Period up to and including October 14, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$30.8M and the Interim Lender Charge to \$37.0M.

34. On October 4, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period* (the "**Application**").
35. On October 7, 2022, the Court extended the Stay Period up to and including November 25, 2022.
36. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its eighteenth report (the "**Eighteenth Report**"). The purpose of the Eighteenth Report is to inform the Court with respect to the following:
  - I. Update on Fortress' operations;
  - II. The Monitor's activities since the Seventeenth report;
  - III. Fortress' cash flow up to April 29, 2023 (24 weeks);
  - IV. Fortress' updated cash flow projections for the period from November 13, 2022, to April 29, 2023;
  - V. The Applicant's request to have the Sixth Amending Agreement (the "**Sixth Amending Agreement**") to the interim financing term sheet (the "**Interim Financing Term Sheet**") be approved by this court, together with a corresponding increase of the Interim Lender's Charge;
  - VI. The Applicant's request for an extension of the Stay Period; and
  - VII. The Monitor's conclusions.

**I. UPDATE ON FORTRESS' OPERATIONS**

37. Since the Seventeenth Report:
  - (i) Fortress has maintained the Pulp Mill and the Cogen Facility in shutdown mode;
  - (ii) Fortress continues to operate the water treatment plant for the benefit of Fortress and the city of Thurso; and
  - (iii) Fortress currently employs 12 permanent employees in its Thurso location. The Company also recalled 10 temporary employees, specifically for the purpose of implementing the Cold Idle Plus Scenario (as defined hereinafter).

***Update on Fortress Xylitol Inc.***

38. As mentioned in the previous reports, Fortress Xylitol is a special purpose company which was established to construct a demonstration plant to produce xylitol and other complementary bioproducts at the Pulp Mill, utilizing proprietary process technologies, know-how and expertise developed by its affiliate, S2G Biochemicals Inc.
39. Fortress Xylitol came to the end of its financial resources in October 2021 and it was expected that Fortress would cover for its expenses from the funds available through the Interim Financing Facility until the end of the solicitation process.
40. Since the technology being developed by Fortress Xylitol is part of two of the projects currently being analyzed in the context of the solicitation process, it was agreed with the Interim Lender that its expenses would continue to be covered by the funds available through the Interim Financing Facility until a decision is made with respect to these projects.

**Other**

41. Fortress, with the assistance of the Monitor, updated its budget for the next five (5) months in order to validate the additional financing needed to allow Fortress to complete the transition from the minimum maintenance scenario to the Cold Idle Plus Scenario and to maintain this scenario going forward.
42. The updated budget allows Fortress to continue implementing the Cold Idle Plus Scenario in the coming months, while continuing, with the help of the Monitor, discussions with potential purchasers in the context of the solicitation process described hereinafter.

**II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT**General

43. Fortress and the Monitor held calls with the Interim Lender on a regular basis in order to update it on cash flow, operations and the ongoing solicitation process.
44. The Monitor also held a call with Fiera in order to update it on the developments in the CCAA Proceedings.
45. More generally, the Monitor, with the assistance of Fortress, has been responding to questions from various stakeholders as to the status of the CCAA Proceedings.
46. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

47. Since the Seventeenth Report, Fortress, with the assistance of the Monitor, the Interim Lender and the Government, continues to have discussions with parties that had shown interested in Fortress' assets, but also with new parties that have demonstrated an interest.
48. During the implementation of the Cold Idle Plus Scenario, discussions and meetings have continued to be held in parallel between, on one hand, Fortress, the Monitor and the Quebec Government, and, on the other hand, the interested parties in Fortress' assets with the purpose of implementing a transaction, which would ultimately benefit Fortress and its multiple stakeholders.
49. As mentioned in the Seventeenth Report, on September 30, 2022, the Monitor received a non-binding letter of intent and business plan from a party interested in the business and assets of Fortress.
50. The Quebec Government is currently analyzing the letter of intent received as well as all the other projects proposed by other interested parties. The analysis is still ongoing due to the complexity of these projects, the implication of various Government entities such as the *Ministère de l'Économie, de l'Innovation et de l'Énergie*, the *Ministère des Affaires municipales et de l'Habitation*, the *Ministère des Forêts, de la Faune et des Parcs du Québec* and the Municipality of Thurso in addition to the desire to find a promising project for the region.
51. As previously stated in the Monitor's reports, should no transaction be deemed viable in the coming months, the Monitor plans to maintain Fortress' activities to a minimum until a permanent decision is rendered by the Quebec Government and Fortress' secured creditors.

Cold Idle Plus Scenario

52. As mentioned in previous reports, a strategy and a budget to implement a scenario allowing Fortress to preserve some value and to maximize the chances of preserving the boilers without restarting the Cogen Facility while the Quebec Government develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso have been established (the "**Cold Idle Plus Scenario**"). This Cold Idle Plus Scenario essentially consists of six steps:

- (i) Modifying the wastewater treatment plant in order to be able to operate it in winter without having to restart the Cogen Facility;
- (ii) Modifying the fire network control system so that it can be used by Nanotech Security Corp. and Lauzon without the support of Fortress;
- (iii) Securing Fortress' site;
- (iv) Managing chemicals and environmental issues;
- (v) Reducing the number of employees to the bare minimum; and,
- (vi) Preserving the Cogen Facility's boilers.

53. Fortress began the gradual implementation of the Cold Idle Plus Scenario over the last few months using the increase in the Interim Financing Facility that was previously made available to Fortress; however, in order to finalize its implementation, Fortress will need to have access to additional funding through an additional increase of the Interim Financing Facility as contemplated in the proposed *Order Extending the Stay Period and Approving a Sixth Amending Agreement to the Interim Financing Agreement*.

54. The Monitor is still of the opinion that it would be more effective, less costly, provide Fortress with more flexibility and generally more beneficial for Fortress' stakeholders to continue and finalize the implementation of the Cold Idle Plus Scenario under the supervision of the Court in the context of the CCAA Proceedings.

Claims Against the D&O Insurer

55. Since the Seventeenth Report, the D&O insurer's legal counsel has approved the documentation required to resolve the claim and obtain payment of an indemnity from the D&O insurer. The Monitor issued the signed documentation and is currently awaiting payment.

Environmental Matters

56. Since the Seventeenth Report, the Monitor had frequent discussions with the employee responsible for all of the environmental matters in view of establishing whether the proper safeguards and procedures were in place and to identify if any actions were required regarding the environment. There have not been any major environmental exceedances or incidents during the reporting period that have not been addressed by Fortress and communications with the environmental authorities have occurred in the normal course of business. As of the date of this Eighteenth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.



Demand letter from an employee who resigned

57. As mentioned in the Seventeenth Report, an employee who resigned sent a demand letter to Fortress and the Interim Lender for constructive dismissal. Pursuant to the demand letter, the employee is requesting the payment of amounts allegedly owed in connection with this employee's compensation during the CCAA Proceedings as well as under the KERF.
58. Since the Seventeenth Report, the Monitor and its legal counsel have reviewed and analyzed the demand letter and responded to same.

**III. FORTRESS' CASH FLOW UP TO NOVEMBER 12, 2022 (19 WEEKS)**

59. Fortress' financial performance highlights for the period from September 25, 2022 to November 12, 2022, are presented in the Actual Cash Flow annexed hereto as **Appendix A**. The Monitor's comments on Fortress' financial performance during this period are the following:
- (i) compared with the initial statement of projected cash flow presented to the Court in the Seventeenth Report on October 5, 2022 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$1.3M in cash inflows mainly explained by:
    - i. An unfavorable variance of \$1.3M in interim financing. Fortress' draws from the Interim Financing Facility were \$1.3M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements. The additional draw of \$1.3M was received during the week ended November 19, 2022.
  - (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$2.1M in cash outflows. The variance is primarily attributable to:
    - i. A favorable variance of \$1.5M in Cold Idle Plus. This favorable variance is mainly due to timing and these disbursements are forecasted in the coming weeks.
    - ii. A favorable variance of \$52K in payroll. This favorable variance is mainly caused by a lower than expected number of employees recalled to implement the Cold Idle Plus Scenario.
    - iii. A favorable variance of \$46K in Hydro-Québec. This favorable variance is mainly due to a consumption level lower than budgeted.
    - iv. A favorable variance of \$340K in QST & GST payments. This payment must be made through a specific bank account and due to recent departures there were no more authorized signatories. Fortress is in the process of fixing this issue and this payment is expected to be made in the coming weeks.
    - v. A favorable variance of \$120K in Fortress Xylitol expenses. This favorable variance is mainly due to timing.
    - vi. A favorable variance of \$60K in professional fees mainly due to timing as some services have not yet been invoiced.
  - (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$0.8M, as explained, mainly related to timing differences.
60. As of the date of this Eighteenth Report, all post-filing expenses incurred by Fortress have been or will be paid in the normal course of business out of the Interim Financing Facility described in the First Report or through an increase in the Interim Financing Facility.

#### **IV. OVERVIEW OF THE 24-WEEK CASH FLOW PROJECTIONS**

61. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 24-week period from November 13, 2022 to April 29, 2023 (the "**Cash Flow Period**") for the purpose of projecting Fortress' estimated need for liquidities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix B** to this Eighteenth Report.
62. Fortress is currently implementing the Cold Idle Plus Scenario, limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect this scenario and includes the necessary investments in order to modify the wastewater treatment plant as well as the fire system.
63. The Cash Flow Statement has been prepared by Fortress using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement (the "**Notes to the Cash Flow Statement**").
64. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to it by Management. Since the hypothetical assumptions do not need to be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support for the probable assumptions provided by Management, as well as the preparation and presentation of the Cash Flow Statement.
65. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
  - (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
  - (ii) As at the date of this Eighteenth Report, the probable assumptions developed by Management are not suitably supported and consistent with Fortress' plans or that they do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
  - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
66. Since the Cash Flow Statement 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 opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Fortress' statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the Government remittances and the payroll deductions to be made by Fortress.
67. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
68. Based on the projections for the period ending April 29, 2023, Fortress will have sufficient funds to cover the expected disbursements during this period with the proposed increase in

the Interim Financing Facility as indicated in the projections attached as **Appendix B**.

69. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
70. This Cash Flow Statement allows Fortress to continue to implement the Cold Idle Plus Scenario that will limit Fortress' expenses for the next year to the bare minimum while maintaining the water treatment for the benefit of the city of Thurso and the fire service for neighbouring businesses.
71. The Cash Flow Statement demonstrates that an additional increase in the Interim Financing Facility is required in the coming weeks. As mentioned in the Seventeenth Report, the Monitor has already initiated discussions with IQ and the Quebec Government with a view to ensuring that Fortress has the required funding through the issuance of a ministerial decree authorizing an increase of the Interim Financing Facility. Given the fact that the next ministerial meeting is scheduled in December, it proved impossible to obtain the decree before the end of the extension period as the Monitor had indicated in its previous report. Although the Quebec Government has demonstrated continued support throughout the restructuring process and positive discussions have occurred in recent weeks, the Monitor cannot guarantee that the required funding will be secured from IQ. Should Fortress be unable to secure the budgeted additional increase to the Interim Financing Facility, the Monitor will, without delay, report back to the Court and inform all parties.

**V. THE PROPOSED INCREASE OF THE INTERIM LENDER'S CHARGE SOUGHT AS PART OF THE APPLICATION**

72. As described in the previous reports of the Monitor, Fortress does not generate revenues to continue to implement the Cold Idle Plus Scenario and safeguard the integrity and safety of all of its assets and must therefore obtain additional financing during the Stay Period.
73. As appears from the Application, Fortress has negotiated with the Interim Lender a Sixth Amending Agreement to the Interim Financing Term Sheet which will provide for an increase in the Interim Financing Facility, which will allow Fortress to have access to an additional \$3.0M of interim financing on the same terms and conditions as previously set forth in the Interim Financing Term Sheet that was already approved by the Court. Ultimately, the total amount of the Interim Financing Facility would be increased to \$33.8M.
74. The Interim Financing Facility has been and will continue to be used to provide interim financing to Fortress during the pendency of these CCAA Proceedings.
75. As appears from the Sixth Amending Agreement, all additional amounts to be advanced to Fortress are to be secured by a Court-ordered super-priority charge (the "**Interim Lender's Charge**"). As the total amount of the Interim Financing Facility will be increased to \$33.8M, the Interim Lender requests that the total amount of Interim Lender's Charge be increased to \$40.56M (i.e., \$33.8M plus 20%), which Interim Lender's Charge will attach to all of Fortress' assets, in priority to all other existing encumbrances and Court-ordered charges, except for the Administration Charge and the Litigation Financing Charge, but as regards the latter, only with respect to the Litigation Proceeds (as this term is defined in the Litigation Funding Agreement).
76. Based on the current Cash Flow Statement, an additional amount will need to be urgently advanced to Fortress under the Interim Financing Term Sheet, in order to cover the budgeted amount set forth in said Cash Flow Statement.
77. The Monitor supports IQ's request to increase the amounts which Fortress will be entitled to borrow under the Interim Financing Term Sheet for the following reasons:

- (i) In the Monitor's view, no creditor will be materially prejudiced as a result of the increase of the Interim Financing Facility and related Interim Lender's Charge, as the funding is expected to allow Fortress to continue its restructuring efforts and proposed restructuring, which will enhance the recovery for the benefit of Fortress' secured creditors, suppliers and employees, as opposed to a piecemeal liquidation, which would occur in the absence of additional funding;
- (ii) The Monitor considers the terms of the Sixth Amending Agreement to be fair and reasonable and they are consistent with the Interim Financing Term Sheet, the First Amending Agreement, the Second Amending Agreement, the Third Amending Agreement, the Fourth Amending Agreement and the Fifth Amending Agreement, all of which have been previously approved by this Court. The Monitor wishes to highlight the fact that the terms of all of the foregoing agreements are highly competitive given that the Interim Financing Facility contemplates a fixed interest rate of 10% *per annum*, with no other fees or charges required (other than the reimbursement of legal fees);
- (iii) Given the unique nature of the collateral, it is unlikely that alternative financing could have been arranged with a third party at this cost, especially in light of the recent increases to the Bank of Canada policy interest rate; and
- (iv) The terms and conditions of the Interim Financing Term Sheet have already been approved by this Court as part of the First Day Order.

#### **VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS**

- 78. IQ is seeking an extension of the Stay Period until April 28, 2023, in order to continue and finalize the implementation of the Cold Idle Plus Scenario to allow Fortress to preserve some value and to maximize the chances of preserving the boilers without restarting the Cogen Facility while the Quebec Government continues discussions with potential purchasers in the context of the solicitation process for the next few months or, if required, develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
- 79. Should IQ be unable to secure the budgeted additional increase to the Interim Financing Facility, the Monitor will, without delay, report back to the Court and inform all parties.
- 80. The Monitor is informed that Fortress intends to continue to pay post-filing amounts owed to its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
- 81. As described in this Eighteenth Report, the Cash Flow Statement indicates that Fortress should have sufficient liquidity to continue to meet its obligations in the ordinary course of business with the proposed increase to the Interim Financing Facility that should be made available to Fortress through the Sixth Amending Agreement, subject to the approval of this Court.

#### **VII. THE MONITOR'S CONCLUSIONS**

- 82. The Monitor believes that Fortress should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the proposed order sought by IQ since same would provide Fortress with the opportunity to preserve some value while the Quebec Government continues discussions with potential purchasers in the context of the solicitation process or, if required, develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
- 83. As noted above, the current Stay Period expires on November 25, 2022. The Monitor understands that the extension of the Stay Period sought by IQ is required to allow Fortress

to preserve some value while the Government develops and implements the initiatives previously described.

84. Based on the information presently available, the Monitor believes that Fortress' creditors will not be materially prejudiced by the proposed extension of the Stay Period.
85. The Monitor confirms that there is no further material development to report in this matter at this time, other than what is provided for in this Eighteenth Report of the Monitor.
86. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
87. The Monitor respectfully submits to the Court this, its Eighteenth Report.

DATED AT MONTREAL, this 22<sup>nd</sup> day of November 2022.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CIRP, LIT



Benoît Clouâtre, CPA, CIRP, LIT

# Appendix A

## APPENDIX A

### Fortress Global Enterprises

### Budget-to-Actual Analysis for the 7-week period ended November 12, 2022

(in \$000 CAD)

	<u>For the 7-week period ended November 12, 2022</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
<b>Consolidated Receipts</b>					
DIP	1,500	2,800	(1,300)	-46%	<b>Note 1</b>
GST & QST refunds	188	153	35	23%	<b>Note 2</b>
<b>Total - Receipts</b>	<b>1,688</b>	<b>2,953</b>	<b>(1,265)</b>	<b>-43%</b>	
<b>Disbursements</b>					
Cold Idle Plus	216	1,753	1,537	88%	<b>Note 3</b>
Payroll	367	419	52	12%	<b>Note 4</b>
Hydro-Québec	246	292	46	16%	<b>Note 5</b>
GST & QST payments	-	340	340	100%	<b>Note 6</b>
Fortress Xylitol Inc. - expenses	65	140	75	54%	<b>Note 7</b>
Professional fees	30	90	60	67%	<b>Note 8</b>
Trade payables - Operation	87	48	(39)	-81%	
Insurance	10	12	2	17%	
<b>Total - Disbursements</b>	<b>1,021</b>	<b>3,094</b>	<b>2,073</b>	<b>67%</b>	
<b>Change in Cash-Flow</b>	<b>667</b>	<b>(141)</b>	<b>808</b>	<b>-573%</b>	
Net cash (Shortfall) - Beginning	1,124	1,124	-	0%	
<b>Net cash (Shortfall) - Ending</b>	<b>1,791</b>	<b>983</b>	<b>808</b>	<b>82%</b>	

## APPENDIX A (con't)

### Fortress Global Entreprises

#### Notes on Budget-to-Actual Analysis

For the 7-week period ended November 12, 2022

<b>Note 1</b>	<b>DIP</b>	Fortress' draws from the Interim Financing Facility were \$1.3M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements. The additional draw of \$1.3M was received during the week ended November 19, 2022.
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<b>Note 2</b>	<b>QST &amp; GST refunds</b>	The QST & GST refunds of \$188K were higher than the budgeted \$153K. This \$35K favorable variance is due to timing since Fortress collected earlier the amount initially budgeted at the end of November 2022.
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<b>Note 3</b>	<b>Cold Idle Plus</b>	The disbursements for the Cold Idle were significantly lower than expected. This favorable variance of \$1.5M is mainly due to timing and these disbursements are forecasted in the coming weeks.
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<b>Note 4</b>	<b>Payroll</b>	The payroll disbursements of \$367K were lower than the budgeted \$419K. This favorable variance of \$52K is mainly caused by a lower than expected number of employees recalled to implement the Cold Idle Plus Scenario.
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<b>Note 5</b>	<b>Hydro-Québec</b>	The Hydro-Québec disbursements of \$246K were lower than the budgeted \$292K. This favorable variance of \$46K is mainly due to a consumption level lower than budgeted.
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<b>Note 6</b>	<b>GST &amp; QST payments</b>	The favorable variance of \$340K is strictly due to timing. This payment must be made through a specific bank account and due to recent departures there were no more authorized signatories. Fortress is in the process of fixing this issue and this payment is expected to be made in the coming weeks.
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<b>Note 7</b>	<b>Fortress Xylitol Inc. - Expenses</b>	Disbursements for Fortress Xylitol Inc. of \$65K were lower than the budgeted \$140K. This favorable variance of \$75K is mainly due to timing.
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<b>Note 8</b>	<b>Professional fees</b>	The favorable variance of \$60K is mainly due to timing as some services have not yet been invoiced.
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## Appendix B

## APPENDIX B

### Fortress Global Enterprises

### Consolidated Cash-Flow

For the 24-week period ending April 29, 2023

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
		19-Nov-22	26-Nov-22	03-Dec-22	10-Dec-22	17-Dec-22	24-Dec-22	31-Dec-22	07-Jan-23	14-Jan-23	21-Jan-23	28-Jan-23	04-Feb-23
<b>Receipts</b>													
DIP		1,300	-	-	-	-	-	-	-	-	-	2,000	-
GST & QST refunds		-	-	-	-	-	-	-	43	-	-	87	-
<b>Total - Receipts</b>		<b>1,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>2,087</b>	<b>-</b>
<b>Disbursements</b>													
Cold Idle Plus		160	148	241	252	241	58	20	27	20	20	20	27
Hydro-Québec		42	42	42	42	42	42	42	42	42	42	42	42
Payroll		11	83	11	80	-	64	-	64	20	64	-	64
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	-	-	-
Professional fees		75	15	15	15	15	15	15	15	15	15	15	15
Fortress Xylitol Inc. - expenses		75	15	15	15	15	15	15	15	15	15	15	15
Municipal taxes		-	-	-	-	-	-	-	-	-	-	-	-
GST & QST payments		340	-	-	-	-	-	-	-	-	-	-	-
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	8	8
Vacations [1]		-	-	-	-	-	-	-	-	-	-	-	-
Insurance		-	-	6	-	-	-	-	6	-	-	-	6
<b>Total - Disbursements</b>		<b>711</b>	<b>311</b>	<b>338</b>	<b>412</b>	<b>321</b>	<b>202</b>	<b>100</b>	<b>177</b>	<b>120</b>	<b>164</b>	<b>100</b>	<b>177</b>
<b>Change in Cash-Flow</b>		<b>589</b>	<b>(311)</b>	<b>(338)</b>	<b>(412)</b>	<b>(321)</b>	<b>(202)</b>	<b>(100)</b>	<b>(134)</b>	<b>(120)</b>	<b>(164)</b>	<b>1,987</b>	<b>(177)</b>
<b>Net cash (Shortfall) - Beginning</b>		<b>1,791</b>	<b>2,380</b>	<b>2,069</b>	<b>1,731</b>	<b>1,319</b>	<b>998</b>	<b>796</b>	<b>696</b>	<b>562</b>	<b>442</b>	<b>278</b>	<b>2,265</b>
<b>Net cash (Shortfall) - End</b>		<b>2,380</b>	<b>2,069</b>	<b>1,731</b>	<b>1,319</b>	<b>998</b>	<b>796</b>	<b>696</b>	<b>562</b>	<b>442</b>	<b>278</b>	<b>2,265</b>	<b>2,088</b>

**Note 1:** Please note that these disbursements must be paid to certain employees in the event of the closure of the company or a transaction.

**APPENDIX B (con't)**
**Fortress Global Enterprises**
**Consolidated Cash-Flow**

For the 24-week period ending April 29, 2023

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		11-Feb-23	18-Feb-23	25-Feb-23	04-Mar-23	11-Mar-23	18-Mar-23	25-Mar-23	01-Apr-23	08-Apr-23	15-Apr-23	22-Apr-23	29-Apr-23	
<b>Receipts</b>														
DIP		-	-	-	-	-	-	-	-	1,000	-	-	-	4,300
GST & QST refunds		-	-	148	-	-	-	45	-	-	45	-	-	368
<b>Total - Receipts</b>		<b>-</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>1,000</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>4,668</b>
<b>Disbursements</b>														
Cold Idle Plus		20	20	20	27	20	20	78	20	-	-	-	-	1,459
Hydro-Québec		42	42	42	42	42	42	42	42	42	42	42	42	1,008
Payroll		16	64	-	64	-	84	-	64	16	64	-	64	897
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	-	-	447	447
Professional fees		15	15	15	15	15	15	15	15	15	15	15	15	420
Fortress Xylitol Inc. - expenses		15	15	15	15	15	15	15	15	15	15	15	15	420
Municipal taxes		-	160	-	-	-	-	-	-	-	200	-	-	360
GST & QST payments		-	-	-	-	-	-	-	-	-	-	-	-	340
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	8	8	192
Vacations [1]		-	-	-	-	-	-	-	-	-	-	-	120	120
Insurance		-	-	-	6	-	-	-	-	6	-	-	-	30
<b>Total - Disbursements</b>		<b>116</b>	<b>324</b>	<b>100</b>	<b>177</b>	<b>100</b>	<b>184</b>	<b>158</b>	<b>164</b>	<b>102</b>	<b>344</b>	<b>80</b>	<b>711</b>	<b>5,693</b>
<b>Change in Cash-Flow</b>		<b>(116)</b>	<b>(324)</b>	<b>48</b>	<b>(177)</b>	<b>(100)</b>	<b>(184)</b>	<b>(113)</b>	<b>(164)</b>	<b>898</b>	<b>(299)</b>	<b>(80)</b>	<b>(711)</b>	<b>(1,025)</b>
<b>Net cash (Shortfall) - Beginning</b>		<b>2,088</b>	<b>1,972</b>	<b>1,648</b>	<b>1,696</b>	<b>1,519</b>	<b>1,419</b>	<b>1,235</b>	<b>1,122</b>	<b>958</b>	<b>1,856</b>	<b>1,557</b>	<b>1,477</b>	<b>1,791</b>
<b>Net cash (Shortfall) - End</b>		<b>1,972</b>	<b>1,648</b>	<b>1,696</b>	<b>1,519</b>	<b>1,419</b>	<b>1,235</b>	<b>1,122</b>	<b>958</b>	<b>1,856</b>	<b>1,557</b>	<b>1,477</b>	<b>766</b>	<b>766</b>

**Note 1:** Please note that these disbursements must be paid to certain employees in the event of the closure of the company or a transaction.

## NOTES TO THE CASH-FLOW STATEMENT

### NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the CCAA proceedings.

### NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the 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 Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

### NOTE C - DEFINITIONS

#### (1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

#### (2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

#### (3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

#### (4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

**NOTE C - ASSUMPTIONS**

<b>Assumptions</b>	<b>Source</b>	<b>Probable Assumption</b>	<b>Hypothetical Assumption</b>
<b><u>Opening cash balance</u></b>	Based on current bank balances	X	
<b><u>Forecast cash receipts:</u></b>			
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<b><u>Forecast cash disbursements:</u></b>			
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors		X
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
KERP	Based on the calculations approved during these CCAA Proceedings	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Fortress Xylitol Inc. – expenses	Based on historical costs	X	
Municipal taxes	Based on historical costs	X	
QST & GST payments	Based on the level of receipts and disbursements budgeted	X	
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Vacations	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Insurance	Based on historical costs	X	