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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

**FIFTEENTH 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 twelve (12) 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 ("**Hydro-Québec Order**").
 - (ii) the Distribution and Assignment Order, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims ("**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**").

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* (the "**Application**").
31. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its Fifteenth report (the "**Fifteenth Report**"), which will discuss the following:
 - I. Update on Fortress' operations (page 6);
 - II. The Monitor's activities since the Thirteenth report (page 8);
 - III. Fortress' cash flow up to February 19, 2022 (22 weeks) (page 10);

- IV. Fortress' updated cash flow projections for the period from February 20, 2022 to June 4, 2022 (page 11);
- V. The Applicant's request to have the Fourth Amending Agreement (the "**Fourth Amending Agreement**") to the Interim Financing Agreement (as defined below) be approved by this court, together with a corresponding increase of the Interim Lender's Charge (page 12);
- VI. The Applicant's request for an extension of the Stay Period (page 13); and
- VII. The Monitor's conclusions (page 13).

I. UPDATE ON FORTRESS' OPERATIONS

32. Since the Thirteenth Report:

- (i) Fortress has maintained the Pulp Mill in a shutdown mode;
- (ii) On November 16, 2021, Fortress restarted the Cogen Facility, which was connected to Hydro-Québec grid on November 30, 2021, in order to heat the assets and operate the water treatment plant during the winter;
- (iii) The market price of the dissolving pulp continued to be robust and to show some resilience. From US\$640 per metric ton in December 2019 and after a peak of US\$1,100 in the first half of 2021, the price now ranges from US\$900 to US\$925 per metric ton; and
- (iv) Fortress recalled 40 employees, including temporary employees, specifically for the purpose of restarting the Cogen Facility. Fortress currently employs 29 employees in its Thurso location.

Update on Ongoing Issues with Creditors and Co-contractorsHydro-Québec

33. As mentioned in the Thirteenth Report, Fortress and Hydro-Québec agreed to the terms and conditions pursuant to which Hydro-Québec would consent to the restart of the Cogen Facility (i.e. maintenance of the Hydro-Québec Charge and monthly holdback of \$105K to be remitted to Fortress in April 2022).
34. In accordance with the terms of this agreement, Fortress allowed Hydro-Québec to withhold an amount of \$105K per month, up to a maximum of \$420K (the "**HQ Holdback Amount**"), from the amounts which would become owing to Fortress during the operation period of the Cogen Facility. The entirety of the HQ Holdback Amount should be released and remitted to Fortress in April 2022.
35. As of the date of the Fifteenth Report, there are no issues to report regarding the agreement with Hydro-Québec.

Update on Fortress Xylitol Inc.

36. 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.

37. As of the date of the Fifteenth Report, Fortress Xylitol still employs two (2) employees and outsources the cooking of wood chips to obtain pre-hydrolysate that will be used to further develop the xylitol conversion expertise.
38. Since the beginning of the CCAA Proceedings, Fortress Xylitol was self-sufficient and was able to continue its research without requiring money from the Interim Financing Facility. However, as mentioned in previous reports and as illustrated by the cash-flow forecast presented in the Thirteenth Report, Fortress Xylitol came to the end of its financial resources in October 2021. Fortress now covers the expenses of Fortress Xylitol from the funds available through the Interim Financing Facility and will continue until the end of the solicitation process, as presented in the cash-flow attached to this Fifteenth Report.
39. Since Fortress Xylitol received grants from the National Research Council Canada ("**NRCC**"), it must submit reports to the NRCC quarterly. These reports are currently up to date.

Other

40. Fortress, with the assistance of the Monitor, updated its budget for the next seven (7) months in order to secure additional financing to maintain the minimum maintenance scenario after the end of the Stay Period and to enable various studies to be carried out as described later in this report. Discussions have taken place with the Interim Lender and an increase in the Interim Financing Facility has been made available to Fortress.
41. In light of the updated budget, it was essential that Fortress obtain this increase in the Interim Financing Facility in order to cover certain expenses that are required to continue this restructuring process.
42. The updated budget also takes into consideration the additional time needed by Fortress to conclude the solicitation process and to execute its restructuring initiatives as described in the previous reports, which include:
 - (i) Maintaining Fortress' operations at a minimum and preserving the value of the assets;
 - (ii) Continuing discussions with the investors and/or purchasers identified as part of the solicitation process; and
 - (iii) Assessing alternative production options.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORTGeneral

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. 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.
45. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

46. Since the commencement of these CCAA proceedings, the Debtors and the Monitor, in consultation with the Interim Lender, have had discussions with various parties on an informal basis regarding a potential transaction which could allow the continuation of the Debtors' operations.
47. In late July of 2021, given that no transaction had yet been made with respect to the Debtors, the Monitor met with the respective representatives and counsel of IQ and Fiera to discuss the status of this file as well as the next steps.
48. During such meeting and in the discussions which followed such meeting, it was agreed that given the advantageous market price of dissolving pulp, it would be appropriate at that time to establish a formal deadline for the submission of letters of intent as well as the terms and conditions in connection with the process for the acquisition of the Debtors' business and assets (the "**SISP**"). As part of the SISP, the Monitor would communicate with a variety of potentially interested parties, including parties that had previously manifested some interest in acquiring the Debtors' business and assets, parties potentially interested in a going concern transaction and parties potentially interested in submitting liquidation offers whereby the Debtors' assets would be decommissioned and dismantled.
49. Accordingly, in August 2021, the Monitor, in consultation with IQ and Fiera, prepared a list of twenty-two (22) potentially interested parties to whom the Monitor would reach out to (and to whom the Monitor has reached out to on August 4, 2021). All of these potentially interested parties were advised that offers should be submitted to the Monitor by no later than September 15, 2021 (the "**Bid Deadline**").
50. Several offers (the "**Offers**") from various parties (collectively, the "**Bidders**") were received by the Bid Deadline. These included going concern offers from strategic parties as well as liquidation bids.
51. On September 17, 2021, the Monitor presented a summary of the Offers to IQ and Fiera.
52. Since several of the Offers contained conditions relating to IQ and the Québec Government (including requests for financial support), IQ, together with the Monitor, proceeded with a detailed review of each and every one of these Offers in order to assess their respective viability and to evaluate and quantify the various conditions set out thereunder, in order to ultimately determine whether or not a transaction could be successfully negotiated and implemented.
53. Following numerous discussions between Fortress, IQ, the Government and the Monitor, it was agreed to focus the discussions with one of the Bidders (the "**Potential Purchaser**"). As such, since the last report, the Monitor notified three (3) of the four (4) strategic parties having submitted an offer as part of this process that their offer was not accepted.
54. On January 19, 2022, a virtual meeting was organized with the Potential Purchaser in order to clarify its offer, negotiate certain improvements to same and discuss the next steps going forward in connection with the Potential Purchaser's proposed project (the "**Proposed Project**"), including the conduct of various studies to review the assumptions included in the Potential Purchaser's business plan.
55. In order to proceed with these studies, the Interim Lender has agreed to make available a budget to conduct these studies with the objective of validating the technical and financial feasibility as well as the viability of the Proposed Project and to ultimately conclude a transaction with the aforementioned bidder. An amount of \$1M has been included in the updated cash-flow with regards to the studies and a timeline of approximately sixty (60) days is expected to be required to obtain the final conclusions of the studies.

56. Finally, it should be noted that since the Bid Deadline, the Monitor has been contacted by certain parties having shown an interest in Fortress' assets. In order to safeguard the integrity of the process that has been put in place and to be fair to parties who have complied with the deadlines, the Monitor has advised these parties that they were at liberty to submit an offer and apply to the Court for an order declaring that any such offer ought to be considered in the context of the solicitation process.

Litigation Funding Agreement

57. On December 30, 2021, the Court rendered the Amended LFA Judgment in which the Court found that the amendments provided by the First Amendment "properly respond to the findings of the Initial LFA Judgment", but that in the event that the litigation funding agreement is terminated, "notice should be given to Goulds, even though the Court and distribution list would be informed of an application which the Monitor would present to the court in such event".

58. Following the Amended LFA Judgment, the Litigation Funder agreed to amend the Litigation Funding Agreement (which was already amended pursuant to the terms of an Amendment No. 1 to Litigation Funding Agreement) pursuant to the terms of an Amendment No. 2 to Litigation Funding Agreement to provide that, in the event that the LFA is terminated the Monitor shall provide a written notice of the effective date of such termination to Pompes Goulds as soon as reasonably practicable.

59. On February 11, 2022, the Monitor filed the Amended LFA Motion, which was not contested by Pompes Goulds, and on the same day, the Court rendered an *Order Approving a Litigation Funding Agreement and a Litigation Financing Charge* approving the Litigation Funding Agreement, as amended.

Claims Against the D&O Insurer

60. Since the issuance of the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, the Monitor has been in communication with the D&O insurer and provided same with additional documents with a view to allowing the D&O insurer to further analyze the claim.

Environmental Matters

61. Since the Thirteenth Report, the Monitor had frequent discussions with the employees 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 Fifteenth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

III. FORTRESS' CASH FLOW UP TO FEBRUARY 19, 2022 (22 WEEKS)

62. Fortress' financial performance highlights for the period from September 19, 2021, to February 19, 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 Thirteenth Report on September 30, 2021 (the "**Initial Cash Flow**

Statement”), Fortress experienced a favorable variance of \$229K in cash inflows mainly explained by:

- i. A favorable variance of \$237K in Cogen Facility sales. This variance is explained by a favorable variance of \$0.8M due to timing (this receipt was budgeted in the week ending February 26, 2022) and an unfavorable variance of \$0.6M due to the fact that the Cogen was connected to Hydro-Québec's grid later than expected because of a technical issue;
 - ii. An unfavorable variance of \$305K in GST/QST refunds due to timing as the refund is expected in the coming weeks;
 - iii. A favorable variance of \$297K in other deposits mainly due to transfers from bank accounts that belonged to the head office.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced an unfavorable variance of \$364K in cash outflows. The variance is primarily attributable to:
- i. An unfavorable variance of \$557K in biomass due to two factors:
 - a) The scarcity of biomass on the market has created an increase in prices compared to what was initially budgeted; and
 - b) Cogen Facility operated with a higher than expected ratio of biomass consumption per ton of steam.
 - ii. An unfavorable variance of \$27K in chemicals due to timing;
 - iii. A favorable variance of \$340K in municipal taxes. This variance is strictly due to timing as payments are budgeted in the coming weeks;
 - iv. A favorable variance of \$145K in insurance mainly due to the fact that the D&O insurance policy was not required;
 - v. An unfavorable variance of \$54K in GST & QST payments mainly due to interest payments;
 - vi. An unfavorable variance of \$20K in FXI expenses. This unfavorable variance is due to the fact that the decision was made to continue payments to FXI while the solicitation process was completed;
 - vii. An unfavorable variance of \$148K in other disbursements due to the administration fees for the additional interim financing.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$135K, as explained, mainly related to timing differences.

63. As of the date of this Fifteenth 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 15-WEEK CASH FLOW PROJECTIONS

64. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the “**Cash Flow Statement**”) for the 15-week period from February 20, 2022 to June 4, 2022 (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 Fifteenth Report.
65. Fortress is currently operating the Cogen Facility but is planning to return in a minimum maintenance scenario in March 2022. The Cash Flow Statement has been prepared to reflect the operation of the Cogen Facility until the end of winter and then the minimum maintenance scenario.
66. 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**”).

67. 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.
68. 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 Fifteenth 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.
69. 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.
70. 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.
71. Based on the projections for the period ending June 4, 2022, Fortress will not have sufficient funds to cover the expected disbursements during this period without an increase in the Interim Financing. An amount of \$3M of additional Interim Financing was included in the projections attached as **Appendix B**.
72. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
73. This Cash Flow Statement allows Fortress to ensure the security of the site, continue to operate the Cogen Facility until March 2022 to maintain the assets, including the Cogen Facility, to ensure the continued operation of the water treatment plant for the benefit of Fortress and the City of Thurso and to conclude the solicitation process. The Cash Flow Statement allows Fortress to continue maintaining its assets until all conditions of a potential transaction that includes a restart of the Pulp Mill are met. This cash-flow also allows the realization of feasibility studies as previously described in this report.

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

74. As described in the previous reports of the Monitor, Fortress does not generate sufficient revenue to continue to operate, implement the proposed Restructuring Process' measures and safeguard the integrity and safety of all of its assets and must therefore obtain additional financing during the Stay Period.
75. As appears from the Application, Fortress has negotiated with the Interim Lender a Fourth Amending Agreement to the Interim Financing Agreement which will provide for an increase in the Interim Financing Facility, which will allow Fortress to have access to an additional \$3M 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 \$27M.
76. 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.
77. As appears from the Fourth 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 \$27M, the Interim Lender requests that the total amount of Interim Lender's Charge be increased to \$32.4M (i.e. \$27M plus 20%), which, once again, the Interim Lender's Charge will attach to all of Fortress' assets, in priority to all other existing encumbrances and Court 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).
78. Based on the current cash-flow forecasts, 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 forecasts.
79. The Monitor supports the 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 funding;
 - (ii) The Monitor considers the terms of the Fourth Amending Agreement to be consistent with the Interim Financing Term Sheet, the First Amending Agreement, the Second Amending Agreement and the Third 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 an 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; 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

80. The Interim Lender is seeking an extension of the Stay Period until May 31, 2022, in order to preserve the value of Fortress' assets, to continue the Restructuring Process and conclude the solicitation process.
81. The Monitor is informed that Fortress intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings. The Monitor has been advised that, in parallel, Fortress intends to maintain the Pulp Mill in shutdown mode and to operate the Cogen Facility until the end of the winter.
82. As described in this Fifteenth 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 increase in the Interim Financing Facility that has been made available to Fortress, subject to the approval of this Court.

VII. THE MONITOR'S CONCLUSIONS

83. 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 Applicant, including the granting of the charges provided for therein, since same would provide Fortress with the opportunity to attempt a successful restructuring of its operations.
84. As noted above, the current Stay Period expires on March 31, 2022. The Monitor understands that the extension of the Stay Period sought by IQ is required to complete the Restructuring Process.
85. 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.
86. 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 Fifteenth Report of the Monitor.
87. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
88. The Monitor respectfully submits to the Court this, its Fifteenth Report.

DATED AT MONTREAL, this 25th day of February 2022.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CA, CIRP, LIT



Benoît Clouâtre, CPA, CA, CIRP, LIT

Appendix A

APPENDIX A

Fortress Global Entreprises

Budget-to-Actual Analysis for the 22-week period ended February 19, 2022

(in \$000 CAD)

	<u>For the 22-week period ended February 19, 2022</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
Consolidated Receipts					
Cogen sales	1,493	1,256	237	19%	Note 1
GST & QST refunds	111	416	(305)	-73%	Note 2
DIP	7,000	7,000	-	0%	
Other Deposits	297	-	297	0%	Note 3
Total - Receipts	8,901	8,672	229	3%	
Disbursements					
Trade payables - Operation	1,423	1,354	(69)	-5%	
Biomass	2,993	2,436	(557)	-23%	Note 4
Chemicals	107	80	(27)	-34%	Note 5
Payroll	1,509	1,471	(38)	-3%	
Hydro-Quebec	1,237	1,273	36	3%	
Hydro-Québec Holdback on Cogen Sales	210	210	-	0%	
Municipal taxes	710	1,050	340	32%	Note 6
Insurance	267	412	145	35%	Note 7
GST & QST payments	221	167	(54)	-32%	Note 8
Professional fees	622	650	28	4%	
Fortress Xylitol Inc. - expenses	137	117	(20)	-17%	Note 9
Other	148	-	(148)	0%	Note 10
Total - Disbursements	9,584	9,220	(364)	-4%	
Change in Cash-Flow	(683)	(548)	(135)	25%	
Net cash (Shortfall) - Beginning	1,185	1,185	-	0%	
Net cash (Shortfall) - Ending	502	637	(135)	-21%	

APPENDIX A (con't)

Fortress Global Enterprises

Notes on Budget-to-Actual Analysis

For the 22-week period ended February 19, 2022

Note 1	Cogen sales	The Cogen sales receipts of \$1.5M were higher than the budgeted \$1.3M, creating a favorable variance of \$0.2M. This variance is explained by a favorable variance of \$0.8M due to timing (this receipt was budgeted in the week ending February 26, 2022) and an unfavorable variance of \$0.6M due to the fact that the Cogen was connected to Hydro-Québec's grid later than expected because of a technical issue.
Note 2	GST & QST refunds	GST & QST refunds were \$305K lower than the budget. This unfavorable variance is due to timing as the refund is expected in the coming weeks.
Note 3	Other deposits	Other deposits mainly include transfers from bank accounts that belonged to the head office.
Note 4	Biomass	Biomass disbursements of \$3.0M were higher than the budgeted \$2.4M. This unfavorable variance is due to two factors: i) The scarcity of biomass on the market has created an increase in prices compared to what was initially budgeted; and ii) Cogen Facility operated with a higher than expected ratio of biomass consumption per ton of steam.
Note 5	Chemicals	The chemicals disbursements of \$107K were higher than the budgeted \$80K, creating an unfavorable variance of \$27K. This is mainly due to timing.
Note 6	Municipal taxes	The favorable variance of \$340K in Municipal taxes is temporary and strictly due to timing.
Note 7	Insurance	Insurance disbursements were \$145K lower than the \$412K initially budgeted. This favorable variance is mainly due to the fact that the D&O insurance policy was not required.
Note 8	GST & QST payments	The \$54K unfavorable variance is mainly due to interest payments.
Note 9	Fortress Xylitol Inc. - expenses	Disbursements for Fortress Xylitol Inc. of \$137K were higher than the budgeted \$117K. This unfavorable variance of \$20K is due to the fact that the decision was made to continue payments to FXI while the solicitation process was completed.
Note 10	Other	The unfavorable variance of \$148K in other disbursements is due to the administration fees for the additional interim financing.

Appendix B

APPENDIX B

FORTRESS GLOBAL ENTERPRISES INC.

15-Week Consolidated Cash-Flow

For the period ending June 4, 2022

Consolidated (\$000 CAD)	Period ending	Forecast 26-Feb-22	Forecast 05-Mar-22	Forecast 12-Mar-22	Forecast 19-Mar-22	Forecast 26-Mar-22	Forecast 02-Apr-22	Forecast 09-Apr-22	Forecast 16-Apr-22
Receipts									
Cogen sales		-	-	-	-	628	-	-	-
GST & QST refunds		-	-	-	-	259	-	-	-
DIP		-	-	2,000	-	-	-	-	-
Total - Receipts		-	-	2,000	-	887	-	-	-
Disbursements									
Trade payables - Operation		83	53	53	53	83	53	53	53
Biomass		-	-	368	-	-	-	-	-
Chemicals		5	5	5	5	5	5	5	5
Payroll		15	124	15	108	15	128	15	69
Hydro-Québec		68	-	136	68	68	38	38	38
Hydro-Québec Holdback on Cogen Sales		-	-	-	-	105	-	-	-
Municipal taxes		-	-	-	-	460	-	-	-
Insurance		-	-	-	-	-	6	-	-
Professional fees		30	30	30	30	30	30	50	50
Special Projects		-	-	-	-	-	-	-	-
Fortress Xylitol Inc. - expenses		20	10	10	10	10	10	10	10
Total - Disbursements		221	222	617	274	776	270	171	225
Change in Cash-Flow		(221)	(222)	1,383	(274)	111	(270)	(171)	(225)
Net cash (Shortfall) - Beginning		502	281	59	1,442	1,168	1,279	1,009	838
Net cash (Shortfall) - End		281	59	1,442	1,168	1,279	1,009	838	613

APPENDIX B (con't)

FORTRESS GLOBAL ENTERPRISES INC.

15-Week Consolidated Cash-Flow

For the period ending June 4, 2022

Consolidated (\$000 CAD)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		23-Apr-22	30-Apr-22	07-May-22	14-May-22	21-May-22	28-May-22	04-Jun-22	
Receipts									
Cogen sales		-	785	-	-	-	-	-	1,413
GST & QST refunds		246	-	-	-	20	-	-	525
DIP		-	1,000	-	-	-	-	-	3,000
Total - Receipts		246	1,785	-	-	20	-	-	4,938
Disbursements									
Trade payables - Operation		8	8	33	8	8	8	8	565
Biomass		-	-	-	-	-	-	-	368
Chemicals		-	-	-	-	-	-	-	40
Payroll		-	69	12	69	-	69	12	720
Hydro-Québec		38	38	38	38	38	38	38	720
Hydro-Québec Holdback on Cogen Sales		-	105	-	(420)	-	-	-	(210)
Municipal taxes		-	-	410	-	-	-	-	870
Insurance		-	-	6	-	-	-	6	18
Professional fees		50	50	15	15	15	15	15	455
Special Projects		-	1,000	-	-	-	-	-	1,000
Fortress Xylitol Inc. - expenses		10	10	10	10	10	10	10	160
Total - Disbursements		106	1,280	524	(280)	71	140	89	4,706
Change in Cash-Flow		140	505	(524)	280	(51)	(140)	(89)	232
Net cash (Shortfall) - Beginning		613	753	1,258	734	1,014	963	823	502
Net cash (Shortfall) - End		753	1,258	734	1,014	963	823	734	734

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

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Forecast cash receipts:</u>			
Cogen Sales	Based on the Company's calculation for a production of 6.5 MW per hour		X
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Biomass	Based on the Company's calculation for a production of 6.5 MW per hour and historical costs		X
Chemicals	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	
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Hydro-Québec Holdback on Cogen Sales	Estimated holdback required based on prior year agreement	X	
Municipal Taxes	Estimated disbursements based on historical costs	X	
Insurance	Based on historical costs	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Special Projects	Estimate of disbursements required based on historical costs		X
Fortress Xylitol Inc. – expenses	Based on historical costs	X	