

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

**FOURTH 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 "**Application**").
2. On December 13, 2019, Investissement Québec ("**IQ**") and Fiera Private Debt Inc. (collectively, the "**Applicants**"), 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

an Application seeking, *inter alia*, the issuance of a First Day Initial Order, an Amended and Restated Initial Order 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 both Co-Applicants.
4. On December 16, 2019, the Superior Court of Quebec, Commercial Division (the "**Court**") partially granted the 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 Facility; and (v) the granting of an Interim Lenders' Charge.
5. These proceedings commenced under the CCAA by Fortress will be referred to herein as the "**CCAA Proceedings**".
6. 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**").
7. On December 19, 2019, the Applicants filed an Application for the Issuance of an Amended First Day Order, which was presentable by conference call on December 26, 2019.
8. On December 26, 2019, the above mentioned application by the Applicants was granted by the Court, which 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 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 \$250,000. On such date, the Court advised the parties that it would hear the Applicants' Application for an Amended and Restated First Day Order.
9. 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 Applicants' demand for the issuance of an Amended & Restated Initial Order.
10. On January 10, 2020, an Amended & Restated Initial Order was issued 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 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 \$610,000; (v) a D&O Charge in an amount up to \$500,000; (vi) an Administration charge in an amount up to \$600,000; (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.

11. 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).
12. On March 10, 2020, pursuant to the terms of the Amended and Restated Initial Order, the Monitor issued its Third Report. The purpose of the Third Report was to provide information to the Court on the activities of Fortress and of the Monitor since the Second Report.
13. 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 and suspending the proceedings commenced before the Court of Québec, criminal and penal division, district of Gatineau, in connection with the statements of offense bearing number 100400-1116574361, 1004400-1116574353, 100400-1116574346, 100400-1116574338 and 100400-1116574312 until May 2, 2020, as will be further discussed below.
14. On April 24, 2020, the Applicants filed an Application for the Issuance of an Order Extending the Stay Period (the "**Application**").
15. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues this Fourth Report to the Court, the purpose of which is to provide the Court with an update with respect to the following:
 - I. Update on Fortress' operations (page 5);
 - II. The Monitor's activities since the Third Report (page 8);
 - III. Fortress' Cash Flow up to April 18, 2020 (page 11);
 - IV. Overview of the 15-week Cash Flow projection from May 3rd, 2020 to August 8, 2020 (page 12);
 - V. The request for an extension of the Stay Period (page 14); and
 - VI. The Monitor's conclusions and recommendations (page 14).
16. In preparing the Fourth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Fortress' books and records and financial information prepared by Fortress and discussions with Management of Fortress (collectively, the "**Information**"). Except as described in this Fourth Report in respect of Fortress' Cash Flow Statement (as defined below):
 - (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (ii) Some of the information referred to in this Fourth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as

outlined in Chartered Professional Accountants Canada Handbook, has not been performed.

17. Future oriented financial information referred to in this Fourth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
18. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fourth Report concerning Fortress and their business is based on the Information, and not independent factual determinations made by the Monitor.
19. A copy of this Fourth Report and further reports of the Monitor, as the case may be, will be made available on the Monitor's Website (as defined below).

I. UPDATE ON FORTRESS' OPERATIONS

20. Since the issuance of the Third Report of the Monitor on March 10, 2020:

- (i) Fortress has maintained the Pulp Mill in shutdown mode and has continued its minimal and necessary operation at the Cogeneration Facility until March 24, 2020. On this date, due to the COVID-19 situation, the Québec Government ordered the closure of all non-essential activities in the Province. After discussions with Hydro-Québec and given the low demand for electricity, the Cogeneration Facility's operations were not considered essential. Moreover, given that the Pulp Mill doesn't need to be heated during summer, it is not necessary to operate the Cogeneration Facility until fall 2020;
- (ii) The market price of the dissolving pulp has remained unchanged, and nothing further indicates an increase in the pricing trend in the near future, especially during the COVID-19 situation, the resulting shrinking demand for fabric and the global economic downturn;
- (iii) Due to the Cogeneration Facility shutdown, 8 additional employees were laid off. Fortress still employs 19 employees in its Thurso location.
- (iv) No additional notice of stay of proceedings in connection with judicial proceedings initiated against Fortress for unpaid claims or contracts termination has been issued since the Third Report, see **Appendix A** for details regarding updates in proceedings which were subject to notices of stay of proceedings as described in the Third Report of the Monitor.

Update On Ongoing Issues With Creditors And Co-contractors

Hydro-Québec

21. As discussed in the first three reports of the Monitor, certain discussions were held with Hydro-Québec regarding various subjects. After several discussions and attempts to resolve the issues, Fortress, with the support of the Monitor, was unable to reach a comprehensive agreement with Hydro-Québec. Fortress and the Monitor were of the view that the security deposit of \$300K that was unilaterally established by Hydro-Québec was not required given Fortress' sufficient credit position due to the agreements related to the Cogeneration Facility.

-
22. Following the Cogeneration Facility shutdown, the Monitor was informed by Hydro-Québec that an additional \$176K would be held on revenues from the last month of electricity production to cover the consumption of April 2020, thus bringing the deposit to a total of \$476K. In addition, starting on May 1st, 2020, Hydro-Québec would require weekly pre-payments, based on the estimated monthly electricity consumption of \$200K. Fortress and the Monitor are of the opinion that these measures are unreasonable and harm Fortress' short term liquidity position.
 23. The Monitor is of the opinion that a total security deposit of \$100K, equivalent to a one month estimated consumption, would be reasonable, given that pre-payments will be made by Fortress starting in May 2020.
 24. The Monitor will shortly continue its attempts to resolve these issues with Hydro-Québec but, failing an amicable solution, will have to bring an application to the Court to establish what is a reasonable security deposit.

Lauzon

25. In its Third Report, the Monitor informed the Court that it had no other choice but to seize the Court to force one of Fortress' creditors, Lauzon-Planchers de bois exclusifs Inc. ("**Lauzon**") to grant Fortress access to the biomass/chips stored on Lauzon's premises since the biomass/chips were necessary for the operation of the Cogeneration Facility (the "**Lauzon Proceedings**").
26. On March 18, 2020, a *Demande du Contrôleur pour des ordonnances pour assurer le respect des ordonnances de la cour et l'accès à la propriété des Débitrices* (the "**Lauzon Application**") was notified to service list and, on March 23, 2020, a written contestation from Lauzon (the "**Lauzon Contestation**") was notified to the service list.
27. The Court agreed to hear the Lauzon Application notwithstanding the limitations on the judicial activities as the emergency criteria was met.
28. However, due to the Cogeneration Facility shutdown, the emergency factor related to the Lauzon Proceedings was no longer met and, on March 24, 2020, the Monitor's legal counsel advised the Court that a hearing could take place during the fall of 2020 instead, when the reopening of the Cogeneration Facility will be considered.
29. The Monitor is of the view that the Lauzon Contestation contains several allegations that are false and misleading, and that a number of statements made in the Lauzon Contestation are factually incorrect. Although most of these allegations will be corrected by the Monitor and Fortress once the Court hears the Lauzon Application, the Monitor believes it is necessary to make the following statements.
30. First, the Monitor never spoke with Lauzon before its appointment as Monitor on December 16, 2019 pursuant to the First Day Order. It should be noted that the present CCAA Proceedings are creditor-led proceedings, and not proceedings initiated by the Debtors and that Deloitte was mandated by one of the Applicants, IQ, before the present CCAA proceedings.
31. Second, during the Monitor's first discussions with Lauzon, Lauzon mentioned that Fortress was the owner of the biomass/chips on its property. Further, Lauzon represented to the Monitor that it was seeking an amicable solution for Fortress to access its biomass/chips notwithstanding its claim against Fortress as a motive to request more time, which requests were granted by the Monitor and Fortress who trusted Lauzon that there would be no issue to access the biomass/chips once it would become necessary. It was therefore a surprise to

the Monitor and to Fortress when Lauzon changed its position to claim that the biomass/chips were in fact its property. This is what explains the delay in seizing the Court with the Lauzon Application once it was urgent to access to biomass/chips. The Monitor always acted diligently, contrary to the allegations in paragraphs 103 and 105 of the Lauzon Contestation.

32. Third, there was no bad faith on the part of Fortress in the period preceding the CCAA proceedings, contrary to the allegations contained in the Lauzon Contestation. Indeed, Lauzon's account payables were reduced by almost \$ 1.5 M during that period. Upon review of the Lauzon Contestation, the Monitor realized that Lauzon might have been advantaged in some of these payments compared to Fortress' other suppliers and creditors, such that some payments might be considered to be preferential payments, and the Monitor reserves its rights to review these transactions.
33. Finally, contrary to the allegations in paragraphs 100-101, the Monitor and Fortress always acted in good faith and with transparency. Numerous delays were granted to Lauzon, and the Monitor waited until it became necessary and urgent to access the biomass/chips before seizing the Court as it believed the parties would find an amicable solution. In no way whatsoever the conduct of Fortress nor of the Monitor can be interpreted as a violation of the "clean hands" principle.
34. On April 21, 2020, the Monitor was contacted by Lauzon who was seeking an update on the Lauzon Proceedings. Lauzon also shared with the Monitor its concerns for Fortress regarding the potential depreciation of the biomass/chips' quality and additional cost that Lauzon would have to invoice to Fortress should it have to dispose of the biomass/chips in the event that they are not used shortly for the operation of the Cogeneration Facility.
35. The Monitor explained to Lauzon its confusion given the fact that it claimed that the biomass/chips remained its property, and that Lauzon contested the fact that it was, before the COVID-19 governmental measures, urgent that the Lauzon Proceedings be decided by the Court. The Monitor also reiterated that the Lauzon Proceedings were postponed until most likely the fall of 2020.

Nanotech

36. As mentioned in the Third Report, the Monitor was made aware of a dispute between Fortress and Nanotech regarding costs related to a lease and the provision of services by Fortress to Nanotech. On March 18, 2020, a conference call was held between the Monitor, Fortress and Nanotech during which the Monitor reiterated its position that Fortress could continue to provide the services provided in the Services Agreement, but that new terms and conditions had to be agreed upon. In the meantime, in an effort to accommodate Nanotech until such a new agreement is reached, Fortress has continued to provide services on a cost/plus basis.
37. During on-going discussions with Nanotech, some disputed points were settled, namely the consumption of electricity and the issues with Hydro-Québec for the invoicing of this electricity. In the days prior to the imposition of government measures because of the COVID-19 situation, Nanotech informed the Monitor that it was further analyzing the issue that remained outstanding. The Monitor is still waiting for Nanotech to provide its position on the remaining points to be settled.

General

38. On April 15, 2020, Fortress, with the assistance of the Monitor, presented to its secured lenders different scenarios to preserve cash as well as options to further reduce costs in the coming months. This was done with the objective of allowing additional time for Fortress to attract a potential investor and to execute its restructuring initiatives as described in the First Report, which includes:

- (i) The reduction to a minimum of Fortress’ operations;
- (ii) The modernization and upgrade of Fortress’ current operation and installation; and
- (iii) The alternative production.

39. The Monitor, Fortress and its secured lenders have agreed to continue this discussion once the extension of the Stay Period is secured by the Court following the presentation of the Applicants’ Application.

II. MONITOR’S ACTIVITIES SINCE THE THIRD REPORT

Claim Process

40. On March 16, 2020, pursuant the Claims Procedure Order, the Claims Bar Date passed. The Monitor received 435 proofs of claim for a total of approximately \$117.4 million, excluding those secured claims of the Applicants, but did not start to validate them with Fortress.

Fortress Global Enterprises Inc.

Claims Register

Excluding secured claims from applicants

Type of claim	Amount (\$000)
Secured	7,648
Unsecured	109,728
	117,376

Stay of Proceedings Involving Regulatory Bodies

41. Following the communication of notices of stay of proceedings, the Monitor was informed by the Director of Criminal and Penal Prosecutions (the “DCPP”) and the *Ministère de l’Environnement et de la Lutte contre les Changements Climatiques* (the “MELCC”) that they were regulatory bodies, as defined in paragraph 11.01(1) of the CCAA, such that the stay of proceedings did not apply to their respective proceedings.

42. Conference calls were initially scheduled with the respective coordinating judges to discuss the question of the enforceability of the stay of proceedings. As there was an urgent need to resolve the question of the enforceability of the stay of these proceedings because of an upcoming important and significantly costly proceeding by the DCPP, the Monitor instructed its legal counsel to present an application to the Court for an order that the stay of proceedings would apply to these proceedings.

43. The MELCC did not contest this application. The DCPP maintained its position that the stay of proceedings did not apply to its proceedings, but did not contest the application, reserving its rights to do so at the next hearing for an extension of the stay, if applicable.

44. On March 23, 2020, an order was rendered by the Court, which provided for:

- (i) a stay of proceedings under these CCAA Proceedings should apply to the procedure brought by the MELCC, and

(ii) a stay of proceedings until May 2, 2020, for the procedure brought by the DCP. (the "**Stay Order Regarding Regulatory Bodies**").

45. On March 23, 2020, the Monitor posted a copy of the Stay Order Regarding Regulatory Bodies on the Monitor's website.
46. The Monitor is of the view that the stay of proceedings, as described in the Stay Order Regarding Regulatory Bodies order should remain in force during the next Stay Period.
47. The Monitor has been informed that, although the DCP continues to maintain that the stay of proceedings does not apply to its proceedings, it will not contest the extension of the Stay Order Regarding Regulatory Bodies and will reserve its rights to do so at the next hearing for an extension of the stay, if applicable.

Letters of Credit

48. The Monitor had discussions with CIBC regarding the renewals of two letters of credit related to electricity supply contracts with Hydro-Québec and another one to a supplier of Fortress. Following Hydro-Québec's decision to draw the letters of credit totaling \$840K for amounts due pre-filing, it was agreed that the letter of credits would not be renewed, given that Fortress was not in a position to pay the pre-filing amounts.
49. On April 9, 2020, a call was held between the Monitor and Hydro-Québec to discuss the required letters of credit as stipulated in the Cogeneration Facility agreements. Given that Fortress is not currently operating the Cogeneration Facility, Hydro-Québec agreed that it would not enforce the default clauses in the above agreements in view of supporting Fortress until a decision is made on a solution or until Fortress is operating the Cogen Facility in the fall 2020.

WEPPA

50. Since its Third Report, the Monitor completed the registration to the WEPPA of all laid-off employees regarding their unpaid vacations. Since the majority of employees were considered to be permanently laid off as of April 11, 2020, after a 6-month temporary layoff, it was agreed that the 255 employees who were laid off would all be terminated. The Monitor is currently waiting to receive Fortress' information to calculate the severance due to each employee and to update the information to the WEPPA.

Solicitation Process

51. Since the First Day Order, the Monitor and Fortress had discussions with a total of twenty-two (22) different parties regarding the future of the Pulp Mill. Of this number, fifteen (15) of those parties entered into a confidentiality agreement and received a confidential information memorandum.
52. Fortress is currently in active discussions with three (3) parties which all have access to a virtual data room and are reviewing the information it contains. Fortress is working on answering the parties' questions and providing them with additional documents and analysis upon requests. Of these three active parties, two are current players in the pulp industry and the other is interested in an alternative project.

53. As of the date of this report, The Monitor does not have any indications as to whether or not a potential transaction would occur, especially in the current COVID-19 situation and the resulting economic downturn.

Environmental Matters

54. Since the First Day Order, the Monitor has had discussions on a frequent basis with the employees responsible of all the environmental matters, in view of establishing if the proper safeguards and procedures were in place and to identify if any actions were required regarding the environment. As of the date of this Fourth Report, the Monitor has not been made aware of any major issues that necessitates immediate actions.

55. The Monitor has only been made aware of following minor issues:

- (i) On January 27, 2020, the representative of a company occupying the land next to a one belonging to Fortress contacted the Monitor because he was concerned about the treatment that was being done for the leachate on this land. The Monitor ensured that one of Fortress' employee responsible for the environmental aspect would contact him, and such a discussion took place on February 14, 2020. The Monitor is informed that, during the thaw period, special attention must be paid to the leachate, and that Fortress is aware of this and is monitoring the situation in order to respond promptly.
- (ii) On March 5, 2020, the legal counsel of the city of Thurso informed the Monitor that there were strong odors coming from the Pulp Mill landfill and that the spreading of certain products did not seem to be done. The Monitor contacted Fortress, and was informed that the spreading of said products on the landfill is never done during the winter, such that this situation was not unusual. In addition, around the time of the complaint, a sewer had clogged and odors were felt when unblocking it, which may have caused stronger odors during a short period.
- (iii) In order to meet environmental requirements, Fortress must send waste water samples for independent laboratory testing. Due to the COVID-19, the carrier used by Fortress has longer delivery times and when the samples arrive in the laboratory, they are no longer viable. Fortress attempted to find another laboratory, but this is not currently possible due to the COVID-19. Fortress has notified the Ministry of the situation and is currently working to resolve this problem.
- (iv) The Monitor is informed that Fortress is managing a leak that was recently discovered in the wall of an emergency basin at the waste water treatment plant. The Monitor is informed that, due to the COVID-19 situation, Fortress has implemented temporary measures to counter this problem and is working to find a permanent solution, but that the financial resources do not at this time allow implementation of the actual proposed permanent solution.

General

56. On March 10, 2020, the Monitor posted a copy of the Third Report on the Monitor's website.

57. Fortress and the Monitor held calls with the Applicants on a regular basis in order to update them on cash flow, operations and the solicitation process.

58. More generally, the Monitor, with the assistance of Fortress, has been responding to questions of various stakeholders as to the status of the CCAA Proceedings.
59. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts on a weekly basis with full co-operation of Management and was presented with all requests for payment of services provided to Fortress since the First Day Order.
60. The Monitor is of the view that the stay of proceeding as defined in the Application should allow the continuation of legal proceedings brought forward by Fortress.

III. ACTUAL RECEIPTS AND DISBURSEMENTS

61. The following table provides an overview of the opening cash balances, the closing cash balances and the variations by Fortress for the period from March 1, 2020 to April 18, 2020.

Fortress Global Enterprises Inc.
Cash overview - For the 7-week period ended April 18, 2020
(In \$000 CAD)

Entity	Opening cash balance	Total variation in cash balance	Closing cash balance
Fortress Specialty Cellulose Inc.	775	77	852
Fortress Bioenergy Inc.	151	(144)	7
Fortress Global Enterprises Inc.	15	-	15
Total	941	(67)	874

62. Fortress' financial performance highlights for the period from March 1, 2020, to April 18, 2020, are presented in the Actual Cash Flow annexed hereto as **Appendix B**. The Monitor's comments on Fortress' financial performance during this period are the following:
- (i) compared with the initial statement of projected cash flow presented to the Court on March 10, 2020 (the "Initial Cash Flow Statement"), Fortress experienced an unfavorable variance of \$1,531M in cash inflows:
 - i. Fortress collected \$799K less of QST & GST than budgeted. The receipt of \$799K was delayed because of an audit by Revenu Québec. These amounts should be received in the coming weeks.
 - ii. The unfavorable variance of \$500K in Grant from MMFP is due to timing. Fortress had the confirmation from the MFFP that the amount was released. This amount has recently been received.
 - iii. The receipt of management fees from Fortress Xylitol Inc. for the first two quarters of 2020 caused a favorable variance of \$200K in other deposits.
 - iv. Fortress Bioenergy did not collect its surplus of production over consumption from the last month of production of electricity since Hydro-Québec kept the amount as a security deposit for the consumption of

April 2020. This mainly explains the unfavorable variance of \$390K in Cogeneration plant revenues.

- v. Fortress experienced a favorable total variance of less than 1% in respect of all other cash inflows.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1,062M in cash outflows. The variance is primarily attributable to:
- i. A cumulative and positive variance of \$177K in trade payables mainly due to the Cogen Facility shutdown;
 - ii. Disbursements for biomass were higher than initially budgeted by \$27K despite the Cogen Facility shutdown. This is explained by an inventory buildup done to prepare for the thaw season, period during which biomass supply is more difficult and given the non-access to biomass located on Lauzon's premises. There is approximately \$225K of biomass in inventory.
 - iii. The unfavorable variance of \$96K in payroll related is due to timing. A payment was made to catch up for the three months of delay in group insurance payments.
 - iv. A favorable variance of \$233K in professional fees is mainly due to the fact that certain litigations requiring an hearing have been postponed. Also, a portion of this favorable variance is temporary since not all invoices have been received yet. As of April 22, 2020, there is approximately \$75K of professional fees not invoiced.
 - v. A favorable and permanent variance of \$185K since the last month of the insurance policy has already been paid as per the payment schedule;
 - vi. A cumulative and positive variance of \$107K as Fortress agreed not to proceed with the second phase of the feasibility study for the Cogen.
 - vii. A cumulative and positive variance of \$341K in GST/QST is temporary and the payments should be done in the coming weeks.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$469K mainly caused by timing differences.

63. As of the date of this Fourth Report, all post-filing expenses incurred by Fortress have been or will be paid in the normal course of business out of the existing working capital of Fortress or through a draw of additional funds from the initial amount of \$6M made available as part of the Interim Financing, as described in the First Report. As of the date of this Fourth Report, the whole amount has been drawn from the Interim Financing.

IV. OVERVIEW OF THE 15-WEEK CASH FLOW PROJECTIONS

64. Fortress, with the assistance of the Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 15-week period from May 3, 2020 to August 8, 2020 (the "**Cash Flow Period**") for the purpose of projecting Fortress' estimated need for liquidities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix C** to this Fourth Report.
65. The cash flow has been prepared to reflect the shutdown of the Cogeneration Facility. As mentioned above in this report, Fortress has laid off employees working in the Cogeneration Facility and has entered in a minimum maintenance scenario, as its reopening is not planned

before the fall of 2020. The receipts and disbursements included in this cash flow reflect this minimum maintenance scenario.

Fortress Global Enterprises Inc.

Projected Cash-flow - Overview

For the 16-week period ended August 8, 2020 (In \$000 CAD)

Entity	Opening cash balance	Total variation in cash balance	Closing cash balance
Fortress Specialty Cellulose Inc.	852	(726)	126
Fortress Bioenergy Inc.	7	(7)	-
Fortree Global Enterprises Inc.	15	-	15
66. Total	874	(733)	141

67. The Cash Flow Statement has been prepared by Fortress using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement (the "**Notes to the Cash Flow Statement**").
68. The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions do not need to be supported, the Monitor's procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support for the probable assumptions provided by Management, as well as the preparation and presentation of the Cash Flow Statement.
69. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
- (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (ii) As at the date of this Fourth Report, the probable assumptions developed by Management are not suitably supported and consistent with Fortress' plans or that they do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
 - (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
70. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Monitor express any opinion as to the performance of Fortress' statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Fortress.
71. In comparison with the Cash Flow Statement presented in the Third Report, changes were made to reflect most of the different timing variances as previously described in paragraph 62 of this Fourth Report and to reflect any new elements such as the Cogeneration Facility shutdown and the additional employees' layoff.

72. 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.
73. Based on the projections for the period ending August 8, 2020, Fortress will have sufficient funds to cover the expected disbursements during this period without asking for additional Interim Financing. The total Interim Financing amount, namely \$6M, which has been completely drawn by Fortress, remains the same compared to what was presented in the First Report.
74. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

V. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

75. The Applicants are seeking an extension of the Stay Period until August 8, 2020, in order to preserve the value of Fortress' assets, to attract a potential investor and to implement the proposed Restructuring Process.
76. The Monitor is informed that Fortress intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings. The Monitor has been advised that, in parallel, Fortress intends to maintain the Pulp Mill and the Cogeneration Facility in shutdown mode.
77. As above described in the Fourth 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 asking for additional Interim Financing.

VI. THE MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

78. 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 Amended Initial Order, since same would provide Fortress with the opportunity to attempt a successful restructuring of its operations.
79. As noted above, the current Stay Period expires on May 2, 2020. The Monitor understands that the extension of the Stay Period sought by the Applicants is required to complete the Restructuring Process.
80. 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.
81. The Monitor also believes that Fortress has, and is acting, in good faith and with due diligence and that the sought extension of the Stay Period is appropriate.
82. The Monitor respectfully submits to the Court this, its Fourth Report.

DATED AT MONTREAL, this 28th day of April, 2020

DELOITTE RESTRUCTURING INC.

In its capacity as Proposed Court-Appointed Monitor of
Fortress



Jean-François Nadon, CPA, CA, CIRP, LIT
President



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

APPENDIX A
FORTRESS GLOBAL ENTERPRISES AND AL.

Stay of Proceedings sent as of April 28, 2020

Opposing Party	File number	Date of Notice	Comments
Grievance			
Unifor, Section locale 894	#11-014, #14-003, #14-014 and #14-013	January 27, 2020	
Unifor, Section locale 894	#13-129	January 27, 2020	
Unifor, Section locale 894	#17-026	February 28, 2020	
Tribunal Administratif du Travail			
Employee	# TAT: 682465 07 1811 ; #CNESST: R-504346768-001	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" scheduled for June 9, 2020.
Employee	# TAT: 700026 07 1905 / 712088 07 1909 #CNESST: R-504346768-001 / R-505426668-002	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" occurred February 27, 2020.
Commission des Normes, de l'Équité, de la Santé et de la Sécurité du Travail (CNESST)			
CNESST	#550-63-000089-195	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" scheduled for June 3, 2020.
Legal Procedures			
Acier Richard Steel Ltée	#550-17-011261-193	January 24, 2020	
Mécanique CNC (2002) Inc.	#505-17-011537-190	January 24, 2020	
Industries Toromont Ltée	#500-17-109597-198	January 24, 2020	
8015228 Canada Inc.	#550-17-011316-195	January 24, 2020	
Gestion Horizons RH Inc.	#500-22-259189-192	January 24, 2020	
9590404 Canada Inc.	#550-17-011361-191	January 24, 2020	
Consulair	#500-17-110635-193	January 24, 2020	
3188809 Canada Inc	#550-17-011396-197	January 24, 2020	
Les Services Électroniques Thibault (2006) Inc.	#500-22-259957-192	January 24, 2020	
2969-9899 Québec Inc.	#500-17-110951-194	January 24, 2020	
Cascades Sonoco Inc.	#755-17-003091-207	January 28, 2020	
Donati Maisonneuve s.e.n.c.r.l.	#500-22-260483-204	January 30, 2020	
Groupe Laframboise Ltée	#500-17-011375-191	January 31, 2020	
Amex Bank of Canada	# S-200705	February 12, 2020	
Accent Packaging Inc.	#500-17-111540-202	February 13, 2020	
Dispute of various environmental offenses			
Directeur des Poursuites Criminelles et Pénales du Québec	#100500-1116574312, #100400-1116574338, #100400-1116574346, #100400-1116574353 and #100400-1116574361.	February 13, 2020	On March 23, 2020, an order was rendered by the Court, which provided for a stay of these proceedings until May 2, 2020.
Dispute of an administrative penalty			
Ministère de l'Environnement	STE-Q-211461-1509	February 13, 2020	On March 23, 2020, an order was rendered by the Court, which confirmed that the stay of proceedings provided for in the First Day Order, as amended and restated, applies to these proceedings.

Contract Resiliations sent as of April 28, 2020

Company	Contract Number	Description	Date of Notice	Comments
Compagnie de Location d'équipements Clé Ltée	#323260 - #323261 - #323262 - #323263	Equipements rental	January 6, 2020	
NO. 229 SAIL VIEW VENTURES LTD - and - CUSTOM REALTY LTD.	Lease Agreement (renewal signed on September 25th, 2017)	Premises rental	January 15, 2020	
Nanotech Security Corp.	- Lease agreement dated September 16, 2014 - Transitional and Shared Services Agreement dated September 16th, 2014	- Premises rental - Services agreement	January 30, 2020	On February 18, 2020, Nanotech filed a motion for an order that agreements are not to be resiliated and for ancillary relief.
Komatsu Intl (Canada) Inc. Financiere Komatsu	Contract #334-0009355-000	Equipements rental	January 31, 2020	
Crédit-Bail RCAP Inc.	- Contract #424897-301845 (partial termination - 14 printers out of 22)	Printers	March 2, 2020	

APPENDIX B
Fortress Global Enterprises
Actual versus budget - For the 7-week period ended April 18, 2020

Fortress Specialty Cellulose Inc.

For the cumulative seven-week period ended
April 18, 2020

(\$000)	Actual	Budget	Variance	Comments
Receipts				
GST & QST refunds	-	799	(799)	The unfavorable variance of \$799K was delayed because of an audit by Revenu Québec. These amounts should be received in the coming weeks.
Reception from FBL	1,214	1,270	(56)	
DIP	2,000	2,000	-	
Grant MMFP	-	500	(500)	The unfavorable variance of \$500K is due to timing. Fortress had the confirmation from the MMFP that the amount was released. This amount has recently been received.
Other deposits	14	-	14	
Reception from FXI	200	-	200	The favorable variance of \$200K is explained by the receipt of management fees from FXI for Q1 and Q2 2020.
Total - Receipts	3,428	4,569	(1,141)	
Disbursements				
Trade payables - Regular	(303)	(480)	177	The favorable variance of \$177K in trade payable is mainly explained by the Cogen Facility shutdown at the end of March.
Payables - Fiber current / Biomass	(833)	(806)	(27)	Disbursements for biomass were higher than initially budgeted by \$27K despite the Cogen Facility shutdown. This is explained by the fact that an inventory buildup was done to prepare for the thaw season, period during which biomass supply is more difficult and given the non-access to biomass on Lauzon's premises. There is for approximately \$225K of biomass in inventory.
Payroll	(753)	(779)	26	
Payroll related	(200)	(104)	(96)	The unfavorable variance of \$96K is due to timing. A payment was made to catch up for the three months of delay in group insurance payments.
Hydro-Quebec	(810)	(870)	60	
Professional fees	(267)	(500)	233	Professional fees were lower than initially budgeted. This is mainly due to the fact that certain litigations requiring a hearing have been postponed. Also, a portion of this favorable variance is temporary since not all invoices have been received yet. As of April 22, 2020, there is approximately \$75K of professional fees not invoiced.
Insurance	(185)	(370)	185	As per the insurance payment schedule, the last month of the insurance policy has already been paid which caused a permanent favorable variance of \$185K.
Feasibility study - Cogen	-	(107)	107	Following the result of the preliminary analysis, Fortress agreed to postpone the second phase of the study.
Total - Disbursements	(3,351)	(4,016)	665	
Change in Cash-Flow	77	553	(476)	
Net cash (Shortfall) - Beginning	775	775	-	
Net cash (Shortfall) - End'	852	1,328	(476)	

(1) The net cash (shortfall) balance at the end includes outstanding checks. As of April 18, 2020, outstanding checks totaled 134k\$.

Fortress Bioenergy Ltd.

For the cumulative seven-week period ended
April 18, 2020

(\$000)	Actual	Budget	Variance	Comments
Receipts				
Cogeneration plant revenues	1,070	1,460	(390)	Cogeneration plant revenues are lower than budgeted as the surplus of production over consumption from the last month of production has been kept by Hydro-Québec as a security deposit. There is currently negotiation between Hydro-Québec and Fortress on this subject.
Disbursements				
Transfert FSC	(1,214)	(1,270)	56	
QST/GST	-	(341)	341	The favorable variance of \$341K is temporary and the payment should be done in the coming weeks. A transfer from FSC could be necessary.
Total - Disbursements	(1,214)	(1,611)	397	
Change in Cash-Flow	(144)	(151)	7	
Net cash (Shortfall) - Beginning	151	151	-	
Net cash (Shortfall) - End	7	0	7	

Fortress Global Enterprises

For the cumulative seven-week period ended
April 18, 2020

(\$000)	Actual	Budget	Variance	Comments
Opening balance	15	15	-	
Transfer from FSC	-	-	-	
Disbursements	-	-	-	
Closing balance	15	15	-	

FSC, FBL & FGE

For the cumulative seven-week period ended
April 18, 2020

(\$000)	Actual	Budget	Variance	Comments
Net cash (Shortfall) - End	874	1,343	(469)	

APPENDIX C

Fortress Global Enterprises - 16-week consolidated Cash-flow

Fortress Specialty Cellulose Inc. - Weekly Cash-Flow		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
(\$000)	Week ending	25-Apr-20	2-May-20	9-May-20	16-May-20	23-May-20	30-May-20	6-Jun-20	13-Jun-20	20-Jun-20	27-Jun-20	4-Jul-20	11-Jul-20	18-Jul-20	25-Jul-20	1-Aug-20	8-Aug-20		
Receipts																			
	GST & QST refunds	-	343	-	-	431	-	-	-	298	-	-	-	31	-	-	-	-	1,103
	Reception from FBL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Grant MMFP	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500
	DIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total - Receipts		500	343	-	-	431	-	-	-	298	-	-	-	31	-	-	-	-	1,603
Disbursements																			
	Trade payables - Regular	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(80)
	Payroll	-	(139)	-	(87)	-	(87)	-	(87)	-	(85)	-	(83)	-	(83)	-	(83)	-	(734)
	Payroll related	-	-	(30)	-	-	-	-	(31)	-	-	-	(21)	-	-	-	-	-	(82)
	Hydro-Quebec	-	-	-	-	(84)	-	-	-	(99)	-	-	(93)	-	-	-	-	-	(276)
	Professional fees	(50)	(50)	(50)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(280)
	Insurance	-	(185)	-	-	-	-	(185)	-	-	-	(185)	-	-	-	-	-	(185)	(740)
	Transfer to FBL	-	(137)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(137)
Total - Disbursements		(55)	(516)	(85)	(102)	(99)	(102)	(200)	(133)	(114)	(100)	(200)	(119)	(108)	(98)	(15)	(283)	(2,329)	
Change in Cash-Flow		445	(173)	(85)	(102)	332	(102)	(200)	(133)	184	(100)	(200)	(119)	(77)	(98)	(15)	(283)	(726)	
Net cash (Shortfall) - Beginning		852	1,297	1,124	1,039	937	1,269	1,167	967	834	1,018	918	718	599	522	424	409	852	
Net cash (Shortfall) - End		1,297	1,124	1,039	937	1,269	1,167	967	834	1,018	918	718	599	522	424	409	126	126	
Fortress Bioenergy Ltd - Weekly Cash-Flow																			
(\$000)	Week ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		25-Apr-20	2-May-20	9-May-20	16-May-20	23-May-20	30-May-20	6-Jun-20	13-Jun-20	20-Jun-20	27-Jun-20	4-Jul-20	11-Jul-20	18-Jul-20	25-Jul-20	1-Aug-20	8-Aug-20		
Receipts																			
	Cogeneration plant revenues	176	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176
	Transfer from FSC	-	137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	137
Total - Receipts		176	137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	313
Disbursements																			
	Transfer to FSC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	QST/GST	-	(320)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(320)
Total - Disbursements		-	(320)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(320)
Change in Cash-Flow		176	(183)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)
Net cash (Shortfall) - Beginning		7	183	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Net cash (Shortfall) - End		183	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fortress Global Enterprises - Weekly Cash-Flow																			
(\$000)	Week ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		25-Apr-20	2-May-20	9-May-20	16-May-20	23-May-20	30-May-20	6-Jun-20	13-Jun-20	20-Jun-20	27-Jun-20	4-Jul-20	11-Jul-20	18-Jul-20	25-Jul-20	1-Aug-20	8-Aug-20		
Disbursements																			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash (Shortfall) - Beginning		15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Net cash (Shortfall) - End		15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
FSC, FBL & FGE - Weekly Cash-Flow																			
(\$000)	Week ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		25-Apr-20	2-May-20	9-May-20	16-May-20	23-May-20	30-May-20	6-Jun-20	13-Jun-20	20-Jun-20	27-Jun-20	4-Jul-20	11-Jul-20	18-Jul-20	25-Jul-20	1-Aug-20	8-Aug-20		
Net cash (Shortfall) - End		1,495	1,139	1,054	952	1,284	1,182	982	849	1,033	933	733	614	537	439	424	141	141	

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>			
Cogeneration plant revenues	Based on the actual production of the last month of production and then.	X	
QST & GST refunds	Based on the level of expenses budgeted	X	
Reception from FBL	Based on the level of the cogeneration revenues budgeted in FBL and then transferred to FSC		X
Grant MMFP	Based on the outstanding amount due to the Company as per the grant	X	
<u>Forecast cash disbursements:</u>			
Trade payables - regular	Weekly 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	
Payroll related	Pension plans, group insurance and other benefits based on the level of employees expected	X	
Hydro-Quebec	Monthly estimate of disbursements required based on historical costs	X	
Professional fees	Management estimate of professional fees to be incurred in the following weeks for monitor and legal services.		X
Insurance	Based on the actual insurance contract	X	
Transfer to FSC	Based on the level of funds expected in FBL to cover QST/GST payment	X	
QST/GST	Based on the level of the cogeneration revenues budgeted in FBL	X	