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

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

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

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

Co-Applicant / Principal Secured Creditor

- and -

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

Co-Applicant / Secured Creditor

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

- and -

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

- and -

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

- and -

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

- and -

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

Debtors

- and -

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

Monitor

**TWENTY-THIRD REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR ("THE MONITOR")**
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Application for the Issuance of a First Day Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") dated December 13, 2019 (the "**Initial Application**"). These proceedings commenced under the CCAA by Fortress will be referred to herein as (the "**CCAA Proceedings**").
2. On December 13, 2019, Investissement Québec ("**IQ**" or the "**Interim Lender**") and Fiera Private Debt Inc. ("**Fiera**" and collectively with IQ, the "**Secured Creditors**"), in their respective capacity as secured creditors of Fortress Global Enterprises Inc. ("**Fortress Global**"), Fortress Specialty Cellulose Inc. ("**Fortress Specialty**"), Fortress Bioenergy Ltd. ("**Fortress Bioenergy**"), Fortress Xylitol Inc. ("**Fortress Xylitol**") and

9217-6536 Québec Inc. ("**9217**") (collectively, "**Fortress**"), filed the Initial Application seeking, *inter alia*, the issuance of a First Day Initial Order, an Amended and Restated Initial Order in respect of Fortress pursuant to Sections 9, 11, 11.51, 11.52 of the CCAA, as well as a Claims Procedure Order and a Receivership Order pursuant to Section 243 of the *Bankruptcy and Insolvency Act*.

3. On December 13, 2019, the Monitor (as defined below) issued its First Report, which purpose was to provide information to the Court with respect to (i) Deloitte's qualification to act as Monitor; (ii) the business, financial affairs and financial results of Fortress; (iii) Fortress' main creditors; (iv) Fortress' solicitation process; (v) the proposed restructuring; (vi) the Key Employee Retention Program ("**KERP**"); (vii) the appointment of a receiver; (viii) the charges sought in the First Day Order; (ix) the D&O Trust; (x) the Claims Procedure Order; (xi) payments to Essential Suppliers (as defined in the First Report); (xii) overview of the 22-week cash flow projections as of the date of the First Report, in accordance with Section 23(1)(b) CCAA; and (xiii) the Monitor's conclusions and recommendations in the circumstances of the hearing and the motion presented by the Secured Creditors as co-applicants.
4. On December 16, 2019, the Superior Court of Quebec, Commercial Division (the "**Court**") partially granted the Initial Application and rendered a First Day Initial Order (the "**First Day Order**"), which provided for, *inter alia*, (i) a stay of proceedings against Fortress until December 26, 2019 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA (the "**Monitor**"); (iv) the approval of Interim Financing Facility; and (v) the granting of an Interim Lenders' Charge.
5. On the same day, the Court also rendered a Receivership Order appointing Deloitte as receiver to a bank account opened in the name of Fortress Global for the sole purpose of allowing its employees to recover certain amounts which may be owing to them pursuant to the Wage Earners Protection Program Act ("**WEPPA**").
6. On December 19, 2019, the Secured Creditors filed an Application for the Issuance of an Amended First Day Order, which was presentable by conference call on December 26, 2019.
7. On December 26, 2019, the above-mentioned application was granted, and the Court rendered an Amended First Day Order which provided for, *inter alia*, (i) an extension of the Stay Period until January 10, 2020; (ii) an increase of the maximum principal amount of the Interim Financing Facility to \$1.5M; (iii) an increase of the Interim Lender Charge to up to \$1.8M; and (iv) the payment of Essential Suppliers (as defined in the First Report) up to a maximum of \$250K. On such date, the Court advised the parties that it would hear the Secured Creditors' Application for an Amended and Restated First Day Order.
8. On January 8, 2020, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Fortress and of the Monitor since the commencement of the CCAA Proceedings and to support the Secured Creditors' demand for the issuance of an Amended & Restated Initial Order.
9. On January 10, 2020, an Amended & Restated Initial Order was rendered by the Court (the "**Amended & Restated Initial Order**") which provided for, *inter alia*, (i) an extension of the Stay Period until May 2, 2020; (ii) an increase of the maximum principal amount of the Interim Financing Facility to \$6M; (iii) an increase of the Interim Lender Charge to up to \$7.2M; (iv) a KERP and KERP Charge in an amount up to \$610K; (v) a D&O Charge in an amount up to \$500K; (vi) an Administration charge in an amount up to \$600K; (vii) an Intercompany Advance Charge in an amount up to \$3M; and (viii) the undertaking of the Monitor to file a report to the Court on further material development every two months, and to post these reports on the Monitor's website.

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10. On January 10, 2020, the Court also rendered a Claims Procedure Order (the "**Claims Procedure Order**") allowing the Monitor to conduct a process for the determination and, if applicable, adjudication of claims against Fortress. Pursuant to the Claims Procedure Order, a "Claims Bar Date" was set on March 16, 2020, at 5:00 p.m. (Montreal time).
 11. Since January 10, 2020, the Monitor has filed twenty (20) reports with the Court, shared same with the Secured Creditors and served same to the Service List from time to time. Copies of all of the Monitor's reports are available on the Monitor's website.
 12. On March 23, 2020, at the request of the Monitor, the Court rendered an order, essentially clarifying that the Stay Period applied to the proceedings involving regulatory bodies and commenced before the *Tribunal Administratif du Québec* bearing the court file number STE-Q-211461-1509 (the "**TAT Proceedings**") and suspending the proceedings commenced before the Court of Québec, criminal and penal division, district of Gatineau, in connection with the notices of infraction bearing numbers 100400-1116574361, 1004400-1116574353, 100400-1116574346, 100400-1116574338 and 100400-1116574312 (the "**Penal Proceedings**") until May 2, 2020 (the "**Stay Order Regarding Regulatory Bodies**").
 13. On May 1, 2020, the Court extended the Stay Period, including the Stay Order Regarding Regulatory Bodies, up until August 11, 2020.
 14. On June 8, 2020, Lauzon – Plancher de Bois Exclusif Inc. ("**Lauzon**") filed an application (the "**Lauzon Application**") seeking, *inter alia*, the amendment of the Initial Order, together with various declaratory orders, which was opposed by the Monitor, with the support of IQ.
 15. On July 15, 2020, after a contested hearing which lasted 2 days, the Lauzon Application was rejected, in part, by the Court. As part of its order (the "**Lauzon Order**"), the Court essentially confirmed that the biomass stored on Lauzon's premises was the property of Fortress and ordered that the purchase agreement entered into between Lauzon and Fortress could not be terminated as will be discussed further below.
 16. On August 10, 2020, the Court extended the Stay Period up to and including October 23, 2020, and, at the request of the Secured Creditors, increased the Interim Financing Facility to \$8M and the Interim Lender's Charge to \$9.6M.
 17. On that same day, instead of specifically extending the Stay Order Regarding Regulatory Bodies, the Court reserved the parties' rights to make representations on the applicability or not of the Stay Period to the TAT Proceedings and Penal Proceedings.
 18. On October 23, 2020, the Court extended the Stay Period up to and including September 30, 2021, and increased, at the request of the Secured Creditors, the Interim Financing Facility to \$17M and Interim Lender's Charge to \$20.4M.
 19. On December 18, 2020, following a motion from the Company supported by the Monitor, the Court rendered:
 - (i) the Order Approving a Charge in Favour of Hydro-Québec (the "**Hydro-Québec Order**").
 - (ii) the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims (the "**Trust Order**").
 20. On June 16, 2021, the Monitor filed an Application for the Issuance of an Order Approving:
 - (i) a Litigation Funding Agreement; (ii) a Litigation Financing Charge; (iii) the Transfer of Certain Litigation Proceedings Before the Superior Court (Commercial Division); and (iv) an Agreement in Principle to Settle Certain Penal Proceedings (the "**Initial LFA Application**").

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

34. On October 4, 2022, IQ filed an *Application for the Issuance of an Order Extending the Stay Period* (the "**Application**").
35. On October 7, 2022, the Court extended the Stay Period up to and including November 25, 2022.
36. On November 21, 2022, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Approving a Sixth Amending Agreement to the Interim Financing Agreement.
37. On November 25, 2022, the Court extended the Stay Period up to and including April 28, 2023, and increased, at the request of IQ, the Interim Financing Facility to \$33.8M and the Interim Lender Charge to \$40.6M.
38. On April 21, 2023, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Extending the Stay to the SAP Proceedings.
39. On April 24, 2023, the Monitor filed an Application for the Issuance of an Order Approving the Settlement of the Claim of a Former Employee and the Execution of a Settlement.
40. On April 27, 2023, the Court extended the Stay Period up to and including June 23, 2023, and approved the above-mentioned settlement.
41. On June 19, 2023, IQ filed an *Application for a Stay Extension & Authorizing the Termination of a Trust and the Release of Trust Funds*.
42. On June 22, 2023, the Court extended the Stay Period up to and including September 29, 2023, and approved the termination of a trust and the release of trust funds.
43. On September 21, 2023, IQ filed an Application for the Issuance of an Order Extending the Stay Period & Approving a Seventh Amending Agreement to the Interim Financing Agreement.
44. On September 26, 2023, the Court extended the Stay Period up to and including January 31, 2024, and approved the above-mentioned settlement.
45. On January 16, 2024, IQ filed an Application for the Issuance of an Order Extending the Stay Period.
46. On January 19, 2024, the Court extended the Stay Period up to and including March 15, 2024.
47. On March 12, 2024, IQ filed an *Application for the Issuance of an Order Extending the Stay Period & Approving an Eighth Amending Agreement to the Interim Financing Agreement*.
48. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its twenty-third report (the "**Twenty-third Report**"). The purpose of the Twenty-third Report is to inform the Court with respect to the following:
 - I. Update on Fortress' operations;
 - II. The Monitor's activities since the Twenty-Second report;
 - III. Fortress' cash flow up to March 2, 2024 (8 weeks);
 - IV. Fortress' updated cash flow projections for the period from March 3, 2024, to April 20, 2024;

- V. The Applicant's request to have the Eighth Amending Agreement (the "**Eighth Amending Agreement**") to the interim financing term sheet (the "**Interim Financing Term Sheet**") be approved by this court, together with a corresponding increase of the Interim Lender's Charge;
- VI. IQ's request for an extension of the Stay Period; and
- VII. The Monitor's conclusions.

I. UPDATE ON FORTRESS' OPERATIONS

49. Since the Twenty-Second Report:

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

Les Pompes Goulds

50. As mentioned in the previous reports, the Monitor has been informed that the trial in the litigation proceedings with Les Pompes Goulds has been set for March 17, 2025, to April 11, 2025. The Monitor will report to the Court if there is any development prior to said trial.

Other

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

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT

General

- 53. Fortress and the Monitor held calls with the Interim Lender on a regular basis in order to update it on cash flow, operations and the discussion with the Potential Purchaser.
- 54. The Monitor also informed Fiera on the developments in the CCAA Proceedings.
- 55. More generally, the Monitor, with the assistance of Fortress, has been responding to questions from various stakeholders as to the status of the CCAA Proceedings.
- 56. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

57. As mentioned in the previous report, a short extension of 45 days, up to March 15, 2024, was sought to allow the Potential Purchaser, IQ and the MEIE to solve the remaining questions regarding the finalization of a binding agreement with respect to a transaction for Fortress' assets.
58. Since the Twenty-Second Report, discussions and meeting continued intensively and a memorandum of understanding (the "**MOU**") was negotiated between the MEIE and the Potential Purchaser which sets out, *inter alia*, the general terms, conditions, timeline and structure of the contemplated transaction. Despite the efforts expended and amounts invested by all parties, there was no agreement on a final version of the MOU as of the date of this report.
59. In parallel with the negotiation of the MOU, an amendment to the Exclusivity Agreement (the "**Amended Exclusivity Agreement**") was negotiated. This Amended Exclusivity Agreement includes an extension of the exclusivity period until June 30, 2024, and contemplates monthly payments from the Potential Purchaser in order to partially fund the maintenance of the assets. It is the understanding of the Monitor that this Amended Exclusivity Agreement will be executed concurrently with the MOU, but that its terms and conditions have been agreed upon by the parties thereto.
60. In its previous report, the Monitor also mentioned that a mandate had been given jointly by the Monitor and the Potential Purchaser to initiate a Phase II environmental study and that the parties had received the preliminary results in November 2023. It was expected that a revised preliminary report would be received in and presented in February 2024; however, it was determined that a groundwater analysis would need to be completed and given the fact that the soil was frozen, the consultant was not in a position to proceed with the required analysis, which has resulted in a delay of the transmission of the revised preliminary results.
61. As of today, significant progress has been made around key points subject to negotiation such as the financial support of the Potential Purchaser and the environmental liabilities. Discussions with the various stakeholders around other matters which will need to be addressed, such as the post-transaction treatment of the landfill and wastewater treatment plant are still ongoing, but have also progressed.
62. A projected timeline of the coming steps with regards of the potential transaction is presented **under seal** as **Appendix A**.
63. At this time, given the progress made in negotiations between the parties, the Monitor believes that it is reasonable to believe that the parties will be in a position to execute the MOU by the end of the extension of the Stay Period requested. The Monitor maintains his conditional optimism based on the seriousness and rigor that has transpired from the discussions amongst the various parties involved in this potential transaction as described herein above. All of the parties still seem strongly committed to a successful outcome and they all seem to understand the urgency of implementing a transaction in short order at this stage. In this respect, the Monitor has stressed that results need to be obtained in the coming weeks, otherwise, the parties will need to consider other alternatives.

Environmental Matters

64. Since the Twenty-Second Report, the Monitor continues to have frequent discussions with the employee responsible for all of the environmental matters in view of establishing whether the

proper safeguards and procedures were in place and to identify if any actions were required regarding the environment.

65. There has not been any major environmental exceedance or incident during the reporting period that has not been addressed by Fortress and communications with the environmental authorities taken place in the normal course of business. As of the date of this Twenty-Third Report, the Monitor has not been made aware of any issues that would necessitate immediate actions other than the one described above.

III. FORTRESS' CASH FLOW UP TO MARCH 2, 2024 (8 WEEKS)

66. Fortress' financial performance highlights for the period from January 7, 2024, to March 2, 2024, 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 in the Twenty-Second Report on January 16, 2024 (the "**Initial Cash Flow Statement**"), Fortress experienced a favorable variance of \$24K in cash inflows mainly explained by:
 - i. a favorable variance of \$24K in GST & QST refunds. This variance is temporary and due to timing of the receipts.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.2M in cash outflows. The variance is primarily attributable to:
 - i. a favorable variance of \$890K in environmental assessment. This variance is strictly due to timing and will be paid in the following weeks;
 - ii. a favorable variance of \$165K in professional fees. This favorable variance is mainly due to timing as some services have not yet been invoiced;
 - iii. a favorable variance of \$164K in Cold Idle. This favorable variance is mainly explained by the efforts made by Fortress to find alternative solutions as well as by the fact that certain work that was planned did not have to be completed due to the work from last year;
 - iv. an unfavorable variance of \$209K in Hydro-Québec. This unfavorable variance is explained by a higher than anticipated level of consumption due to lower weather;
 - v. An unfavorable variance of \$29K in payroll. This variance is mainly temporary and due to the timing of the disbursements for the collective insurance.
 - vi. a favorable variance of \$74K in chemical removal and remediation. This variance is strictly due to timing and will be paid in the coming weeks;
 - vii. a favorable variance of \$115K in Land surveying. This variance is strictly due to timing as the work has been delayed; and
 - viii. a favorable variance of \$46K in operations disbursements. This variance is permanent and mainly due to the fact that less work was required on the site than initially budgeted.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$1.3M, as explained, mainly related to permanent unfavorable variance in Hydro-Quebec as well as favorable timing differences.

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

IV. OVERVIEW OF THE 7-WEEK CASH FLOW PROJECTIONS

68. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 7-week period from March 3, 2024, to April 20, 2024 (the "**Cash Flow Period**") for the purpose of projecting Fortress' estimated need for liquidities during the Cash Flow Period. A copy of the Cash Flow Statement is attached as **Appendix C** to this Twenty-Third Report.
69. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Cold Idle Plus Scenario.
70. 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**").
71. 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.
72. Based on the Monitor's review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:
 - (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;
 - (ii) As at the date of this Twenty-Third 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.
73. 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.
74. 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.
75. Based on the projections for the period ending April 20, 2024, Fortress will barely have sufficient funds to cover the expected disbursements during this period. An increase in the Interim Financing Facility is therefore required to provide Fortress with the necessary flexibility should the MOU and Amended Exclusivity Agreement not be executed, the whole as

appears from the projections attached as **Appendix C**.

76. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
77. This Cash Flow Statement allows Fortress to continue to implement the Cold Idle Plus Scenario that will limit Fortress' expenses for the coming weeks to the bare minimum while maintaining the water treatment for the benefit of the city of Thurso and the fire service for neighbouring businesses.
78. As mentioned above, the additional increase in the Interim Financing Facility is necessary to provide Fortress with the required flexibility to explore and implement other alternatives should it become apparent that the proposed transaction will not materialize. The Cash Flow Statement demonstrates that, absent the additional increase in the Interim Financing Facility, Fortress will barely have sufficient funds in order to comply with its obligations until the end of the extension of the Stay Period requested.
79. Furthermore, the additional increase in the Interim Financing Facility will provide assurance to the employees and suppliers towards which Fortress will incur obligations during the requested extension of the Stay Period that they will be paid in the normal course.

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

80. As described in the previous reports of the Monitor, Fortress does not generate revenues. Fortress is therefore dependent of the Interim Financing Facility in order to continue to implement the Cold Idle Plus Scenario and safeguard the integrity and safety of all of its assets, as well as to finance the restructuring during the requested extension of the Stay Period.
81. As appears from the Application, Fortress has negotiated with the Interim Lender an Eighth Amending Agreement to the Interim Financing Term Sheet which provides for an increase in the Interim Financing Facility and will allow Fortress to have access to an additional \$0.7M of interim financing on the same terms and conditions as previously set forth in the Interim Financing Term Sheet that was already approved by the Court. Ultimately, the total amount of the Interim Financing Facility would be increased to \$39.0M.
82. The Interim Financing Facility has been and will continue to be used to provide interim financing to Fortress during the pendency of these CCAA Proceedings.
83. As appears from the Eighth Amending Agreement, all additional amounts to be advanced to Fortress are to be secured by a Court-ordered super-priority charge (the "**Interim Lender's Charge**"). As the total amount of the Interim Financing Facility will be increased to \$39.0M, the Interim Lender requests that the total amount of Interim Lender's Charge be increased to \$46.8M (i.e., \$39.0M plus 20%), which Interim Lender's Charge will attach to all of Fortress' assets, in priority to all other existing encumbrances and Court-ordered charges, except for the Administration Charge and the Litigation Financing Charge, but as regards the latter, only with respect to the Litigation Proceeds (as this term is defined in the Litigation Funding Agreement).
84. Based on the current Cash Flow Statement, an additional amount will need to be advanced to Fortress under the Interim Financing Term Sheet, in order to ensure that Fortress will have sufficient funds to cover the budgeted amount set forth in said Cash Flow Statement and provide it with the required flexibility to implement other alternatives in the event that the parties do not execute the MOU and the Amended Exclusivity Agreement in the coming weeks.

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

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

VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

86. IQ is seeking an extension of the Stay Period until and including April 15, 2024, in order to allow the Potential Purchaser to continue its due diligence and the parties to agree on the terms of a binding agreement with respect to a transaction for Fortress' assets.

87. The Monitor is informed that Fortress intends to continue to pay post-filing amounts owed to its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings.

88. As described in this Twenty-Third Report, the Cash Flow Statement indicates that Fortress should have sufficient liquidity to continue to meet its obligations in the ordinary course of business with an additional increase to the Interim Financing Facility.

VII. THE MONITOR'S CONCLUSIONS

89. The Monitor believes that Fortress should be granted the continued benefit from the protection available pursuant to the CCAA in the form of the proposed order sought by IQ since same would provide Fortress with the opportunity to maintain its assets while the Potential Purchaser continues its due diligence and the parties work towards agreeing on the terms and conditions of a binding agreement with respect to a transaction for Fortress' assets. In parallel, the Monitor will work with Fortress and IQ to review available alternatives which could be implemented should the parties fail so reach a binding agreement for a potential transaction in the coming weeks.

90. As noted above, the current Stay Period expires on March 15, 2024. The requested extension of the Stay Period is necessary to allow Fortress and its stakeholders to address the challenges which they are currently facing. The Monitor is of the view that, at this time, there is no other

alternative which is more suitable to address such challenges than the continuation of the CCAA proceedings and, to the contrary, terminating the CCAA proceedings would further complicate matters for Fortress and its stakeholders.

91. 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.
92. The Monitor confirms that there is no further material development to report in this matter at this time, other than what is provided for in this Twenty-Third Report of the Monitor.
93. The Monitor believes that Fortress and IQ have acted, and continue to act, in good faith and with due diligence.
94. The Monitor respectfully submits to the Court this, its Twenty-Third Report.

DATED AT MONTREAL, this 14th day of March 2024.

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



Jean-François Nadon, CPA, CIRP, LIT



Benoît Clouâtre, CPA, CIRP, LIT

Appendix A

Under Seal

Appendix B

APPENDIX B

Fortress Global Entreprises

Budget-to-Actual Analysis for the 8-week period ended March 2, 2024

(in \$000 CAD)

	<u>For the 8-week period ended March 2, 2024</u>				<u>Note</u>
	<u>Actual</u>	<u>Budget</u>	<u>Var (\$)</u>	<u>Var (%)</u>	
Consolidated Receipts					
DIP	1,000	1,000	-	0%	
GST & QST refunds	146	122	24	20%	Note 1
Total - Receipts	1,146	1,122	24	2%	
Disbursements					
Environmental site assessment	-	890	890	100%	Note 2
Professional fees	235	400	165	41%	Note 3
Cold Idle Plus	180	344	164	48%	Note 4
Hydro-Québec	545	336	(209)	-62%	Note 5
Payroll	321	292	(29)	-10%	Note 6
Municipal taxes	149	160	11	7%	
Chemical removal and remediation	43	117	74	63%	Note 7
Land surveying	-	115	115	100%	Note 8
Trade payables - Operation	18	64	46	72%	Note 9
Insurance	10	10	-	0%	
Total - Disbursements	1,501	2,728	1,227	45%	
Change in Cash-Flow	(355)	(1,606)	1,251	78%	
Net cash (Shortfall) - Beginning	2,910	2,910	-	0%	
Net cash (Shortfall) - Ending	2,555	1,304	1,251	96%	

APPENDIX B (con't)

Fortress Global Entreprises Notes on Budget-to-Actual Analysis

For the 8-week period ended March 2, 2024

Note 1	GST & QST refunds	The GST and QST refunds were \$24K higher than the budgeted \$122K. This variance is temporary and due to timing of the receipts.
Note 2	Environmental site assessment	The favorable variance of \$890K in environmental assessment is strictly due to timing and will be paid in the following weeks.
Note 3	Professional fees	Disbursements for professional fees were \$165K below the budgeted amount of \$400K. This favorable variance is partly due to timing as some services have not yet been invoiced.
Note 4	Cold Idle Plus	The cumulative disbursements for the Cold Idle of \$180K were \$164K lower than the budgeted \$344K. This favorable variance is mainly explained by the efforts made by the Company to find alternative solutions as well as by the fact that certain work that was planned did not have to be completed due to the work from last year.
Note 5	Hydro-Québec	The unfavorable variance of \$209K in Hydro-Québec disbursements is explained by a higher than anticipated level of consumption due to lower weather.
Note 6	Payroll	The payroll disbursements of \$321K are higher than the budgeted \$292K. This unfavorable variance of \$29K is mainly temporary and due to the timing of the disbursements for the collective insurance.
Note 7	Chemical removal and remediation	The favorable variance of \$74K in Chemical removal and remediation is strictly due to timing and will be paid in the following weeks.
Note 8	Land surveying	The favorable variance of \$115K in land surveying is due to timing as the work has been delayed .
Note 9	Trade payable - Operation	The disbursements for the operations of \$18K were \$46K lower than the budgeted \$64K. This favorable variance is mainly explained by the facts that less work on the site was required than initially budgeted.

Appendix C

APPENDIX C

Fortress Global Enterprises

Consolidated Cash-Flow

For the 7-week period ending April 20, 2024

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	7-week
		09-Mar-24	16-Mar-24	23-Mar-24	30-Mar-24	06-Apr-24	13-Apr-24	20-Apr-24	Total
Receipts									
DIP		-	700	-	-	-	-	-	700
GST & QST refunds		-	8	-	-	-	71	-	79
Total - Receipts		-	708	-	-	-	71	-	779
Disbursements									
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	581	581
Environmental site assessment		-	-	356	-	-	-	-	356
Professional fees		50	50	50	50	50	50	50	350
Hydro-Québec		50	50	50	50	28	28	28	284
Payroll		-	53	-	61	33	53	-	200
Municipal taxes		-	-	-	-	-	200	-	200
Cold Idle Plus		43	43	43	43	-	-	-	172
Vacations [1]		-	-	-	-	-	-	120	120
Chemical removal and remediation		-	-	107	-	-	-	-	107
Trade payables - Operation		8	8	8	8	8	8	8	56
Insurance		-	-	-	-	5	-	-	5
Total - Disbursements		151	204	614	212	124	339	787	2,431
Change in Cash-Flow		(151)	504	(614)	(212)	(124)	(268)	(787)	(1,652)
Net cash (Shortfall) - Beginning		2,555	2,404	2,908	2,294	2,082	1,958	1,690	2,555
Net cash (Shortfall) - End		2,404	2,908	2,294	2,082	1,958	1,690	903	903

Note 1: Please note that these disbursements must be paid to certain employees in the event of the closure of the company or a transaction.

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the CCAA proceedings.

NOTE B

The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

The Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- (i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
- (ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the Company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Forecast cash receipts:</u>			
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
KERP	Based on the calculations approved during these CCAA Proceedings	X	
Environmental site assessment	Estimate of disbursements required by Fortress based on estimates from external advisors	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Municipal taxes	Based on historical costs	X	
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors		X
Vacations	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Chemical removal and remediation	Estimate of disbursements required based on Management's estimation and discussions with external experts		X
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Insurance	Based on historical costs	X	