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

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

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

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

Co-Applicant / Principal Secured Creditor

- and -

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

Co-Applicant / Secured Creditor

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

- and -

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

- and -

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

- and -

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

- and -

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

Debtors

- and -

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

Monitor

TWENTY-FIRST 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. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twenty-first report (the "**Twenty-First Report**"). The purpose of the Twenty-First Report is to inform the Court with respect to the following:
 - I. Update on Fortress' operations;
 - II. The Monitor's activities since the Twentieth report;
 - III. Fortress' cash flow up to September 9, 2023 (13 weeks);
 - IV. Fortress' updated cash flow projections for the period from September 10, 2023, to January 31, 2023;
 - V. IQ's request to have the Seventh Amending Agreement (the "**Seventh Amending Agreement**") to the interim financing term sheet (the "**Interim Financing Term Sheet**") be approved by this court, together with a corresponding increase of the Interim Lender Charge;
 - VI. IQ's request for an extension of the Stay Period; and
 - VII. The Monitor's conclusions.

I. UPDATE ON FORTRESS' OPERATIONS

45. Since the Twentieth Report:

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

Update on Fortress Xylitol Inc.

46. 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.

47. 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.

48. 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. The closure of Fortress Xylitol is expected to be completed in the coming weeks.

Les Pompes Goulds

49. 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

50. Fortress, with the assistance of the Monitor, updated its budget for the coming months in order to validate the additional financing needed to complete the solicitation process as described hereinafter, while maintaining the Cold Idle Plus Scenario.

51. The updated budget allows Fortress to finalize, with the help of the Monitor, a transaction with the Potential Purchaser.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

52. 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.

53. The Monitor also informed Fiera on the developments in the CCAA Proceedings.

54. 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.

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

Solicitation Process

56. As mentioned in the previous report, on April 14, 2023, Fortress and the Monitor received six (6) offers from different interested parties, including parties which had previously demonstrated an interest in a potential transaction, as well as other parties which had, until then, not demonstrated such interest.
57. These offers were shared with the Interim Lender who proceeded with an analysis of each of the above offer, together with the Monitor and the Company, as well as with the various branches of the Quebec government.
58. In the following weeks and months, the Monitor, in consultation with the Interim Lender, had various discussions and exchanges with two (2) of the above offerors, namely with a view to clarify the terms and conditions of each of their respective offers.
59. After thorough review, the Monitor, in consultation with the Interim Lender, elected to pursue its discussions with one (1) particular offeror (the "**Potential Purchaser**"), who had indicated a willingness to implement a transaction prior to the end of the year, subject to completing its due diligence over the course of the summer, during which a Phase II environmental report would be prepared.
60. On June 8, 2023, the Monitor communicated with the Potential Purchaser to inform it that the Monitor wanted to offer it an exclusivity period to complete its due diligence and negotiate a final agreement for the acquisition of Fortress' assets.
61. Since the previous 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 *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 Municipalité of Lochaber-Partie-Ouest and each of their legal counsels had various discussions and meetings in order to move the project forward and try to reach a transaction in a timely manner.
62. 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 (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.
63. In parallel with the foregoing, a Phase II environmental report has been requested and is currently underway, which will allow the parties to pursue and finalize their discussions in connection with a potential transaction.
64. On August 25, 2023, the Exclusivity Agreement has been finalized and signed by all parties. The Exclusivity Agreement offers exclusivity to the Potential Purchaser until October 15, 2023 and is supported by the Interim Lender. The Monitor believes that this exclusivity will allow the Potential Purchaser to advance its due diligence on certain aspects of its project.
65. As of today, significant progress has been made 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.
66. The Potential Purchaser and the Monitor are finalizing a service agreement with the engineering firm WSP in order to complete a phase II environmental study. As demonstrated in the forecast attached to this Twenty-First Report (**Appendix B**), significant amounts are budgeted in order to complete these studies. 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 extend over many weeks. The number of soil samples to test is currently estimated at more than 250.

67. At this moment, the Monitor believes that despite the several questions that remain to be answered, the Exclusivity Agreement should allow the Potential Purchaser to solve these questions. The Monitor also believes that there is a reasonable possibility that a viable transaction could be concluded by the end of the sought Extension Period with respect of Fortress' assets. The Monitor's conditional optimism is based on the seriousness and rigor that has transpired from the discussions amongst the Potential Purchaser, the Government and the Monitor. Even though some challenges remain to be overcome to complete a transaction, all of the parties seem strongly committed to a successful outcome. The fact that significant amounts are invested by each of the parties also demonstrates the seriousness and desire to reach an agreement.

Environmental Matters

68. Since the Twentieth 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.
69. 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-First 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 SEPTEMBER 9, 2023 (13 WEEKS)

70. Fortress' financial performance highlights for the period from June 11, 2023 to September 9, 2023, are presented in the Actual Cash Flow annexed hereto as **Appendix A**. The Monitor's comments on Fortress' financial performance during this period are the following:
- (i) compared with the initial statement of projected cash flow presented to the Court in the Twentieth Report on June 20, 2023 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$1.7M in cash inflows mainly explained by:
 - i. An unfavorable variance of \$1.7M in Reimbursements from Selected Party. These receipts have been delayed since the related disbursements have not yet been made. These amounts should be reimbursed upon closing of a transaction; and
 - ii. A favorable variance of \$58K in GST & QST refunds. This variance is due to timing as refunds were deposited earlier than forecasted.
 - (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.6M in cash outflows. The variance is primarily attributable to:
 - i. A favorable variance in Cold Idle Plus of \$1.0M mainly due to timing and explained by the fact that the work related to the Cold Idle and expenses to be incurred began later than initially anticipated;
 - ii. A favorable variance of \$250K in Environmental site assessment due to timing. These expenses will be paid in the following weeks.
 - iii. A favorable variance of \$52K in Hydro-Québec disbursement due to changes in the capacity agreement, which was reduced to account for lower activity. The variance is permanent;

- iv. A favorable variance of \$192K in professional fees mainly due to timing as some services have not yet been invoiced; and
 - v. A favorable variance of \$28K in QST & GST payments strictly due to timing, as payments have been delayed in comparison to the forecasted payment schedule.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$63K, as explained, mainly related to the delay in reimbursements from the Potential Purchaser, lower disbursements in the implementation of the Cold Idle Plus scenario and timing differences.

71. As of the date of this Twenty-First Report, all post-filing expenses incurred by Fortress have been or will be paid in the normal course of business out of the Interim Financing Facility described in the First Report or through an increase in the Interim Financing Facility.

IV. OVERVIEW OF THE 21-WEEK CASH FLOW PROJECTIONS

72. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 21-week period from September 9, 2023, to February 3, 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-First Report.

73. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Cold Idle Plus Scenario.

74. 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**").

75. 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.

76. 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-First 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.

77. 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.

78. 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.
79. Based on the projections for the period ending February 3, 2024, Fortress will not have sufficient funds to cover the expected disbursements during this period without the increase in the Interim Financing Facility as indicated in the projections attached as **Appendix B**.
80. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
81. This Cash Flow Statement allows Fortress to continue to implement the Cold Idle Plus Scenario that will limit Fortress' expenses for the next year to the bare minimum while maintaining the water treatment for the benefit of the city of Thurso and the fire service for neighbouring businesses.
82. The Cash Flow Statement demonstrates that an additional increase in the Interim Financing Facility is required in the coming weeks.

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

83. As described in the previous reports of the Monitor, Fortress does not generate revenues to continue to finalize a transaction with the Potential Purchaser and safeguard the integrity and safety of all of its assets and must therefore obtain additional financing during the Stay Period.
84. As appears from the Application, Fortress has negotiated with the Interim Lender a Seventh Amending Agreement to the Interim Financing Term Sheet which will provide for an increase in the Interim Financing Facility, which will allow Fortress to have access to an additional \$4.5M of interim financing on the same terms and conditions as previously set forth in the Interim Financing Term Sheet that was already approved by the Court. Ultimately, the total amount of the Interim Financing Facility would be increased to \$38.3M.
85. The Interim Financing Facility has been and will continue to be used to provide interim financing to Fortress during the pendency of these CCAA Proceedings.
86. As appears from the Seventh Amending Agreement, all additional amounts to be advanced to Fortress are to be secured by a Court-ordered super-priority charge (the "**Interim Lender Charge**"). As the total amount of the Interim Financing Facility will be increased to \$38.3M, the Interim Lender requests that the total amount of Interim Lender's Charge be increased to \$45.96M (i.e., \$38.3M plus 20%), which Interim Lender's Charge will attach to all of Fortress' assets, in priority to all other existing encumbrances and Court-ordered charges, except for the Administration Charge and the Litigation Financing Charge, but as regards the latter, only with respect to the Litigation Proceeds (as this term is defined in the Litigation Funding Agreement).
87. Based on the current Cash Flow Statement, additional amounts will need to be advanced to Fortress under the Interim Financing Term Sheet, in order to cover the budgeted amount set forth in said Cash Flow Statement.

88. The Monitor supports IQ's request to increase the amounts which Fortress will be entitled to borrow under the Interim Financing Term Sheet for the following reasons:

- (i) In the Monitor's view, no creditor will be materially prejudiced as a result of the increase of the Interim Financing Facility and related Interim Lender's Charge, as the funding is expected to allow Fortress to continue its restructuring efforts and proposed restructuring, which will enhance the recovery for the benefit of Fortress' secured creditors, suppliers and employees, as opposed to a piecemeal liquidation, which would occur in the absence of additional funding;
- (ii) The Monitor considers the terms of the Seventh Amending Agreement to be fair and reasonable and they are consistent with the Interim Financing Term Sheet, the First Amending Agreement, the Second Amending Agreement, the Third Amending Agreement, the Fourth Amending Agreement, the Fifth Amending Agreement and the Sixth Amending Agreement, all of which have been previously approved by this Court. The Monitor wishes to highlight the fact that the terms of all of the foregoing agreements are highly competitive given that the Interim Financing Facility contemplates a fixed interest rate of 10% *per annum*, with no other fees or charges required (other than the reimbursement of legal fees);
- (iii) Given the unique nature of the collateral, it is unlikely that alternative financing could have been arranged with a third party at this cost, especially in light of the recent increases to the Bank of Canada policy interest rate; and
- (iv) The terms and conditions of the Interim Financing Term Sheet have already been approved by this Court as part of the First Day Order.

VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

89. IQ is seeking an extension of the Stay Period until January 31, 2024, in order to allow the Potential Purchaser to complete its due diligence.
90. The Monitor is informed that Fortress intends to continue to pay post-filing amounts owed to its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.
91. As described in this Twenty-First Report, the Cash Flow Statement indicates that Fortress should not have sufficient liquidity to continue to meet its obligations in the ordinary course of business without the proposed increase to the Interim Financing Facility that will be granted to Fortress through the Seventh Amending Agreement.

VII. THE MONITOR'S CONCLUSIONS

92. The Monitor believes that Fortress should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the proposed order sought by IQ since same would provide Fortress with the opportunity to maintain its assets while the Potential Purchaser finalizes its due diligence.
93. As noted above, the current Stay Period expires on September 29, 2023. The Monitor understands that the extension of the Stay Period sought by IQ is required to maintain its assets while concluding the SISF as previously mentioned in this report.
94. Based on the information presently available, the Monitor believes that Fortress' creditors will not be materially prejudiced by the proposed extension of the Stay Period.
95. The Monitor confirms that there is no further material development to report in this matter at this time, other than what is provided for in this Twenty-First Report of the Monitor.

96. The Monitor believes that Fortress and IQ have acted, and continue to act, in good faith and with due diligence.

97. The Monitor respectfully submits to the Court this, its Twenty-First Report.

DATED AT MONTREAL, this 25th day of September 2023.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CIRP, LIT
President



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

Appendix A

APPENDIX A

Fortress Global Entreprises

Budget-to-Actual Analysis for the 13-week period ended September 9 2023

(in \$000 CAD)

	<u>For the 13-week period ended September 9 2023</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
Consolidated Receipts					
Reimbursements from Selected Party	-	1 728	(1 728)	-100%	Note 1
D&O Trust reimbursement	1 317	1 287	30	2%	
DIP	500	500	-	0%	
Other deposits	17	-	17	0%	
GST & QST refunds	93	35	58	164%	Note 2
Total - Receipts	1 927	3 550	(1 681)	-47%	
Disbursements					
Cold Idle Plus	171	1 210	1 039	86%	Note 3
Payroll	435	436	1	0%	
Environmental site assessment	-	250	250	100%	Note 4
Hydro-Québec	338	390	52	13%	Note 5
Professional fees	143	335	192	57%	Note 6
Municipal taxes	276	260	(16)	-6%	
Trade payables - Operation	95	104	9	9%	
Fortress Xylitol Inc. - expenses	56	63	7	11%	
GST & QST payments	-	28	28	100%	Note 7
Insurance	15	15	(0)	-3%	
Total - Disbursements	1 530	3 091	1 561	50%	
Change in Cash-Flow	396	459	(120)	-26%	
Net cash (Shortfall) - Beginning	1 371	1 371	-	0%	
Net cash (Shortfall) - Ending	1 767	1 830	(63)	-3%	

APPENDIX A (con't)

Fortress Global Entreprises

Notes on Budget-to-Actual Analysis

For the 13-week period ended September 9 2023

Note 1	Reimbursements from Selected Party	The cumulative expected reimbursements from a Selected Party of \$1,728K have been delayed since the related disbursements have not yet been made. These amounts should be reimbursed upon closing of a transaction
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Note 2	GST & QST refunds	The GST and QST refunds were \$58K above the budgeted amount for the 13-week period. This variance is due to timing as refunds were deposited earlier than forecasted.
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Note 3	Cold Idle Plus	The cumulative disbursements for the Cold Idle of \$171K were \$1,039K lower than the budgeted \$1,210K. This favorable variance is temporary and is explained by the fact that the work related to the Cold Idle and expenses to be incurred began later than initially anticipated.
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Note 4	Environmental site assessment	The favorable variance of \$250K in environmental assessment fees is due to timing and will be paid in the following weeks.
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Note 5	Hydro-Québec	The favorable variance of \$52K in Hydro-Québec disbursements is due to changes in the capacity agreement, which was reduced to account for lower activity. The variance is permanent.
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Note 6	Professional fees	Disbursements for professional fees were \$192K below the budgeted amount of \$335K. This favorable variance is mainly due to timing as some services have not yet been invoiced.
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Note 7	GST & QST payments	The favorable variance of \$28K is strictly due to timing, as payments have been delayed in comparison to the forecasted payment schedule.
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Appendix B

APPENDIX B (1/2)
Fortress Global Enterprises
Consolidated Cash-Flow

For the 21-week period ending February 3, 2024

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
		16-Sep-23	23-Sep-23	30-Sep-23	07-Oct-23	14-Oct-23	21-Oct-23	28-Oct-23	04-Nov-23	11-Nov-23	18-Nov-23	25-Nov-23
Receipts												
DIP		-	-	500	-	-	2,000	-	-	-	-	2,000
GST & QST refunds		34	-	-	-	86	-	-	-	171	-	-
Total - Receipts		34	-	500	-	86	2,000	-	-	171	-	2,000
Disbursements												
Cold Idle Plus		-	-	-	144	86	86	86	103	103	103	103
Chemical removal and remediation		-	-	287	-	-	-	431	-	-	-	-
Professional fees		200	45	45	45	45	45	45	45	45	45	45
Payroll		64	-	64	41	74	15	74	31	89	15	89
Environmental site assessment		-	-	445	-	-	-	-	445	-	-	-
Hydro-Québec		30	30	30	42	42	42	42	42	42	42	42
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	-	-
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	8
Vacations [1]		-	-	-	-	-	-	-	-	-	-	-
Land surveying		-	-	115	-	-	-	-	-	-	-	-
Insurance		-	-	-	5	-	-	-	5	-	-	-
Fortress Xylitol Inc. - expenses		20	-	-	-	-	-	-	-	-	-	-
Total - Disbursements		322	83	994	285	255	196	686	679	287	213	287
Change in Cash-Flow		(288)	(83)	(494)	(285)	(169)	1,804	(686)	(679)	(116)	(213)	1,713
Net cash (Shortfall) - Beginning		1,767	1,479	1,396	902	617	448	2,252	1,566	887	771	558
Net cash (Shortfall) - End		1,479	1,396	902	617	448	2,252	1,566	887	771	558	2,271

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.

APPENDIX B (2/2)
Fortress Global Enterprises
Consolidated Cash-Flow

For the 21-week period ending February 3, 2024

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	21-week Total
		02-Dec-23	09-Dec-23	16-Dec-23	23-Dec-23	30-Dec-23	06-Jan-24	13-Jan-24	20-Jan-24	27-Jan-24	03-Feb-24	
Receipts												
DIP		-	-	-	500	-	-	-	-	-	-	5,000
GST & QST refunds		-	158	-	-	-	-	160	-	-	-	609
Total - Receipts		-	158	-	500	-	-	160	-	-	-	5,609
Disbursements												
Cold Idle Plus		78	78	78	78	78	19	12	12	12	19	1,278
Chemical removal and remediation		431	-	-	-	-	-	-	-	-	-	1,149
Professional fees		45	45	45	45	45	45	45	45	45	45	1,100
Payroll		20	74	-	74	-	80	-	64	-	80	948
Environmental site assessment		-	-	-	-	-	-	-	-	-	-	890
Hydro-Québec		42	42	42	42	42	42	42	42	42	42	846
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	525	525
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	168
Vacations [1]		-	-	-	-	-	-	-	-	-	120	120
Land surveying		-	-	-	-	-	-	-	-	-	-	115
Insurance		5	-	-	-	-	5	-	-	-	5	25
Fortress Xylitol Inc. - expenses		-	-	-	-	-	-	-	-	-	-	20
Total - Disbursements		629	247	173	247	173	199	107	171	107	844	7,184
Change in Cash-Flow		(629)	(89)	(173)	253	(173)	(199)	53	(171)	(107)	(844)	(1,575)
Net cash (Shortfall) - Beginning		2,271	1,642	1,553	1,380	1,633	1,460	1,261	1,314	1,143	1,036	1,767
Net cash (Shortfall) - End		1,642	1,553	1,380	1,633	1,460	1,261	1,314	1,143	1,036	192	192

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>			
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors		X
Chemical removal and remediation	Estimate of disbursements required based on Management's estimation and discussions with external experts		X
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Environmental site assessment	Estimate of disbursements required by Fortress based on estimates from external advisors	X	
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
KERP	Based on the calculations approved during these CCAA Proceedings	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	
Land surveying	Estimate of disbursements required by Fortress based on estimates from external parties	X	
Insurance	Based on historical costs	X	
Fortress Xylitol Inc. – expenses	Based on historical costs	X	