

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

**NINTH 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**") 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 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 both 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 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 Applicants 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 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.
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 Applicants' 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 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.

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 five (5) reports with the Court 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 statements of offense bearing number 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 1st, 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 increased the Interim Facility and Interim Lender's Charge.
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 the Interim Facility and Interim Lender's Charge.
19. On December 11, 2020, the Monitor issued its Eight Report. The purpose of the Eight Report was to support its Application for the Issuance of an Order Allowing the Distribution of Funds Held in Trust, the Assignment of Claims to the Monitor and Allowing the Monitor Collect Same and IQ's Application for the Issuance of an Order Establishing a Charge in Favour of Hydro-Québec.
20. On December 18, 2020, the Court rendered:
 - (i) the Order Approving a Charge in Favour of Hydro-Québec ("**Hydro-Québec Order**").
 - (ii) the Distribution and Assignment Order, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims ("**Trust Order**").

21. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its this ninth report of the Monitor (the "**Ninth Report**"). The purpose of the Ninth Report 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 October 21, 2020 (page 6);
- III. Amendment to the KERP (page 8)
- IV. Fortress' cash flow up to January 16, 2021 (page 8);
- V. Fortress' updated cash flow projections for the period from January 17, 2021 to October 2, 2021 (page 10); and
- VI. The Monitor's conclusions (page 11).

I. UPDATE ON FORTRESS' OPERATIONS

22. Since October 21, 2020:

- (i) Fortress has maintained the Pulp Mill in shutdown mode and, on November 25, 2020, restarted the Cogen Facility;
- (ii) The market price of the dissolving pulp significantly increased in the last few weeks. If this increase continues, it could raise the interest of some parties for the Pulp Mill;
- (iii) Since the reopening of the Cogen Facility, Fortress recalled 38 employees, including temporary employees specifically for the purpose of restarting the Cogen. Fortress currently employs 26 employees in its Thurso location;
- (iv) As mentioned in the Seventh Report, the insurance contract for the reopening of the Cogen Facility had not been concluded. Since then, Fortress managed to come to an agreement for an equipment breakdown insurance; and,
- (v) Due to the Ministerial Decree authorizing the Additional DIP, Fortress will be in position to pay the Municipal Taxes due to the city of Thurso for the years 2019-2020. A payment is planned before the end of January 2021.

Update On Ongoing Issues With Creditors And Co-contractors

Hydro-Québec

23. On December 18, 2020, Fortress obtained the Hydro-Québec Order approving a charge in favour of Hydro-Québec. Since then, everything is going accordingly to the agreement described in the Eight Report.

Update on Fortress Xylitol Inc.

24. As mentioned in the First Report, 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.

25. Fortress Xylitol obtained, prior to the CCAA Proceedings, grants from the National Research Council Canada ("**NRCC**") through the IRAP program in order to proceed with its research. Fortress Xylitol is therefore self-sufficient and is able to continue its research with the current funding obtained from the IRAP program.
26. As of the date of this report, Fortress Xylitol employs 4 employees and outsources the cooking of wood chips to obtain pre-hydrolysate that will be used to further develop the xylitol conversion expertise. There are dialogues with several international companies interested in the licensing of the xylitol proprietary technology.
27. Since the payment of the grants, Fortress Xylitol must submit reports to the NRCC quarterly. These reports are currently up to date.

Other

28. On December 9, 2020, the Quebec Government issued a Ministerial Decree authorizing IQ to provide Fortress with an additional DIP in the amount of \$7M (the "**Additional DIP**"), that is \$2M less than expected and previously announced.
29. Since the issuance of the Ministerial Decree, Fortress, with the assistance of the Monitor, updated its budget for the next 9 months. Although, the Ministerial Decree limited the Additional DIP to \$7M, it is expected that Fortress will have sufficient liquidities until the end of the Stay Period. This updated budget was prepared to reflect the operation of the Cogen Facility during the winter as well as the return into a minimum maintenance scenario in spring 2021. This budget assumes that the outstanding amounts owed to the City of Thurso for the years 2019-2020 will be paid by the end of January 2021. For amounts accrued for the year 2021, this budget assumes the payment of the budgeted installments.
30. The Additional DIP financing will undoubtedly be providing Fortress with additional time to attract a potential investor and to execute its restructuring initiatives as described in the previous reports, which includes:
 - (i) Maintaining Fortress' operations at a minimum and preserving the value of the assets;
 - (ii) Modernization and upgrade of Fortress' current operation and installation; and
 - (iii) Assessment of alternative production.

II. MONITOR'S ACTIVITIES SINCE OCTOBER 21, 2020General

31. On January 4, 2021, the Monitor posted a copy of the Eighth Report on the Monitor's Website as well as the Hydro-Québec Order and the Trust Order.
32. Fortress and the Monitor held calls with the Applicants on a regular basis in order to update them on cash-flow, operations and the ongoing solicitation process.

33. 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.
34. 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.

Distribution of funds held in trust

35. Following the issuance of the Trust Order, the Monitor received the Certificate to the Trustee duly signed by 2 directors of Fortress in order to allow the Trustee to proceed with the partial release of the amounts held in trust, and provided the Trustee with same.
36. On January 8, 2020, the Trustee proceeded to the transfer of the requested amount to the Monitor, allowing it to distribute, on behalf of the Trustee under the Trust Indenture, the amounts due to employees in accordance with the Trust Order.
37. On January 19, 2021, the Monitor sent a total of 282 cheques to each laid-off and current employees with an unpaid claims as per the terms of the Trust Order, together with a notice with the information related to the payment and a copy of the Trust Order.

Stay of Proceedings Involving Regulatory Bodies

38. As discussed in the Monitor's previous reports, the Stay Order Regarding Regulatory Bodies was not specifically extended and 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.
39. On November 6, 2020, a case management hearing was held regarding the Penal Proceedings, as the attorney general maintained that the stay of proceedings did not apply and wished to set a trial date, whereas the Monitor was, and still is, of the opinion that a trial regarding the Penal proceedings is premature in the circumstances and that, given the stakes at hand, namely Fortress' licences, the risks associated with such a trial in the context where there are no liquidities to ensure a complete defence are too important.
40. Counsel for Fortress requested that the trial regarding the Penal Proceedings be suspended, and counsel for the Monitor supported this request and made representations regarding the above mentioned risks, but the Court denied the request and scheduled a *pro forma* hearing on February 26, 2021 to schedule the trial, noting that this was the last time that the *pro forma* hearing was postponed.
41. As for the TAT Proceedings, the attorney general confirmed that it does not contest the fact that the stay of proceedings did indeed apply such that, on January 15, 2020, the Monitor informed the TAT that the TAT Proceedings were to be suspended during the Stay Period.

Solicitation Process

42. Since October 21, 2020, Fortress continued to have discussion with different parties. As of the date of this Ninth Report, Fortress is still engaged in discussions with two serious parties that are still conducting some due diligence procedures. The Monitor expects significant

progress by the end of winter, subject to the impact of the pandemic in the province of Quebec.

43. As mentioned above, the market price of the dissolving pulp has significantly increased in the last couple weeks. Following this increase, certain parties who had withdrawn from the process contacted Fortress to ask certain questions and obtain information.
44. Although the increase in the market price of dissolving pulp is encouraging, should no transaction be successful in the coming months, the Monitor will have no choice but to consider alternative scenarios. In a near future, discussions will take place between the Monitor, Fortress and Fortress' secured lenders in order to analyze different scenarios and to plan the next steps before the end of the Stay Period.

Environmental Matters

45. Since October 21, 2020, the Monitor frequently had discussions 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. There have not been any major environmental exceedances or incidents during the reporting period that have not been addressed by Fortress and communications with the environmental authorities have been in normal course of business. As of the date of this Ninth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

III. AMENDMENT TO THE KERP

46. The Monitor has been informed that the Interim Lender had discussions with certain members of Fortress' management in order to reduce their salary. Since these employees are also beneficiaries of the KERP approved by this Court on January 10, 2020, it was agreed that in exchange of their salary reduction, their entitlements under the KERP would be modified (the "**Modified KERP**").
47. Since the total amounts payable under the Modified KERP will be lower, due to a partial payment, than the amounts that were payable under the KERP, the KERP Charge, as defined in the Amended and Restated Initial Order, will not require to be increased.

IV. ACTUAL RECEIPTS AND DISBURSEMENTS

48. Fortress' financial performance highlights for the period from October 11, 2020, to January 16, 2021, 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 on October 21, 2020 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$1.9M in cash inflows:
 - i. Fortress collected \$741K less of Cogen sales than budgeted. This unfavorable variance is due to the fact that the Cogen restart was delayed by 3 weeks to take advantage of the milder weather.
 - ii. Fortress collected \$434K less of QST & GST than budgeted. This unfavorable variance is mainly temporary and due to timing. An amount of \$375K should be received in the upcoming months.

- iii. Fortress collected \$0.9M less of DIP than budgeted. This is strictly due to timing, an additional amount of \$2M was received by Fortress during the week ending January 23, 2020.
 - iv. Fortress collected \$160K more of other deposits than budgeted. Other deposits include management fees, sale of spare parts and other unbudgeted revenues collected by Fortress.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.7M in cash outflows. The variance is primarily attributable to:
- i. The favorable variance of \$118K in trade payables operation and chemicals is due to the fact that the restart of the Cogen was delayed from the initial plan.
 - ii. The favorable variance of \$1.0M in biomass represents the savings in starting the Cogen 3 weeks later than budgeted, the timing of biomass reception and lower biomass purchase prices.
 - iii. An unfavorable variance of \$52K in payroll mainly due to some employees being recalled for unbudgeted and specific purposes.
 - iv. A temporary unfavorable variance of \$85K in payroll explained by earlier than budgeted payments of group insurance and pension plan.
 - v. An unfavorable variance of \$422K in Hydro-Québec explained as follow:
 - a) Holdback: As per an agreement with Hydro-Québec, the Cogen sales of \$67K for November have been held back creating a temporary variance of \$67K;
 - b) Prepayments: During the first weeks of January 2021, Fortress completed two weekly prepayments totaling \$139K, which represents a temporary unfavorable variance;
 - c) Timing: The budgeted disbursements planned during the week ending January 23, 2021 occurred earlier creating a temporary unfavorable variance of \$251K; and
 - d) Consumption: A lower than budgeted consumption resulted in a favorable variance of approximately \$35K.
 - vi. A temporary favorable variance of \$1.1M in municipal taxes strictly due to timing. A payment is expected before the end of January 2021.
 - vii. A permanent favorable variance of \$412K in insurance caused by an equipment breakdown insurance less expensive than the complete coverage obtained last year.
 - viii. The favorable variance of \$60K in professional fees due to timing as invoices have not all been received by the Company as of the date of this Ninth Report.
 - ix. An unfavorable variance of \$352K in KERP disbursement. As per the above mentioned agreement with the Interim Lender, the KERP was partially paid in January 2021 in exchange of salary reduction for certain members of Fortress' management.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net unfavorable variance of approximately \$216K.
49. As of the date of this Ninth 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 described in the First Report or through the Additional DIP, as described in the Seventh Report.

V. OVERVIEW OF THE 9-MONTH CASH FLOW PROJECTIONS

50. Fortress, with the assistance of the Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 9-month period from January 17, 2021 to October 2, 2021 (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 Ninth Report.
51. Fortress has restarted the Cogen Facility in November 2020, in order to provide heating for its assets during the winter and, especially, to treat the wastewater of the city of Thurso. Fortress plans to return into a minimum maintenance scenario in March 2021. The Cash Flow Statement has been prepared to reflect the operation of the Cogen Facility as well as the return into a minimum maintenance scenario in spring 2021. The receipts and disbursements included in this cash flow reflect these scenarios.
52. 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**").
53. 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.
54. 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 Ninth 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.
55. 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.
56. 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.

57. Based on the projections for the period ending October 2, 2021, Fortress will have sufficient funds to cover the expected disbursements during this period without asking for additional Interim Financing. As mentioned above, the additional DIP authorized through the Ministerial Decree was lower than expected. Despite this, the Additional DIP has not been completely drawn by Fortress, \$3.9M is still available as of January 16, 2021 as described in the table below.

FORTRESS GLOBAL ENTERPRISES INC.
DIP RECONCILIATION
in \$000 CAD

Total DIP approved since Dec 16, 2019	Amount received as of Jan 16, 2021	Amount available
15,000	11,100	3,900

Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

58. This Cash-Flow Statement allow Fortress to ensure the payment of certain costs (among other things plant heating, insurance and municipal taxes) in order to continue the operations of the Cogen Facility, ensure the security of the site, allow additional time for Fortress to attract a potential investor and to ensure the continued operation of the water treatment plant for the benefit of the City of Thurso.

VI. THE MONITOR'S CONCLUSIONS

59. The Monitor confirms that there is no further material development to report in this matter, other than what is provided for in this Ninth Report of the Monitor.
60. The Monitor believes that Fortress has, and is acting, in good faith and with due diligence.
61. The Monitor expects to submit its next report to the Court on April 22, 2021.
62. The Monitor respectfully submits to the Court this, its Ninth Report.

DATED AT MONTREAL, this 22nd day of January, 2021

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



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



Benoît Clouâtre, CPA, CA, CIRP, LIT

Appendix A

APPENDIX A

Fortress Global Enterprises

Budget-to-Actual Analysis for the 14-week period ended January 16, 2020

(in \$000 CAD)

	For the 14-week period ended January 16, 2021				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
Cogen sales	67	808	(741)	-92%	Note 1
GST & QST refunds	-	434	(434)	-100%	Note 2
DIP	3,100	4,000	(900)	-23%	Note 3
Other Deposits	160	-	160	0%	Note 4
Total - Receipts	3,327	5,242	(1,915)	-37%	
Disbursements					
Trade payables - Operation	(646)	(700)	54	-8%	Note 5
Biomass	(738)	(1,765)	1,027	-58%	Note 6
Chemicals	(20)	(84)	64	-76%	Note 5
Payroll	(790)	(738)	(52)	7%	Note 7
Payroll related	(209)	(124)	(85)	69%	Note 8
Hydro-Quebec	(781)	(359)	(422)	118%	Note 9
Municipal taxes	-	(1,100)	1,100	-100%	Note 10
Insurance	(89)	(501)	412	-82%	Note 11
GST & QST payments	-	-	-	0%	
Professional fees	(238)	(298)	60	-20%	Note 12
Key Employee Retention Plan (KERP)	(352)	-	(352)	0%	Note 13
Other	(107)	-	(107)	0%	
Total - Disbursements	(3,970)	(5,669)	1,699	-30%	
Change in Cash-Flow	(643)	(427)	(216)	51%	
Net cash (Shortfall) - Beginning	1,061	1,061	-	0%	
Net cash (Shortfall) - Ending [1]	418	634	(216)	-34%	

Note 1: The Ending balance does not include the November 2020 hold back of \$67K from Hydro-Québec on the Cogen sales.

APPENDIX A (con't)**Fortress Global Enterprises - Consolidated****Notes on Budget-to-Actual Analysis**

For the 14-week period ended January 16, 2021

Note 1	Cogen sales	The Cogen sales receipts of \$67K were lower than the budgeted \$808K, creating an unfavorable variance of \$741K. This variance is due to the fact that the Cogen restart was delayed by 3 weeks to take advantage of the milder weather.
Note 2	GST & QST refunds	The unfavorable variance of \$434K in GST & QST refunds is mainly temporary and due to timing. An amount of \$375K should be received in the coming months.
Note 3	DIP	The unfavorable variance of \$0.9M is due to timing. An amount of \$2M has been received during the week ending on January 23, 2021.
Note 4	Other deposits	Other deposits include management fees, sale of spare parts and other unbudgeted revenues collected by Fortress.
Note 5	Trade payables - Operation & Chemicals	The trade payables operation and chemicals disbursements of \$666K were lower than the budgeted \$784K, creating a favorable variance of \$118K. This is mainly due to the fact that the restart of the Cogen has been delayed from the initial plan.
Note 6	Biomass	Biomass disbursements were \$1.0M lower than the \$1.8M initially budgeted. This favorable variance represents the savings in starting the Cogen 3 weeks later than budgeted, the timing of biomass reception and lower biomass purchase prices.
Note 7	Payroll	The payroll disbursements of \$790K were higher than the budgeted \$738K, creating an unfavorable variance of \$52K. This is mainly due to the fact that some employees have been called back for unbudgeted specific purpose.
Note 8	Payroll related	The unfavorable variance of \$85K in payroll related expenses is temporary and is explained by the earlier than budgeted payments of group insurance and pension plan.
Note 9	Hydro-Québec	Hydro-Québec disbursements totaled \$781K compared with a budget of \$359K. This unfavorable variance of \$422K is explained as follow: <ul style="list-style-type: none">- Holdback: As per an agreement with Hydro-Québec, the Cogen Sales of \$67K for November have been held back creating a temporary variance of \$67K;- Prepayments: During the first weeks of January 2021, Fortress completed two weekly prepayments totaling \$139K, which represents a temporary variance;- Timing: The budgeted disbursements planned during the week ending January 23, 2021 occurred earlier creating a temporary unfavorable variance of \$251K; and- Consumption: A lower than budgeted consumption resulted in a favorable variance of approximately \$35K.
Note 10	Municipal taxes	This \$1.1M favorable variance is temporary and strictly due to timing. A payment is expected before the end of January 2021.
Note 11	Insurance	Insurance disbursements were \$412K lower than the \$501K initially budgeted. This favorable variance is due to the fact that Fortress reached an agreement for an equipment breakdown insurance that was less expensive than the complete coverage policy obtained last year.
Note 12	Professional fees	The favorable variance of \$60K in professional fees is due to timing as invoices have not all been received by the Company as of the date of this report.
Note 13	KERP	As per an agreement with the Interim Lender, the KERP was partially paid in January 2021.

Appendix B

APPENDIX B

**Fortress Global Enterprises
Consolidated Cash-Flow**

For the period ending October 2, 2021

Consolidated (\$000)	Period ending	WEEKLY														
		Forecast 23-Jan-21	Forecast 30-Jan-21	Forecast 06-Feb-21	Forecast 13-Feb-21	Forecast 20-Feb-21	Forecast 27-Feb-21	Forecast 06-Mar-21	Forecast 13-Mar-21	Forecast 20-Mar-21	Forecast 27-Mar-21	Forecast 03-Apr-21	Forecast 10-Apr-21	Forecast 17-Apr-21	Forecast 24-Apr-21	Forecast 01-May-21
Receipts																
Cogen sales		-	-	718	-	-	835	-	-	-	649	-	-	-	649	-
GST & QST refunds		-	-	-	-	-	-	-	-	552	161	-	-	-	-	-
DIP		2,000	-	-	-	1,000	-	-	-	-	-	-	-	-	-	-
Total - Receipts		2,000	-	718	-	1,000	835	-	-	552	810	-	-	-	649	-
Disbursements																
Trade payables - Operation		(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(45)	(5)	(5)	(5)	(5)	(5)
Biomass		(116)	(116)	(116)	(116)	(116)	(155)	(15)	-	-	-	-	-	-	-	-
Chemicals		(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	-	-	-	-	-
Payroll		(106)	(15)	(106)	(35)	(106)	(15)	(106)	(35)	(106)	(15)	(91)	-	(84)	-	(61)
Hydro-Québec		(52)	(25)	-	-	-	(8)	-	-	-	(251)	-	-	-	(251)	-
Hydro-Québec Holdback on Cogen Sales		-	-	(105)	-	-	(105)	-	-	-	(105)	-	-	-	381	-
Municipal taxes		(1,100)	-	-	-	(367)	-	-	-	-	-	-	-	-	-	-
Insurance		-	-	(72)	-	-	-	(6)	-	-	-	(6)	-	-	-	(6)
GST & QST payments		-	-	-	-	-	-	-	-	-	-	-	-	-	(101)	-
Professional fees		(130)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(13)	(13)
Total - Disbursements		(1,556)	(223)	(466)	(218)	(656)	(350)	(194)	(102)	(173)	(438)	(117)	(20)	(104)	11	(85)
Change in Cash-Flow		444	(223)	252	(218)	344	485	(194)	(102)	379	372	(117)	(20)	(104)	660	(85)
Net cash (Shortfall) - Beginning		418	862	639	891	673	1,017	1,502	1,308	1,206	1,585	1,957	1,840	1,820	1,716	2,376
Net cash (Shortfall) - End		862	639	891	673	1,017	1,502	1,308	1,206	1,585	1,957	1,840	1,820	1,716	2,376	2,291

APPENDIX B (con't)
Fortress Global Enterprises
Consolidated Cash-Flow

For the period ending October 2, 2021

Consolidated (\$000)	Period ending	MONTHLY					Total
		Forecast	Forecast	Forecast	Forecast	Forecast	
		May 2021	June 2021	July 2021	Aug 2021	Sept 2021	
Receipts							
Cogen sales		-	-	-	-	-	2,851
GST & QST refunds		-	-	25	23	23	784
DIP		-	900	-	-	-	3,900
Total - Receipts		-	900	25	23	23	7,535
Disbursements							
Trade payables - Operation		(20)	(25)	(20)	(20)	(25)	(585)
Biomass		-	-	-	-	-	(750)
Chemicals		-	-	-	-	-	(70)
Payroll		(134)	(134)	(137)	(134)	(195)	(1,615)
Hydro-Québec		(108)	(108)	(108)	(108)	(108)	(1,127)
Hydro-Québec Holdback on Cogen Sales		-	-	-	-	-	66
Municipal taxes		(367)	-	-	(367)	-	(2,201)
Insurance		-	(12)	-	(6)	(12)	(120)
GST & QST payments		(15)	(42)	-	-	-	(158)
Professional fees		(52)	(65)	(52)	(52)	(65)	(622)
Total - Disbursements		(696)	(386)	(317)	(687)	(405)	(7,182)
Change in Cash-Flow		(696)	514	(292)	(664)	(382)	353
Net cash (Shortfall) - Beginning		2,291	1,595	2,109	1,817	1,153	418
Net cash (Shortfall) - End		1,595	2,109	1,817	1,153	771	771

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 Company's calculation for a production of 7.0 MW per hour		X
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Biomass	Based on the Company's calculation for a production of 7.0 MW per hour and historical costs		X
Chemicals	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	
Hydro-Quebec	Monthly estimate of disbursements required based on historical costs	X	
Hydro-Quebec Holdback on Cogen Sales	Monthly estimate holdback as per the agreement with Hydro-Québec	X	
Municipal Taxes	Estimated disbursements based on historical costs	X	
Insurance	Based on the actual insurance contract	X	
GST & QST payments	Based on the level of receipts and disbursements budgeted	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X