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

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

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

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

Co-Applicant / Principal Secured Creditor

- and -

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

Co-Applicant / Secured Creditor

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

- and -

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

- and -

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

- and -

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

- and -

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

Debtors

- and -

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

Monitor

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

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

34. On October 4, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period* (the "**Application**").
35. On October 7, 2022, the Court extended the Stay Period up to and including November 25, 2022.
36. 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 a Stay Extension*.
46. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twenty-second report (the "**Twenty-Second Report**"). The purpose of the Twenty-Second Report is to inform the Court with respect to the following:
 - I. Update on Fortress' operations;
 - II. The Monitor's activities since the Twenty-First report;
 - III. Fortress' cash flow up to January 6, 2024 (17 weeks);
 - IV. Fortress' updated cash flow projections for the period from January 7, 2024, to March 16, 2024;
 - V. IQ's request for an extension of the Stay Period; and

VI. The Monitor's conclusions.

I. UPDATE ON FORTRESS' OPERATIONS

47. Since the Twenty-First 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 stable since the Twenty-First Report.

Update on Fortress Xylitol Inc.

48. 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.
49. 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.
50. Since the technology being developed by Fortress Xylitol is not part of the Potential Purchaser'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. Fortress Xylitol's last employee was terminated on November 30, 2023, and its activities have been completely terminated as of the date of this report.

Les Pompes Goulds

51. As mentioned in the previous report, 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

52. Fortress, with the assistance of the Monitor, has updated its budget for the coming months in order to validate the additional financing needed to conclude a transaction while maintaining the Cold Idle Plus Scenario.
53. The updated budget is expected to allow Fortress to finalize, with the help of the Monitor, a transaction with the Potential Purchaser.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

54. 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 Potential Purchaser.
55. The Monitor also informed Fiera on the developments in the CCAA Proceedings.
56. 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.

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

Solicitation Process

58. As mentioned in the Twenty-First Report, on August 25, 2023, the Monitor, in consultation with IQ and the Quebec government, entered into an Exclusivity Agreement (the "**Exclusivity Agreement**") with the Potential Purchaser, 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 Potential Purchaser's offer, until October 15, 2023.
59. Following the expiry of this agreement, it was agreed amongst the parties that the efforts should be directed towards preparing and finalizing a binding letter of intent (or similar document setting out the principal terms and condition of a final binding agreement) rather than negotiating a renewal or extension of the Exclusivity Agreement. Despite the fact that the exclusivity period has expired and was not renewed, discussions are still ongoing with the Potential Purchaser and there are no ongoing discussions with other parties.
60. Since the Twenty-First Report, the Monitor, the Potential Purchaser, the Interim Lender, the Government through various Government entities such as the *Ministère de l'Économie, de l'Innovation et de l'Énergie* (the "**MEIE**"), the *Ministère des Affaires municipales et de l'Habitation*, the *Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs* and the *Ministère des Ressources naturelles et des Forêts*, the Municipality of Thurso, the Municipality of Lochaber-Partie-Ouest and each of their respective legal counsel, as applicable, have continued to hold regular discussions and meetings in order to move the project forward and try to reach an agreement with a view to implementing a transaction in a timely manner.
61. Given the number of parties involved in this potential transaction, several communication channels have been put in place to ensure that the discussions maintain an appropriate rhythm and that the negotiations progress. The parties have, *inter alia*, put in place the following:
- (i) Calls between the MEIE and the Potential Purchaser (weekly basis);
 - (ii) Calls between the Monitor and the Potential Purchaser (weekly basis);
 - (iii) Calls between the Monitor, the MEIE, IQ and the Potential Purchaser (weekly basis);
 - (iv) Periodic communications between the legal counsels of the Monitor, IQ and the Potential Purchaser.
62. Between June 2023 and January 2024, more than one hundred calls and meetings have been held in connection with the potential transaction in order to advance discussions and try to reach an agreement.
63. Furthermore, with a view to progressing towards a potential transaction, it was agreed between the MEIE and the Potential Purchaser that a Phase II environmental report would be required. Since the previous report, a mandate was given to an engineering firm jointly by the Monitor and the Potential Purchaser in order to initiate the Phase II environmental study. On November 21, 2023, a meeting was held between the engineering firm mandated for the study, the Monitor, IQ, the MEIE, the Potential Purchaser and Fortress in order to present the preliminary results of the Phase II environmental study. Given the fact that it is a vast industrial land having been in operation for several decades, the scale of work is significant and will continue over the coming weeks and months.

64. As of today, significant progress has been made since the previous report to resolve various points subject to negotiation and a lot of work is underway to resolve others, including the environmental liabilities, land registration and the transfer of different permits.
65. The time and amounts invested by the Potential Purchaser demonstrate the seriousness and the commitment of this party towards the potential transaction. As of the date of this report, the Potential Purchaser has given over 23 mandates to external firms, for an amount totaling more than \$4M. This is without taking into consideration the internal resources that were invested by this party, including seven employees working on this project, two which are entirely dedicated to same.
66. At this moment, the Monitor continues to believe that despite the several questions that remain to be answered, the extension of the Stay Period requested should allow the Potential Purchaser, IQ and the MEIE to solve these questions and that there is a reasonable possibility that a binding agreement with respect to a transaction for Fortress' assets could be concluded by the end of the extension of the Stay Period requested. The Monitor's conditional optimism is based on the seriousness and rigor that has transpired from the discussions amongst the various parties involved in this potential transaction as described herein above. Even though some challenges remain to be overcome to complete a transaction, all of the parties still seem strongly committed to a successful outcome.

Environmental Matters

67. Since the Twenty-First 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.
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 taken place in the normal course of business. As of the date of this Twenty-Second Report, the Monitor has not been made aware of any issues that would necessitate immediate actions other than the one described above.

III. FORTRESS' CASH FLOW UP TO JANUARY 6, 2024 (17 WEEKS)

69. Fortress' financial performance highlights for the period from September 10, 2023, to January 6, 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-First Report on September 25, 2023 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$1.3M in cash inflows mainly explained by:
 - i. an unfavorable variance of \$1M in DIP financing. This variance is mainly due to timing differences in the receipts and disbursements; and
 - ii. an unfavorable variance of \$326K in GST & QST refunds. This variance is due to a lower level of disbursements during this period.
 - (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$3.0M in cash outflows. The variance is primarily attributable to:
 - i. a favorable variance in Cold Idle Plus of \$695K mainly explained by the efforts made by the Company to find alternative solutions as well as by the fact that certain work that was planned did not have to be completed due to the work completed last year;
 - ii. a favorable variable of \$450K in chemical removal and remediation. This variance is mainly temporary and is explained by the fact that the removal

- of solid chemicals was postponed until spring given that they presented no risk during the winter;
- iii. a favorable variance of \$488K in professional fees. This favorable variance is partly due to timing as some services have not yet been invoiced. Also, the budgeted amount provided for fees for closing a transaction, these disbursements are therefore delayed;
 - iv. a favorable variance of \$166K in payroll. This favorable variance is mostly permanent due to a lower level of employee recall as a result of the Cold Idle Plus;
 - v. a favorable variance of \$890K in Environmental site assessment due to timing. These expenses will be paid in the coming weeks;
 - vi. a favorable variance of \$224K in Hydro-Québec disbursement. This variance is permanent and explained by a lower than anticipated level of consumption due to warmer weather;
 - vii. a favorable variance of \$115K in Land surveying. This variance is strictly due to timing and will be paid in the coming weeks; and
 - viii. an unfavorable variance of \$90K in fortress Xylitol expenses. This variance is permanent and mainly due to the fact that the closure has been delayed.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$1.7M, as explained, mainly related to less than anticipated disbursements in Cold Idle Plus scenario as well as timing differences.

70. As of the date of this Twenty-Second 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.

IV. OVERVIEW OF THE 10-WEEK CASH FLOW PROJECTIONS

71. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 10-week period from January 7, 2024, to March 16, 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-Second Report.
72. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Cold Idle Plus Scenario.
73. 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**").
74. 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.
75. 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-Second 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.
76. 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.
77. 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.
78. Based on the projections for the period ending March 16, 2024, Fortress will have sufficient funds to cover the expected disbursements during this period without an increase in the Interim Financing Facility as indicated in the projections attached as **Appendix B**.
79. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
80. 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.
81. The Cash Flow Statement demonstrates that an additional increase in the Interim Financing Facility is not required until the end of the extension of the Stay Period requested.

V. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

82. IQ is seeking an extension of the Stay Period until March 15, 2024, in order to allow the Potential Purchaser to continue its due diligence and the parties to agree on the terms of a binding agreement with respect to a transaction for Fortress' assets.
83. 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.
84. As described in this Twenty-Second 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.

VI. THE MONITOR'S CONCLUSIONS

85. 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 Potential


Purchaser continues its due diligence and the parties work towards agreeing on the terms and conditions of a binding agreement with respect to a transaction for Fortress' assets.

86. As noted above, the current Stay Period expires on January 31, 2024. The Monitor understands that the extension of the Stay Period sought by IQ is required to maintain Fortress' assets while the parties work towards agreeing on the terms and conditions of a binding agreement as previously mentioned in this report.
87. 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.
88. 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-Second Report of the Monitor.
89. The Monitor believes that Fortress and IQ have acted, and continue to act, in good faith and with due diligence.
90. The Monitor respectfully submits to the Court this, its Twenty-Second Report.

DATED AT MONTREAL, this 16th day of January 2024.

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 17-week period ended January 6, 2024

(in \$000 CAD)

	For the 17-week period ended January 6, 2024				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
DIP	4,000	5,000	(1,000)	-20%	Note 1
GST & QST refunds	123	449	(326)	-73%	Note 2
Total - Receipts	4,123	5,449	(1,326)	-24%	
Disbursements					
Cold Idle Plus	528	1,223	695	57%	Note 3
Chemical removal and remediation	699	1,149	450	39%	Note 4
Professional fees	432	920	488	53%	Note 5
Payroll	638	804	166	21%	Note 6
Environmental site assessment	-	890	890	100%	Note 7
Hydro-Québec	454	678	224	33%	Note 8
Trade payables - Operation	99	136	37	27%	
Land surveying	-	115	115	100%	Note 9
Insurance	20	20	-	0%	
Fortress Xylitol Inc. - expenses	110	20	(90)	-450%	Note 10
Total - Disbursements	2,980	5,955	2,975	50%	
Change in Cash-Flow	1,143	(506)	1,649	326%	
Net cash (Shortfall) - Beginning	1,767	1,767	-	0%	
Net cash (Shortfall) - Ending	2,910	1,261	1,649	131%	

APPENDIX A (con't)

Fortress Global Enterprises

Notes on Budget-to-Actual Analysis

For the 17-week period ended January 6, 2024

Note 1	DIP	Fortress' draws from the Interim Financing Facility were \$1M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements.
Note 2	GST & QST refunds	The GST and QST refunds were \$326K lower than the budgeted amount for the 17-week period. This variance is due to a lower level of disbursements during this period.
Note 3	Cold Idle Plus	The cumulative disbursements for the Cold Idle of \$528K were \$695K lower than the budgeted \$1.2M. This favorable variance is mainly explained by the efforts made by the Company to find alternative solutions as well as by the fact that certain work that was planned did not have to be completed due to the work from last year.
Note 4	Chemical removal and remediation	The cumulative disbursements for the Chemical removal and remediation of \$699K were \$450K lower than the budgeted \$1.2M. This favorable variance is mainly temporary and is explained by the fact that the removal of solid chemicals was postponed until spring given that they presented no risk during the winter.
Note 5	Professional fees	Disbursements for professional fees were \$488K below the budgeted amount of \$920K. This favorable variance is partly due to timing as some services have not yet been invoiced. Also, the budgeted amount provided for fees for closing a transaction, these disbursements are therefore delayed.
Note 6	Payroll	The payroll disbursements of \$638K are lower than the budgeted \$804K. This favorable variance is partly permanent due to a lower level of employee recall for Cold Idle purposes.
Note 7	Environmental site assessment	The favorable variance of \$890K in environmental assessment fees is strictly due to timing and will be paid in the following weeks.
Note 8	Hydro-Québec	The favorable variance of \$224K in Hydro-Québec disbursements is explained by a lower than anticipated level of consumption due to warmer weather. The variance is permanent.
Note 9	Land surveying	The favorable variance of \$115K in land surveying is due to timing and will be paid in the following weeks.
Note 10	Fortress Xylitol Inc. - expenses	The unfavorable variance of \$90K in Fortress Xylitol expenses is permanent and mainly due to the fact that the closure of Fortress Xylitol has been delayed until Nov 30, 2024.

APPENDIX B

APPENDIX B

Fortress Global Enterprises

Consolidated Cash-Flow

For the 10-week period ending March 16, 2024

Consolidated (\$000)	Period ending	Forecast 13-Jan-24	Forecast 20-Jan-24	Forecast 27-Jan-24	Forecast 03-Feb-24	Forecast 10-Feb-24	Forecast 17-Feb-24	Forecast 24-Feb-24	Forecast 02-Mar-24	Forecast 09-Mar-24	Forecast 16-Mar-24	10-week Total
Receipts												
DIP		-	-	-	1,000	-	-	-	-	-	-	1,000
GST & QST refunds		84	-	-	-	38	-	-	-	-	45	167
Total - Receipts		84	-	-	1,000	38	-	-	-	-	45	1,167
Disbursements												
Environmental site assessment		-	890	-	-	-	-	-	-	-	-	890
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	581	581
Professional fees		50	50	50	50	50	50	50	50	50	50	500
Cold Idle Plus		43	43	43	43	43	43	43	43	43	43	430
Hydro-Québec		42	42	42	42	42	42	42	42	42	42	420
Payroll		-	64	-	80	-	64	-	84	-	64	356
Municipal taxes		-	-	-	-	-	160	-	-	-	-	160
Vacations [1]		-	-	-	-	-	-	-	-	-	120	120
Chemical removal and remediation		117	-	-	-	-	-	-	-	-	-	117
Land surveying		-	115	-	-	-	-	-	-	-	-	115
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	80
Insurance		-	-	-	5	-	-	-	5	-	-	10
Total - Disbursements		260	1,212	143	228	143	367	143	232	143	908	3,779
Change in Cash-Flow		(176)	(1,212)	(143)	772	(105)	(367)	(143)	(232)	(143)	(863)	(2,612)
Net cash (Shortfall) - Beginning		2,910	2,734	1,522	1,379	2,151	2,046	1,679	1,536	1,304	1,161	2,910
Net cash (Shortfall) - End		2,734	1,522	1,379	2,151	2,046	1,679	1,536	1,304	1,161	298	298

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>			
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
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	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors		X
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Municipal taxes	Based on historical costs	X	
Vacations	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Chemical removal and remediation	Estimate of disbursements required based on Management's estimation and discussions with external experts		X
Land surveying	Estimate of disbursements required by Fortress based on estimates from external parties	X	
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Insurance	Based on historical costs	X	