

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

**TWENTIETH 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.

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 eighteenth (18) 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*.
33. On May 27, 2022, the Court extended the Stay Period up to and including October 14, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$30.8M and the Interim Lender Charge to \$37.0M.

-
34. On October 4, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period* (the "**Application**").
 35. On October 7, 2022, the Court extended the Stay Period up to and including November 25, 2022.
 36. On November 21, 2022, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Approving a Sixth Amending Agreement to the Interim Financing Agreement.
 37. On November 25, 2022, the Court extended the Stay Period up to and including April 28, 2023, and increased, at the request of IQ, the Interim Financing Facility to \$33.8M and the Interim Lender Charge to \$40.6M.
 38. On April 21, 2023, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Extending the Stay to the SAP Proceedings.
 39. On April 24, 2023, the Monitor filed an Application for the Issuance of an Order Approving the Settlement of the Claim of a Former Employee and the Execution of a Settlement.
 40. On April 27, 2023, the Court extended the Stay Period up to and including June 23, 2023, and approved the above mentioned settlement.
 41. On June 19, 2023, IQ filed an *Application for a Stay Extension & Authorizing the Termination of a Trust and the Release of Trust Funds*.
 42. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twentieth report (the "**Twentieth Report**"). The purpose of the Twentieth Report is to inform the Court with respect to the following:
 - I. Update on Fortress' operations;
 - II. The Monitor's activities since the Nineteenth report;
 - III. Request for an Order authorizing the termination of the D&O Trust;
 - IV. Fortress' cash flow up to June 10, 2023 (9 weeks);
 - V. Fortress' updated cash flow projections for the period from June 11, 2023, to September 30, 2023;
 - VI. IQ's request for an extension of the Stay Period; and

VII. The Monitor's conclusions.

I. UPDATE ON FORTRESS' OPERATIONS

43. Since the Nineteenth Report:

- (i) Fortress has maintained the Pulp Mill and the Cogen Facility in shutdown mode;
- (ii) Fortress continues to operate the water treatment plant for the benefit of Fortress and the city of Thurso; and
- (iii) Fortress currently employs 12 permanent employees in its Thurso location.

Update on Fortress Xylitol Inc.

44. 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.
45. 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.
46. Since the technology being developed by Fortress Xylitol is not part of the Selected Party's (as defined hereinafter) manifestation of interest, it has been agreed between the Monitor and Fortress that the activities of Fortress Xylitol would come to an end on or about August 15, 2023. The only remaining employee has been notified of same. Since there are no significant assets, no process to dispose of same will be undertaken and notice of the termination of the lease shall be timely notified.

Les Pompes Goulds

47. The Monitor has been informed that the trial with Les Pompes Goulds has been set for March 17, 2025, to April 11, 2025. The Monitor will report to the Court if there is any development prior to said hearing.

Other

48. Fortress, with the assistance of the Monitor, updated its budget for the coming months in order to validate the additional financing needed to complete the solicitation process as described hereinafter.

49. The updated budget allows Fortress to continue implementing the Cold Idle Plus Scenario in the coming months, while at the same time finalizing, with the help of the Monitor, a transaction with a potential purchaser identified in the context of the solicitation process.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

50. 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.
51. The Monitor also held a call with Fiera in order to update it on the developments in the CCAA Proceedings.
52. 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.
53. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

54. As mentioned in the previous report, on March 16, 2023, the Monitor informed potential bidders that had previously demonstrated serious interest (NDAs, site visits, data room access and already provided LOIs or indication of interest in submitting one) in Fortress' assets that they had until April 14, 2023, to present a LOI. The Monitor received LOIs from 6 different parties before the April 14, 2023, deadline.
55. On May 1st, 2023, the Monitor informed four (4) of these parties that their project would not be retained for the next steps of the solicitation process.
56. Since the previous report, numerous virtual meetings have been organized with the two (2) remaining interested parties that submitted a LOI in order to give them the opportunity to further explain their proposal and answer questions regarding same. Many Government representatives from various ministries attended these meetings. Lists of additional questions arising from these meetings were also sent following these.
57. On June 8, 2023, the Monitor communicated with one of the interested parties (the "**Selected Party**") to inform it that the Monitor wanted to offer it an exclusivity period to complete its due diligence and negotiate a final agreement for the acquisition of all or substantially all of the rights, title and interest of Fortress in its assets. This exclusivity period is supported by the Interim Lender and the Secured Creditors. On the same day, the other party was also informed that, at this time in the process, the Monitor has opted for continuing exclusive discussion with respect to a potential transaction with another party.
58. As of the date of hereof, the terms and conditions of the exclusivity to be provided to the Selected Party have yet to be finalized. The Monitor believes that an agreement can be finalized in the coming weeks.
59. The period of exclusivity to be negotiated will allow the Selected Party to complete its due diligence on certain aspects of its project. Given the significance of the proposed due diligence and of the required preparation for a potential transaction, the Monitor believes that a period of exclusivity of approximately 3 months is reasonable.
60. At this moment, the Monitor believes that there is a reasonable possibility that a viable transaction could be concluded at the end of the exclusivity period with respect to all or substantially all of the rights, title and interest of Fortress in its assets. The Monitor's

conditional optimism is based on the seriousness and rigor that has transpired from the discussions amongst the Selected Party, the Government and the Monitor. Even though some challenges remain to be overcome to complete a transaction, all of the parties seem strongly committed to a successful outcome.

Environmental Matters

61. Since the Nineteenth Report, the Monitor continues to have 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.
62. In early May 2023, as a result of heavy rainfall that caused rising waters and overflow of the Ottawa River, a higher level of suspended matter has been detected by Fortress. These levels of suspended matter did not respect the provincial environmental standards but were conform with the federal standards. Fortress' employees were proactive and, as required by the applicable rules and regulations, submitted a report to the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs of Québec in that respect. Even though the situation on site has been quickly resolved, the Company might be subjected to a notice of non-conformity and a fine.
63. There has not been any other major environmental exceedance or incident during the reporting period that has not been addressed by Fortress and communications with the environmental authorities taken place in the normal course of business. As of the date of this Twentieth Report, the Monitor has not been made aware of any issues that would necessitate immediate actions other than the one described above.

III. REQUEST FOR AN ORDER AUTHORIZING THE TERMINATION OF THE D&O TRUST

64. On or about December 13, 2019, the Monitor was made aware that Fortress entered into a Trust Indenture concurrently with the commencement of the CCAA proceedings to set aside an amount equal to the difference between potential obligations of Fortress to its employees and their entitlement pursuant to the WEPPA, namely \$1,300,000 (the "**D&O Trust**"), and that these funds were to be used, if necessary, for the payment of:
 - (i) the employees' outstanding claims after the indemnity to be received from the WEPPA; and
 - (ii) claims against Fortress and for which its Directors and/or Officers may be held personally liable in such capacity, to the extent that the D&O Insurance does not cover same.
65. The Monitor was informed that both Applicants in the CCAA proceedings did not object to the creation of the D&O Trust.
66. The Monitor understood that the existence of the D&O Trust provided additional protection to Fortress' employees and its remaining Directors and/or Officers, and ultimately benefited the employees for all claims which they could have against the Directors and/or Officers for unpaid salary and vacation, which would not have been covered by the WEPPA or the D&O Insurance.
67. On December 18, 2020, following a motion by Fortress, supported by the Monitor, the Court issued the Trust Order which essentially empowered the Monitor to distribute a portion of the

funds that were held in the D&O Trust to Fortress employees for their unpaid claims.

68. On January 8, 2020, the Trustee to the D&O trust transferred the required amount to the Monitor, allowing it to distribute, on behalf of the Trustee under the D&O Trust, the amounts due to employees in accordance with the Trust Order.
69. On January 19, 2021, the Monitor sent a total of 282 cheques to each laid-off and current employees of Fortress with an unpaid claims as per the terms of the Trust Order.
70. Following the issuance of the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, the Monitor had various communications with the D&O insurer and provided same with several documents with a view to allowing the D&O insurer to further analyze the claims.
71. Following the D&O insurer analysis, the Monitor received, on February 17, 2023, an indemnity from the D&O Insurer in the amount of \$ 1 036 841.87 (" **D&O Fund** ").
72. As per the terms of the Trust Order, the D&O Fund was to be remitted back to the D&O Trust, after the deduction of all of the expenses incurred in the context of the administration of the employees' claims.
73. At the date of this report, the Monitor is of the view that the D&O Trust should be liquidated in accordance with its terms and conditions and that the D&O Fund and any remaining funds in the D&O Trust Indenture could and should be remitted to Fortress to be used in the context of the current process.
74. Section 7.1 of the Trust provides that the D&O Trust can be terminated following the issuance of an order by the court, if appropriate.
75. In light of the fact that the purpose of the D&O Trust has been fulfilled, the Monitor is of the view that it is appropriate that same should be terminated.

IV. FORTRESS' CASH FLOW UP TO JUNE 10, 2023 (9 WEEKS)

76. Fortress' financial performance highlights for the period from April 9, 2022, to June 10, 2023, 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 Nineteenth Report on April 25, 2023 (the "**Initial Cash Flow Statement**"),

Fortress experienced an unfavorable variance of \$39K in cash inflows mainly explained by:

- i. A favorable variance of \$30K in QST & GST due to timing as the refund from April already been received and was budgeted later in early July.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$0.7M in cash outflows. The variance is primarily attributable to:
- i. A favorable variance of \$143K in Hydro-Québec disbursement due to a change of rate. Fortress went from L rate to M rate resulting in lower than budgeted fees;
 - ii. A favorable variance in Cold Idle Plus of \$189K mainly due to savings that have been made by Fortress. Less costly alternative measures have been put in place and certain expenses have been avoided;
 - iii. A favorable variance of \$170K in Municipal taxes due to timing as a disbursement is expected in the coming weeks;
 - iv. A favorable variance of \$84K in professional fees mainly due to timing as some services have not yet been invoiced; and
 - v. A favorable variance of \$27K in trade payables - operations mainly due to the fact that less work was required on site.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$0.7M, as explained, mainly related to lower disbursements in the implementation of the Cold Idle Plus scenario and timing differences.

77. As of the date of this Twentieth 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.

V. OVERVIEW OF THE 16-WEEK CASH FLOW PROJECTIONS

78. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 16-week period from June 11, 2023, to September 30, 2023 (the "**Cash Flow Period**") for the purpose of projecting Fortress' estimated need for liquidities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix B** to this Twentieth Report.
79. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Cold Idle Plus Scenario.
80. 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**").
81. 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.
82. 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 Twentieth 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.
83. 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.
84. 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.
85. Based on the projections for the period ending September 30, 2023, Fortress will have sufficient funds to cover the expected disbursements during this period without any increase in the Interim Financing Facility as indicated in the projections attached as **Appendix B**.
86. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
87. 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.
88. The Cash Flow Statement demonstrates that no additional increase in the Interim Financing Facility is required in the coming weeks.

VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

89. IQ is seeking an extension of the Stay Period until September 29, 2023, in order to allow the Selected Party to complete its due diligence.
90. The Monitor is informed that Fortress intends to continue to pay post-filing amounts owed to its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
91. As described in this Twentieth Report, the Cash Flow Statement indicates that Fortress should not have sufficient liquidity to continue to meet its obligations in the ordinary course of business without the proposed increase to the Interim Financing Facility that will be granted to Fortress through the Seventh Amending Agreement.

VII. THE MONITOR'S CONCLUSIONS

92. The Monitor believes that Fortress should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the proposed order sought by IQ since same

would provide Fortress with the opportunity to maintain its assets while the Selected Party finalizes its due diligence.

93. As noted above, the current Stay Period expires on June 23, 2023. The Monitor understands that the extension of the Stay Period sought by IQ is required to maintain its assets while concluding the SISP as previously mentioned in this report.
94. 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.
95. 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 Twentieth Report of the Monitor.
96. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
97. The Monitor respectfully submits to the Court this, its Twentieth Report.

DATED AT MONTREAL, this 20th day of June 2023.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CIRP, LIT



Benoît Clouâtre, CPA, CIRP, LIT

Appendix A

APPENDIX A

Fortress Global Entreprises

Budget-to-Actual Analysis for the 9-week period ended June 10, 2023

(in \$000 CAD)

	For the 9-week period ended June 10, 2023				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
Sales of parts	375	375	-	0%	
GST & QST refunds	75	45	30	67%	Note 1
Other deposits	9	-	9	0%	
Total - Receipts	459	420	39	9%	
Disbursements					
Hydro-Québec	235	378	143	38%	Note 2
Payroll	321	356	35	10%	
Cold Idle Plus	164	353	189	54%	Note 3
Municipal taxes	190	360	170	47%	Note 4
GST & QST payments	322	321	(1)	0%	
Professional fees	51	135	84	62%	Note 5
Other	100	100	-	0%	
Fortress Xylitol Inc. - expenses	55	63	8	13%	
Trade payables - Operation	45	72	27	38%	Note 6
Insurance	10	12	2	17%	
Total - Disbursements	1,493	2,150	657	31%	
Change in Cash-Flow	(1,034)	(1,730)	696	-40%	
Net cash (Shortfall) - Beginning	2,405	2,405	-	0%	
Net cash (Shortfall) - Ending	1,371	675	696	103%	

APPENDIX A (con't)

Fortress Global Enterprises Notes on Budget-to-Actual Analysis

For the 9-week period ended June 10, 2023

Note 1	QST & GST refunds	The QST & GST refunds of \$75K were higher than the budgeted \$45K. This \$30K favorable variance is due to timing as the refund from April 2023 has already been received.
---------------	------------------------------	---

Note 2	Hydro-Québec	The Hydro-Québec disbursements of \$235K were lower than the budgeted \$378K. This favorable permanent variance of \$143K is mainly due to a change of rate. Fortress went from L rate to M rate resulting in lower than budgeted fees.
---------------	---------------------	---

Note 3	Cold Idle Plus	The disbursements for the Cold Idle of \$164K were lower than the budgeted \$353K. This favorable permanent variance of \$189K is mainly due to savings that have been made by Fortress. Less costly alternative measures have been put in place and certain expenses have been avoided.
---------------	-----------------------	--

Note 4	Municipal taxes	Municipal taxes disbursements of \$190K is lower than the budgeted \$360K. This favorable variance of \$170K is due to timing. Disbursement is expected in the coming weeks.
---------------	------------------------	--

Note 5	Professional fees	Disbursements for professional fees were lower than the budgeted \$135K. This favorable variance of \$84K is mainly due to timing as some services have not yet been invoiced.
---------------	--------------------------	--

Note 6	Trade payables - Operation	Disbursements for trade payables - Operations of \$45K are lower than the budgeted \$72K. This favorable permanent variance of \$27K is mainly due to the fact that less work was required on site.
---------------	-----------------------------------	---

Appendix B

APPENDIX B
Fortress Global Enterprises
Consolidated Cash-Flow

For the 16-week period ending September 30, 2023

Consolidated (\$000)	Period en	Forecast 17-Jun-23	Forecast 24-Jun-23	Forecast 01-Jul-23	Forecast 08-Jul-23	Forecast 15-Jul-23	Forecast 22-Jul-23	Forecast 29-Jul-23	Forecast 05-Aug-23	Forecast 12-Aug-23	Forecast 19-Aug-23	Forecast 26-Aug-23	Forecast 02-Sep-23	Forecast 09-Sep-23	Forecast 16-Sep-23	Forecast 23-Sep-23	Forecast 30-Sep-23	Total
Receipts																		
Reimbursements from Selected Party	-	-	-	-	-	-	-	-	1,000	-	-	-	728	-	-	-	-	1,728
D&O Trust reimbursement	-	-	-	-	-	-	1,287	-	-	-	-	-	-	-	-	-	-	1,287
DIP	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
GST & QST refunds	-	-	-	-	-	-	-	-	-	35	-	-	-	-	28	-	-	63
Total - Receipts		500					1,287		1,000	35			728		28		500	4,078
Disbursements																		
Cold Idle Plus	29	29	-	-	-	-	-	-	192	192	192	192	192	192	192	192	192	1,786
Payroll	-	64	-	80	-	64	-	80	-	64	-	84	-	64	-	64	-	64
Environmental site assessment	-	-	-	-	-	-	-	-	-	250	-	-	-	-	-	-	-	250
Key Employee Retention Plan (KERP) [1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	495
Hydro-Québec	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	480
Professional fees	15	15	95	15	15	15	15	15	15	15	30	30	30	30	30	30	30	425
Municipal taxes	-	210	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	260
Trade payables - Operation	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	128
Vacations [1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120
Fortress Xylitol Inc. - expenses	7	7	7	7	7	7	7	7	7	7	-	-	-	-	-	-	-	63
GST & QST payments	-	-	-	-	28	-	-	-	-	-	-	-	-	-	-	-	-	28
Insurance	-	-	5	-	-	-	-	-	5	-	-	-	5	-	-	-	-	15
Total - Disbursements		89	363	145	190	88	124	60	337	502	324	260	349	260	324	260	1,189	4,864
Change in Cash-Flow		(89)	137	(145)	(190)	(88)	1,163	(60)	663	(467)	(324)	(260)	379	(260)	(296)	(260)	(689)	(786)
Net cash (Shortfall) - Beginning		1,371	1,282	1,419	1,274	1,084	996	2,159	2,099	2,762	2,295	1,971	1,711	2,090	1,830	1,534	1,274	1,371
Net cash (Shortfall) - End		1,282	1,419	1,274	1,084	996	2,159	2,099	2,762	2,295	1,971	1,711	2,090	1,830	1,534	1,274	585	585

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

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

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

NOTE B

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

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

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

(2) HYPOTHETICAL ASSUMPTIONS:

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

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

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

(4) SUITABLY SUPPORTED:

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

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

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

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Forecast cash receipts:</u>			
Reimbursements from Selected Party	Based on the estimated amount for the expenses covered by the reimbursements		X
D&O Trust reimbursement	Estimated amount for the D&O Trust reimbursement	X	
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	
Environmental site assessment	Estimate of disbursements required by Fortress based on estimated from external advisors		X
KERP	Based on the calculations approved during these CCAA Proceedings	X	
Hydro-Québec	Monthly estimate of disbursements required 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
Municipal taxes	Based on historical costs	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	
Fortress Xylitol Inc. – expenses	Based on historical costs	X	

QST & GST payments	Based on the level of receipts and disbursements budgeted	X	
Insurance	Based on historical costs	X	