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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;

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);

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;

- 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-Montréal, in the city of Montreal, Province of Quebec, H3B 0M7;

Monitor/Applicant

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

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21. On June 22, 2021, the Court rendered an order approving the settlement of the penal proceedings (the "**Penal Proceedings Order**") and postponed to August 12, 2021, the debate on the approval of the litigation funding agreement between Omni Bridgeway (Fund 5) Canada Investments Limited ("**Omni**"), the Monitor, in its capacity as Monitor of Fortress Specialty and Cain Lamarre LLP (the "**Lawyers**") (the "**Initial LFA**"), the litigation financing charge in favour of Omni and thereafter of the Lawyers in the amount of \$6M over only the litigation proceeds (the "**Litigation Financing Charge**") and the transfer of the litigation between Fortress Specialty and Goulds Pumps before the Superior Court (Commercial Division) (the "**Litigation Proceedings**").
 22. On August 12, 2021, and August 13, 2021, the debate regarding the Initial LFA, the Litigation Financing Charge and the transfer of the Litigation Proceedings was heard by the Court.
 23. On September 24, 2021, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Increasing the Interim Lender Charge.
 24. On September 29, 2021, the Court extended the Stay Period up to and including October 8, 2021.
 25. On October 8, 2021, the Court extended the Stay Period up to and including March 31, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$24M and the Interim Lender Charge to \$28.8M.
 26. On November 1, 2021, the Court rendered its judgment on the Initial LFA Application which refused to approve the LFA in its proposed form and expressed the Court's view with respect to the required changes as described further in this report (the "**Initial LFA Judgment**").
 27. On November 19, 2021, the Monitor filed an *Application for the Issuance of an Order Approving a Litigation Funding Agreement and a Litigation Financing Charge* (the "**Amended LFA Application**").
 28. On December 30, 2021, the Court rendered its judgment on the Amended LFA Application which refused to approve the Amended LFA in its proposed form and expressed the Court's view with respect to the required changes as described further in this report (the "**Amended LFA Judgment**").
 29. On February 11, 2022, the Monitor filed an Application for the Issuance of an Order Approving an Amended Litigation Funding Agreement and the creation of a Litigation Funding Charge (the "**Re-amended LFA Application**"). On the same day, the Court rendered an *Order Approving a Litigation Funding Agreement and a Litigation Financing Charge*.
 30. On February 23, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period and Approving a Fourth Amending Agreement to the Interim Financing Agreement*.
 31. On March 3, 2022, the Court extended the Stay Period up to and including May 31, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$27M and the Interim Lender Charge to \$32.4M.
 32. On May 24, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period and Approving a Fifth Amending Agreement to the Interim Financing Agreement*.
 33. On May 27, 2022, the Court extended the Stay Period up to and including October 14, 2022, and increased, at the request of IQ, the Interim Financing Facility to \$30.8M and the Interim Lender Charge to \$37M.

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. On June 22, 2023, the Court extended the Stay Period up to and including September 29, 2023, and approved the termination of a trust and the release of trust funds.
43. On September 21, 2023, IQ filed an *Application for the Issuance of an Order Extending the Stay Period & Approving a Seventh Amending Agreement to the Interim Financing Agreement*.
44. On September 26, 2023, the Court extended the Stay Period up to and including January 31, 2024, and approved the above-mentioned settlement.
45. On January 16, 2024, IQ filed an *Application for the Issuance of an Order Extending the Stay Period*.
46. On January 19, 2024, the Court extended the Stay Period up to and including March 15, 2024.
47. On March 12, 2024, IQ filed an *Application for the Issuance of an Order Extending the Stay Period & Approving an Eighth Amending Agreement to the Interim Financing Agreement*.
48. On March 15, 2024, the Court extended the Stay Period up to and including May 10, 2024, and approved the Eighth Amending Agreement to the Interim Financing Agreement.
49. On May 7, 2024, IQ filed an *Application for the Issuance of an Order Extending the Stay Period*.
50. On May 10, 2024, the Court extended the Stay Period up to and including July 30, 2024, and approved the Eighth Amending Agreement to the Interim Financing Agreement.
51. On July 19, 2024, the Monitor filed an *Application for the Issuance of an Approval and Vesting Order* (the "**Vesting Order**").

52. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twenty-fifth report (the "**Twenty-Fifth Report**"). The purpose of the Twenty-Fifth Report is to inform the Court with respect to the following:

- I. Update on Fortress' operations;
- II. The Monitor's activities since the Twenty-Fourth report;
- III. The Contemplated Transactions;
- IV. Fortress' cash flow up to July 13, 2024 (12 weeks);
- V. Fortress' updated cash flow projections for the period from July 14, 2024, to September 28, 2024;
- VI. Request for an extension of the Stay Period; and
- VII. The Monitor's conclusions.

I. UPDATE ON FORTRESS' OPERATIONS

53. Since the Twenty-Fourth 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, which number of permanent employees remained unchanged since the Twenty-Fourth Report.

Les Pompes Goulds

54. As mentioned in the previous reports, the Monitor has been informed that the trial in the litigation proceedings 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 trial.

55. As part of the Contemplated Transactions (as defined hereinafter), which are described in more detail later in this report, this litigation will constitute an excluded asset and will therefore stay in Fortress while the litigation is completed.

Hydro-Québec

56. Since the beginning of the CCAA proceedings, in addition to the weekly prepayments that were required by Hydro-Québec, security deposits were also enforced. As of the date of this report, a security deposit of \$200K is still in possession of Hydro-Québec.

57. It is the Monitor's intention to collect the security deposit in the weeks following the closing date of the transaction as presented in the budget attached to this Twenty-Fifth Monitor's Report (**Appendix B**).

58. The Monitor intends to initiate discussion with Hydro-Québec's legal counsel in the coming weeks in order to provide for the reimbursement of this security deposit.

Other

59. Fortress, with the assistance of the Monitor, has updated its budget for the coming months in order to ensure that Fortress has sufficient liquidity to complete the Contemplated Transactions.
60. The updated budget is expected to allow Fortress to finalize, with the help of the Monitor, the Contemplated Transactions with the parties likely to be involved in the transaction or transactions with respect to all or mostly all of the assets of Fortress (the "**Interested Parties**").

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

61. 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 discussion with the Interested Parties.
62. The Monitor also informed Fiera on the developments in the CCAA Proceedings.
63. 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.
64. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

65. As mentioned in the previous report, an extension, up to July 30, 2024, was sought to allow the Interested Parties, IQ and the MEIE to address the remaining issues regarding the finalization of a MOU with respect to a transaction in respect of certain of Fortress' assets.
66. Since the Twenty-Fourth Report, discussions and meetings continued intensively allowing Fortress, the MEIE and the Interested Parties to finalize the documentation with regards of the Contemplated Transactions (as described in detail later in this report) and to seek the issuance of the Vesting Order.

Environmental Matters

67. Since the Twenty-Fourth 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 are in place and to identify if any actions are required regarding the environment.
68. There has not been any major environmental exceedance or incident during the reporting period that has not been addressed by Fortress and communications with the environmental authorities have taken place in the normal course of business. As of the date of this Twenty-Fifth Report, the Monitor has not been made aware of any issues that would necessitate immediate actions.

III. THE CONTEMPLATED TRANSACTIONS

Detail of the Contemplated Transactions

69. As mentioned in the previous reports, on June 8, 2023, following the execution of a sale process, the Monitor, in consultation with IQ, elected to focus and pursue its discussion and negotiations with NCT Holdco LLC ("**Aymium**") and Rio Tinto Fer & Titane Inc. ("**RTFT**"), both

of which had previously submitted a joint non-binding offer to the Debtors and to the Monitor (the "**Aymium/RTFT Offer**").

70. Over the course of the months that followed, Aymium and RTFT conducted their due diligence which included a Phase II environmental report with a view to determine the extent of the contamination of lands owned by the Debtors.
71. On August 25, 2023, after several weeks of discussions and negotiations, the Monitor, in consultation with IQ and the Quebec government, entered into an Exclusivity Agreement with the with RTFT and Aymium, to which IQ intervened, pursuant to which the Monitor committed not to solicit offers from third parties with respect to the assets subject to the Aymium/RTFT Offer, until October 15, 2023.
72. On April 30, 2024, a MOU was executed between the Ministère de l'Économie, de l'Innovation et de l'Énergie (the "**MEIE**") on the one hand, and Aymium, and RTFT, on the other hand, and setting forth the parties' agreement and understanding with respect to the contemplated transactions (the "**Contemplated Transactions**") that would provide for, inter alia:
 - (i) The assignment of IQ's secured debt as against the Debtors to 9109-3294 Quebec Inc., a company whose shares are wholly owned, directly or indirectly, by the MEIE (the "**Purchaser**");
 - (ii) The subsequent acquisition by the Purchaser of substantially all of Fortress' assets (save for those assets specifically excluded) (the "**Purchased Assets**") by way of "credit-bid" in settlement of a portion of IQ's secured debt having been assigned to the Purchaser, subject to this Court's approval;
 - (iii) The environmental rehabilitation of the Purchased Assets by the Purchaser;
 - (iv) The concurrent lease of certain of the Purchased Assets to Évolys Québec Inc. (a corporation jointly owned by Aymium and Rio Tinto Canada Inc.) ("**Évolys**"), which would, in turn, benefit from an option to purchase from the Purchaser certain the Purchased Assets, subject to certain terms and conditions; and
 - (v) The eventual implementation of a significant innovative industrial project by Évolys with respect to some of the immovable properties of Fortress (the "**Global Project**").
73. Concurrently with the negotiation and execution of the MOU, the parties also negotiated and executed an amendment to the Exclusivity Agreement (the "**Amended Exclusivity Agreement**") which provides for an extension of the exclusivity period until July 30, 2024. The Amended Exclusivity Agreement also includes an exclusivity fee in order to partially fund certain maintenance costs as well as expenses relating to the ongoing CCAA proceedings. The exclusivity fee was payable to the Monitor as follows, namely, a sum of \$1M on May 1, 2024, and then \$500K on each of May 15, 2024, June 15, 2024, and, if necessary, on July 15, 2024, for a total amount that does not exceed \$2.5M.
74. Over the course of the past few weeks, all parties have been working intensively with a view to finalize and execute all necessary contracts and agreements that would allow, subject to this Court's approval, the implementation of the Contemplated Transactions.
75. On or about July 22, 2024, the following agreements will be executed, subject to the issuance by this Court of the Proposed Approval and Vesting Order and the finalization and execution of ancillary agreements and documents:
 - (i) An Asset Purchase Agreement (the "**APA**") between the Debtors and the Purchaser, which provides for the acquisition by the latter of all or substantially

all of the Debtors' assets relating to the industrial site located in the City of Thurso and a property located in the City of Gatineau (save and except for any excluded assets), for a global consideration consisting of (i) the credit-bid of a portion of the secured indebtedness assigned by IQ to the Purchaser, and (ii) the assumption of certain assumed liabilities under the APA, including certain environmental rehabilitation obligations post-closing;

(ii) A Lease Agreement between the Purchaser and Évolys, whereby the latter (i) will lease from the Purchaser certain of the Purchased Assets, which essentially comprise of two (2) lots, for a period of up to thirty-nine 39 years; during the first five years of the term of such lease, Évolys will benefit from an option to acquire certain of the Purchased Assets from the Purchaser; as well as

(iii) Other ancillary agreements and documents.

76. While the Contemplated Transactions have been structured so that the transfer of the Purchased Assets will take place in multiple phases (i.e., initially to the Purchaser, and then to Évolys subject to the terms and conditions of the Lease Agreement including the exercise of the option by Evolys), the Monitor understands nonetheless that it remains the intentions of all parties, including Évolys, that the Purchased Assets that are subject to an option to acquire under the Lease Agreement be transferred to it well in advance of the expiry of the term of the aforementioned lease, provided that the terms and conditions of the Lease Agreement and the ancillary agreements and documents are met.

The effect of the transactions

77. As previously discussed, the Contemplated Transactions, including the sale transaction contemplated under the APA represents the culmination of almost five (5) years of restructuring efforts undertaken by the Debtors, the Monitor and IQ., in its capacity as secured creditor and DIP lender to the Debtors.

78. The Contemplated Transaction will allow IQ to meet the main criteria established when setting up the SISP, which include, *inter alia*:

(i) Launch the Global Project with the positive impact on local economy;

(ii) it is expected that in the context of the Contemplated Transactions, certain of the remaining employees of the Debtors will be offered new employments with Évolys;

(iii) As indicated above, Evolys is jointly owned by Aymium and Rio Tinto Canada Inc., who are reputable industrial operators; and

(iv) Maintaining wastewater treatment, as an agreement will be put in place between Évolys and the Purchaser in order to maintain the wastewater treatment services for the benefit of the city of Thurso on a temporary basis to allow for an orderly transition to a long-term solution.

79. The Contemplated Transactions will also allow for the environmental rehabilitation of the Purchased Assets by the Purchaser.

Monitor's recommendation

80. The Monitor is of the view that the market was canvassed adequately and extensively through the various SISP implemented since the beginning of the CCAA Proceedings in December 2019. The Monitor is further of the view that:

- (i) The aggregate consideration provided for in the APA is fair and reasonable in the circumstance; and
- (ii) While the Contemplated Transactions will not result in any recovery for the creditors of the Debtors, the fact is that such transactions will be of a great benefit to the residents of the City of Thurso and to the Quebec economy – which, in the end, will clearly be more advantageous than the simple bankruptcy of the Debtors, that would generate uncertainty regarding a complex industrial site and the operation of the water treatment facility.

81. Based on the foregoing, the Monitor supports and recommends this Court's approval of the APA and of the sale transaction contemplated thereunder.

IV. FORTRESS' CASH FLOW UP TO JULY 13, 2024 (12 WEEKS)

82. Fortress' financial performance highlights for the period from April 21, 2024, to July 13, 2024, 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 Twenty-Fourth Report on May 8, 2024 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$601K in cash inflows mainly explained by:
 - i. an unfavorable variance of \$500K in Amended Exclusivity Agreement financing. This variance is temporary and strictly due to timing as the funds have been received in the Monitor's bank account and were transferred during the week ended July 20, 2024; and
 - ii. an unfavorable variance of \$28K in GST & QST refunds. This variance is temporary and due to the lower level of disbursements.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$2.6M in cash outflows. The variance is primarily attributable to:
 - i. a favorable variance of \$591K in professional fees. This favorable variance is mainly due to timing as some services have not yet been invoiced;
 - ii. a favorable variance of \$890K in environmental assessment. This variance is strictly due to timing and will be paid in the following weeks;
 - iii. a favorable variance of \$581K in the Key Employee Retention Plan. This variance is strictly due to timing as no triggering event has occurred during the period;
 - iv. a favorable variance of \$84K in Hydro-Québec. This variance is explained by the fact that Hydro-Québec required prepayments that were lower than budgeted;
 - v. a favorable variance of \$252K in Cold Idle Plus disbursements. This variance is due to timing as some works have been delayed;
 - vi. a favorable variance of \$120K in vacations. This variance is strictly due to timing as no layoffs occurred during the period;
 - vii. a favorable variance of \$88K in Land Surveying. This variance is due to timing as the second payment has been delayed; and
 - viii. a favorable variance of \$50K in Land Surveying. This variance is due to timing as the second payment has been delayed.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$2M, as explained, mainly related to favorable timing differences.

83. As of the date of this Twenty-Fifth 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 from the funds to be paid under the Amended Exclusivity Agreement.

V. OVERVIEW OF THE 11-WEEK CASH FLOW PROJECTIONS

84. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 11-week period from July 14, 2024, to September 28, 2024 (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 Twenty-Fifth Report.

85. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Contemplated Transactions and its timeline.

86. 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**").

87. 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.

88. 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 Twenty-Fifth 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.

89. 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.

90. 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.

91. Based on the projections for the period ending September 28, 2024, Fortress will have sufficient funds to cover the expected disbursements during this period with the financial support agreed in the Amended Exclusivity Agreement. An increase in the Interim Financing Facility is therefore not required as appears from the projections attached as **Appendix B**.
92. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
93. This Cash Flow Statement allows Fortress to continue to implement the Cold Idle Plus Scenario that will limit Fortress' expenses for the coming weeks to the bare minimum while maintaining the water treatment for the benefit of the city of Thurso and the fire service for neighbouring businesses.
94. The Cash Flow Statement demonstrates that, absent the financial support agreed in the Amended Exclusivity Agreement, Fortress will not have sufficient funds in order to comply with its obligations until the end of the extension of the Stay Period requested.
95. Furthermore, the financial support agreed in the Amended Exclusivity Agreement will provide assurance to the employees and suppliers towards which Fortress will incur obligations during the requested extension of the Stay Period that they will be paid in the normal course. Despite this financial support, the Cash Flow Statement assumes collection of sales taxes and various reimbursements in the coming weeks. Delays in collection of these could create liquidity issue for the Company.

VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

96. IQ is seeking an extension of the Stay Period until and including September 27, 2024, in order to allow the parties to finalize and implement the sale of the Debtors' assets to the Purchaser, and, subsequently, allow the closing of the remainder of the Contemplated Transactions.
97. Furthermore, Fortress is party to certain litigation proceedings involving Les Pompes Goulds in which Fortress claims from the latter damages in an amount of approximately \$17 million.
98. Fortress' rights and claims pursuant to the Pompes Gould litigation proceedings and pursuant to the Litigation Funding Agreement have been excluded from the Purchased Assets, as set out in the APA, such that such rights and claims will remain in the patrimony of Fortress, and subject to its secured creditors (including IQ and the Purchaser)'s security interests.
99. The extension of the Stay Period will also allow Fortress, with the support of the Monitor, to implement an expedited sale process for some of the excluded assets, mainly some lands.
100. 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.
101. As described in this Twenty-Fifth Report, the Cash Flow Statement indicates that Fortress should have sufficient liquidity to continue to meet its obligations in the ordinary course of business without an additional increase to the Interim Financing Facility.

VII. THE MONITOR'S CONCLUSIONS

102. In light of the foregoing, the Monitor is of the view that:
 - (i) The sought extension of the Stay Period up to September 27, 2024, is required to close the Contemplated Transactions;

- (ii) 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;
 - (iii) The approval of the APA is in the best interest of the stakeholders generally considering that the Contemplated Transactions will clearly be more advantageous than the simple bankruptcy of the Debtors; and
 - (iv) The Monitor believes that Fortress and IQ have acted, and continue to act, in good faith and with due diligence.
103. Accordingly, the Monitor recommends that the Stay Period be extended to September 27, 2024.
104. 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 Twenty-Fifth Report of the Monitor.
105. The Monitor respectfully submits to the Court this, its Twenty-Fifth Report.

DATED AT MONTREAL, this 19th day of July 2024.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CIRP, LIT
President



Benoit Clouâtre, CPA, CIRP, LIT
Senior Vice-President

Appendix A

APPENDIX A

Fortress Global Enterprises

Budget-to-Actual Analysis for the 12-week period ended July 13 2024

(in \$000 CAD)

	<u>For the 12-week period ended July 13, 2024</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
Consolidated Receipts					
Amended Exclusivity Agreement financing	1,500	2,000	(500)	-25%	Note 1
GST & QST refunds	134	235	(101)	-43%	Note 2
Total - Receipts	1,634	2,235	(601)	-27%	
Disbursements					
Professional fees	317	908	591	65%	Note 3
Environmental site assessment	-	890	890	100%	Note 4
Key Employee Retention Plan (KERP)	-	581	581	100%	Note 5
Payroll	446	431	(15)	-3%	
Hydro-Québec	188	272	84	31%	Note 6
Cold Idle Plus	163	415	252	61%	Note 7
Municipal taxes	149	120	(29)	-24%	
Trade payables - Operation	99	99	-	0%	
Vacations	-	120	120	100%	Note 5
Land surveying	27	115	88	77%	Note 8
Engineering costs - landslide	68	118	50	42%	Note 9
Insurance	18	15	(3)	-20%	
Total - Disbursements	1,475	4,084	2,609	64%	
Change in Cash-Flow	159	(1,849)	2,008	109%	
Net cash (Shortfall) - Beginning	2,250	2,250	-	0%	
Net cash (Shortfall) - Ending	2,409	401	2,008	501%	

APPENDIX A (con't)

Fortress Global Entreprises Notes on Budget-to-Actual Analysis

For the 12-week period ended July 13, 2024

Note 1	Amended Exclusivity Agreement financing	The unfavorable variance of \$0.5M is strictly due to timing as the funds have been received in the Monitor's bank account and were transferred during the week ended July 20, 2024.
Note 2	GST & QST refunds	The GST and QST refunds were \$101K lower than the budgeted \$235K. This variance is temporary and due to the lower level of disbursements during the period.
Note 3	Professional fees	Disbursements for professional fees were \$591K below the budgeted amount of \$908K. This favorable variance is due to timing as some services have not yet been invoiced.
Note 4	Environmental site assessment	The favorable variance of \$890K in environmental assessment is strictly due to timing as services have not yet been invoiced.
Note 5	KERP & Vacations	The favorable variance of \$701K in the Key Employee Retention Plan and Vacations is strictly due to timing as no triggering event has occurred during the period.
Note 6	Hydro-Québec	The favorable variance of \$84K in Hydro-Québec disbursements is explained by the fact that Hydro-Québec required prepayments that were lower than budgeted.
Note 7	Cold Idle Plus	The disbursements for Cold Idle Plus were \$252K below budget. This favorable variance is due to timing as some works have been delayed.
Note 8	Land Surveying	The favorable variance of \$88K in Land Surveying is due to timing as the second payment has been delayed.
Note 9	Engineering costs - landslide	The favorable variance of \$50K in Engineering costs - landslide is due to timing as the second payment has been delayed.

Appendix B

APPENDIX B

Fortress Global Enterprises Consolidated Cash-Flow

For the 11-week period ending September 28, 2024

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	11-week
		20-Jul-24	27-Jul-24	03-Aug-24	10-Aug-24	17-Aug-24	24-Aug-24	31-Aug-24	07-Sep-24	14-Sep-24	21-Sep-24	28-Sep-24	Total
Receipts													
Amended Exclusivity Agreement financing		500	-	500	-	-	-	-	-	-	-	-	1,000
Deposit reimbursement from Hydro-Québec [1]		-	-	-	-	-	-	-	-	-	-	200	200
GST & QST refunds [1]		68	-	-	36	-	-	-	-	88	-	-	192
Others [1]		-	-	-	55	-	-	-	-	-	-	95	150
Total - Receipts		568	-	500	91	-	-	-	-	88	-	295	1,542
Disbursements													
Professional fees		250	200	200	50	50	25	25	25	25	25	150	1,025
Environmental site assessment [2]		-	-	-	890	-	-	-	-	-	-	-	890
Key Employee Retention Plan (KERP)		-	-	639	-	-	-	-	-	-	-	-	639
Cold Idle Plus		99	49	49	49	49	3	3	-	-	-	-	301
Payroll		53	-	115	-	13	-	38	-	13	-	13	245
Trade payables - Operation		35	35	35	25	8	8	8	4	4	4	4	170
Vacations		-	-	150	-	-	-	-	-	-	-	-	150
Hydro-Québec		60	20	20	-	-	-	-	-	-	-	-	100
Land surveying		-	-	-	-	-	-	80	-	-	-	-	80
Engineering costs - landslide		55	-	-	-	-	-	-	-	-	-	-	55
Insurance		-	-	6	-	-	-	6	-	-	-	-	12
Total - Disbursements		552	304	1,214	1,014	120	36	160	29	42	29	167	3,667
Change in Cash-Flow		16	(304)	(714)	(923)	(120)	(36)	(160)	(29)	46	(29)	128	(2,125)
Net cash (Shortfall) - Beginning		2,409	2,425	2,121	1,407	484	364	328	168	139	185	156	2,409
Net cash (Shortfall) - End		2,425	2,121	1,407	484	364	328	168	139	185	156	284	284

Note 1: Delays in collecting these amounts could cause liquidity problems for the Company.

Note 2: The budgeted amount included in this Cash Flow Statement is representing the initial amount from the contract.

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>			
Amended Exclusivity Agreement financing	Based on the Amended Exclusivity Agreement	X	
Deposit reimbursement from Hydro-Québec	Based on the actual deposit	X	
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
Others	Based on the estimated amount to be received by Management.	X	
<u>Forecast cash disbursements:</u>			
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Environmental site assessment	Estimate of disbursements required by Fortress based on estimates from external advisors	X	
KERP	Based on the calculations approved during these CCAA Proceedings	X	
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	
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	
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Land surveying	Estimate of disbursements required based on Management's estimation and discussions with external experts		X
Engineering costs - landslide	Estimate of disbursements required based on Management's estimation and discussions with external experts		X
Insurance	Based on historical costs	X	