



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

**SEVENTEENTH 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 fourteen (14) 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**").

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* (the "**Application**").
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. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its seventeenth report (the "**Seventeenth Report**"), which will discuss the following:

- I. Update on Fortress' operations (page 6);
- II. The Monitor's activities since the Sixteenth report (page 7);
- III. Fortress' cash flow up to September 24, 2022 (19 weeks) (page 9);
- IV. Fortress' updated cash flow projections for the period from September 25, 2022, to November 26, 2022 (page 10);
- V. The Applicant's request for an extension of the Stay Period (page 11); and
- VI. The Monitor's conclusions (page 11).

I. UPDATE ON FORTRESS' OPERATIONS

35. Since the Sixteenth Report:

- (i) Fortress has maintained the Pulp Mill and the Cogen Facility in a 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.

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. 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.
38. In the Sixteenth Report, the Monitor informed the Court that in the case that Fortress does not find a group interested in pursuing the development of this product, the two employees of Fortress Xylitol would be terminated on August 31, 2022.
39. However, since the technology being developed by Fortress Xylitol is part of two of the projects currently being analyzed, it was agreed with the Interim Lender that the financing would continue until a decision is made with regards of these projects.
40. The Monitor has been informed that one of the two employees of Fortress Xylitol has resigned since the previous report.

Other

41. Fortress, with the assistance of the Monitor, updated its budget for the next six (6) 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 (as defined hereinafter).
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 calls 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 Sixteenth Report, Fortress with the assistance of the Monitor, the Interim Lender and the Government, continue to have discussions with parties that had shown interested in Fortress' assets but also with new parties.
48. During the gradual 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, a limited number of parties that remain interested in potentially implementing a transaction, which would ultimately benefit Fortress and its multiple stakeholders.
49. On September 30, 2022, the Monitor has received a non-binding letter of intent and business plan that remain to be analyzed in the coming weeks. The Monitor has been informed by the other interested parties that they would submit detailed business plans in the coming weeks.
50. As previously stated in the Sixteenth Report, 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 secured creditors.

Cold Idle Plus Scenario

51. As previously mentioned in this Sixteenth Report, a strategy and a budget to implement a cold idle scenario has been established. This scenario was essentially consisting of five 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; and,
 - (v) Reducing the number of employees to the bare minimum.
52. During the summer, discussions occurred between Fortress, the Monitor and the Interim Lender and it was agreed to add a step that allows to preserve the Cogen Facility's boilers (the "**Cold Idle Plus Scenario**"). The implementation of this additional step did not require immediate additional funding from the Interim Lender and allow the preservation of the Cogen Facility while continuing discussions with potential players. The additional cost to implement this extra step is approximately \$450K. It is foreseen that an additional amount of approximately \$500K will be required after November 26, 2022 in view of completing the Cold Idle Plus scenario.
53. Fortress began the implementation of the Cold Idle Plus Scenario in the last few weeks using the increase in the Interim Financing Facility that has been made available to Fortress in the previous Extension Order.
54. The implementation of the Cold Idle Plus Scenario will allow Fortress to preserve some value and to maximize the chances of preserving the boilers without restarting the Cogen Facility while the Government develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
55. 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 implement the Cold Idle Plus Scenario under the supervision of the Court in the context of the CCAA Proceedings.

Claims Against the D&O Insurer

56. Since the issuance of the Trust Order, 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.
57. The Monitor and the D&O insurer have agreed on a procedure to facilitate the analysis of the claim. The Monitor's legal advisors have provided the finalized documentation required to resolve the claim and obtain payment of an indemnity from the D&O insurer.

Environmental Matters

58. Since the Sixteenth 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 Seventeenth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

Complaint to the OSB

59. As mentioned in the Sixteenth Report of the Monitor, a disgruntled bidder filed a complaint against the Monitor with the Office of the Superintendent of Bankruptcy (the "**OSB**") and

seeking a financial compensation for an alleged lost opportunity. The Monitor and its legal advisors prepared and submitted a response to the complaint as well as a complement to the response at the request of the OSB.

60. Since the previous report, The Monitor received the result of the analysis of the OSB's examination, which indicated that the complaint was not justified and that the complaint file was therefore closed. A copy of the OSB's letter is annexed hereto as **Appendix A**.

Formal notice from an employee who resigned

61. On September 7, 2022, the Monitor received a formal notice from an employee who has resigned. In this notice, aimed at Fortress and the Interim Lender, this employee claimed the payment of sums in connection with its compensation during the CCAA period as well as the payment of the amount which would have been due to him via the KERF if he had been laid off.
62. The monitor does not agree with his position and the Monitor's legal advisors are reviewing the matter.

III. FORTRESS' CASH FLOW UP TO September 24, 2022 (19 WEEKS)

63. Fortress' financial performance highlights for the period from May 15, 2022 to September 24, 2022, are presented in the Actual Cash Flow annexed hereto as **Appendix B**. 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 Sixteenth Report on May 25, 2022 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$2.8M in cash inflows mainly explained by:
 - i. An unfavorable variance of \$2.8M in interim financing. Fortress' draws from the Interim Financing Facility were \$2.8M less than budgeted for this period. This variance is due to the timing differences in receipts and disbursements.
 - (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.7M in cash outflows. The variance is primarily attributable to:
 - i. A favorable variance of \$1.3M in CAPEX – Cold Idle. This favorable variance of \$1.3M is strictly due to timing and these disbursements are forecasted in the coming weeks.
 - ii. A favorable variance of \$381K in QST & GST payments. This favorable variance of \$381K is strictly due to timing. This payment is expected during the week ending October 8, 2022.
 - iii. A favorable variance of \$65K in professional fees mainly due to timing as some services have not yet been invoiced.
 - iv. A favorable variance of \$54K in trade payable operation. This is mainly explained by the fact that the presence of a consultant who manages various issues at the plant was less necessary than expected due to a lower number of problems during the summer.
 - v. An unfavorable variance of \$120K in Fortress Xylitol expenses. This unfavorable variance of \$120K is due to the fact that the decision to continue to fund Fortress Xylitol's operation has been made.
 - (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$1.1M, as explained, mainly related to timing differences.

64. As of the date of this Seventeenth 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 9-WEEK CASH FLOW PROJECTIONS

65. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 9-week period from September 25, 2022, to November 26, 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 C** to this Seventeenth Report.

66. Fortress is currently implementing the Cold Idle Plus Scenario, limiting its activities to a 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.

67. 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**").

68. 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.

69. 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 Seventeenth 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.

70. 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.

71. 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.

72. Based on the projections for the period ending November 26, 2022, Fortress will have sufficient funds to cover the expected disbursements during this period with the increase in the Interim Financing Facility that was already made available to Fortress with the previous Extension Order as indicated in the projections attached as **Appendix C**.
73. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
74. 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.
75. The Monitor and Fortress are presently preparing a cash-flow forecast to illustrate the future requirements regarding the financing of completing the Cold Idle Plus scenario and maintaining Fortress' activities to minimum. Preliminary analysis demonstrates that an additional amount of interim financing will be required. The Monitor has already initiated discussions with IQ and the Quebec Government in view of planning the funding of the Interim Financing through a ministerial decree before the end of the proposed extension period. Although continued support throughout the restructuring process, the Monitor cannot guarantee that the required funding will be secured from IQ.

V. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

76. The Interim Lender is seeking an extension of the Stay Period until November 25, 2022, in order to continue to implement 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 Government continues discussions with potential purchasers in the context of the solicitation process for the next few weeks or, if required, develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
77. 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.
78. As described in this Seventeenth 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.

VI. THE MONITOR'S CONCLUSIONS

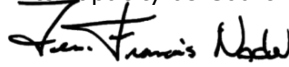
79. The Monitor believes that Fortress should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the proposed order sought by Applicant since same would provide Fortress with the opportunity to preserve some value while the Government develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
80. As noted above, the current Stay Period expires on October 14, 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.
81. 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.

82. 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 Seventeenth Report of the Monitor.
83. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
84. The Monitor respectfully submits to the Court this, its Seventeenth Report.

DATED AT MONTREAL, this 5th day of October 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
Under Seal

Appendix B

APPENDIX B**Fortress Global Enterprises****Budget-to-Actual Analysis for the 19-week period ended September 24, 2022**

(in \$000 CAD)

	For the 19-week period ended September 24, 2022				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
DIP	2,000	4,800	(2,800)	-58%	Note 1
GST & QST refunds	261	277	(16)	-6%	
Other	180	150	30	20%	
Total - Receipts	2,441	5,227	(2,786)	-53%	
Disbursements					
CAPEX - Cold Idle	194	1,500	1,306	87%	Note 2
Payroll	715	725	10	1%	
Hydro-Québec	735	722	(13)	-2%	
Key Employee Retention Plan (KERP)	-	-	-	0%	
Municipal taxes	356	379	23	6%	
GST & QST payments	-	381	381	100%	Note 3
Professional fees	220	285	65	23%	Note 4
Trade payables - Operation	98	152	54	36%	Note 5
Vacations	33	-	(33)	0%	
Insurance	20	24	4	17%	
Fortress Xylitol Inc. - expenses	150	30	(120)	-400%	Note 6
Total - Disbursements	2,521	4,198	1,677	40%	
Change in Cash-Flow	(80)	1,029	(1,109)	-108%	
Net cash (Shortfall) - Beginning	1,204	1,204	-	0%	
Net cash (Shortfall) - Ending	1,124	2,233	(1,109)	-50%	

APPENDIX B (con't)

Fortress Global Entreprises

Notes on Budget-to-Actual Analysis

For the 19-week period ended September 24, 2022

Note 1	DIP	Fortress' draws from the Interim Financing were \$2.8M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements.
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Note 2	CAPEX - Cold Idle	The disbursements for the Cold Idle were significantly lower than expected. This favorable variance of \$1.3M is strictly due to timing and these disbursements are forecasted in the coming weeks.
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Note 3	GST & QST payments	The favorable variance of \$381K is strictly due to timing. This payment is expected during the week ending October 8, 2022.
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Note 4	Professional fees	The favorable variance of \$65K in professional fees is mainly due to timing as some services have not yet been invoiced.
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Note 5	Trade payable - Operation	The trade payables operation disbursements of \$98K were lower than the budgeted \$152K, creating a favorable variance of \$54K. This is mainly explained by the fact that the presence of a consultant who manage various issues at the plant was less necessary than expected due to a lower number of problems during the summer.
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Note 6	Fortress Xylitol Inc. - Expenses	Disbursements for Fortress Xylitol Inc. of \$150K were higher than the budgeted \$30K. This unfavorable variance of \$120K is due to the fact that the decision to continue to fund Fortress Xylitol's operation has been made.
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Appendix C

APPENDIX C

Fortress Global Enterprises

Consolidated Cash-Flow

For the 9-week period ending November 26, 2022

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		01-Oct-22	08-Oct-22	15-Oct-22	22-Oct-22	29-Oct-22	05-Nov-22	12-Nov-22	19-Nov-22	26-Nov-22	
Receipts											
DIP		-	1,500	-	1,300	-	-	-	-	-	2,800
GST & QST refunds		-	-	-	-	153	-	-	-	44	197
Total - Receipts		-	1,500	-	1,300	153	-	-	-	44	2,997
Disbursements											
Cold Idle Plus		33	485	257	274	257	267	180	104	104	1,961
Payroll		76	20	106	14	90	14	99	11	83	513
Hydro-Québec		40	42	42	42	42	42	42	42	42	376
GST & QST payments		-	340	-	-	-	-	-	-	-	340
Fortress Xylitol Inc. - expenses		-	65	15	15	15	15	15	15	15	170
Professional fees		-	15	15	15	15	15	15	15	15	120
Trade payables - Operation		-	8	8	8	8	8	8	8	8	64
Insurance		-	6	-	-	-	6	-	-	-	12
Total - Disbursements		149	981	443	368	427	367	359	195	267	3,556
Change in Cash-Flow		(149)	519	(443)	932	(274)	(367)	(359)	(195)	(223)	(559)
Net cash (Shortfall) - Beginning		1,124	975	1,494	1,051	1,983	1,709	1,342	983	788	1,124
Net cash (Shortfall) - End		975	1,494	1,051	1,983	1,709	1,342	983	788	565	565

Note : This cash-flow does not consider the amounts that must be paid to certain employees in the event of the closure of the company or a transaction such as the KERP (400K) and the vacations accumulated for 2022 (120K).

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>			
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors.		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	
QST & GST payments	Based on the level of receipts and disbursements budgeted	X	
Fortress Xylitol Inc. – expenses	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
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	