

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

No.:

**IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND COMPROMISE OF:**

INVESTISSEMENT QUÉBEC, a corporation initially constituted under the *Act respecting Investissement Québec and La Financière du Québec*, CQLR c I-16.1 and subsequently continued 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 Québec, Province of Quebec, G1V 4N3;

Co-Applicant / 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, H7S1Z3, 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

- and -

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 duly 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, in the city of Vancouver, Province of British Columbia, V6C 3L2;

- 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;

Proposed Monitor

**APPLICATION FOR THE ISSUANCE OF
A FIRST DAY INITIAL ORDER,
AN AMENDED AND RESTATED INITIAL ORDER,
A RECEIVERSHIP ORDER AND
A CLAIMS PROCEDURE ORDER**
(Sections 9, 11, 11.51 and 11.52 of the *Companies' Creditors Arrangement Act*
and Section 243 of the *Bankruptcy and Insolvency Act*)

**TO THE HONOURABLE MARIE-ANNE PAQUETTE OF THE SUPERIOR COURT,
SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF
MONTREAL, THE APPLICANTS RESPECTFULLY SUBMIT THE FOLLOWING:**

1. ORDER SOUGHT

1. Investissement Québec ("**IQ**") and Fiera Private Debt Inc.¹ ("**Fiera**", together with IQ, the "**Applicants**"), in their capacity as principal secured creditors of the Debtors, hereby seek from this Court the issuance of orders pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"), in respect 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**"), together with Fortress Global, Fortress Specialty, Fortress Bioenergy and Fortress Xylitol, "**Fortress**" or the "**Debtors**").
2. More specifically, the Applicants seek the issuance of:
 - a) a first day initial order (the "**First Day Order**"), a copy of which is communicated herewith as **Exhibit R-1**:
 - i. ordering the procedural consolidation of these CCAA proceedings in respect of each of the Debtors, for administrative purposes only;
 - ii. staying all proceedings and remedies taken or that might be taken in respect of the Debtors or any of their property, save exception, for an initial period of ten (10) days in accordance with the CCAA (the "**Stay Period**");
 - iii. suspending any and all continuous disclosure, reporting and filing obligations of, and audit committee requirements applicable to Fortress Global as a result of its status as a reporting issuer of each of the provinces in Canada subject to Canadian securities laws, rules, regulations and policy statements, and the requirements of the TSX;

¹ As manager and agent, respectively, under the IAM Loan Agreement and the Bridge Financing Agreement (as such terms are defined below).

- iv. appointing Deloitte Restructuring Inc. ("**Deloitte**" or the "**Monitor**") as the monitor of the Debtors in these CCAA proceedings; and
 - v. approving the DIP Term Sheet (as defined below) and allowing the Debtors to borrow thereunder the amounts required to fund their *immediate* liquidity needs, as well as a related Interim Financing Charge (as defined below);
- b) an amended and restated initial order (the "**Initial Order**"), a copy of which is communicated herewith as **Exhibit R-2**:
- i. extending the Stay Period for an additional period of six (6) months as and from the date of the First Day Order;
 - ii. confirming the appointment of Deloitte as the Monitor of the Debtors in these proceedings;
 - iii. confirming the suspension of any and all continuous disclosure, reporting and filing obligations of, and audit committee requirements applicable to Fortress Global as a result of its status as a reporting issuer of each of the provinces in Canada subject to Canadian securities laws, rules, regulations and policy statements, and the requirements of the TSX;
 - iv. approving and ratifying the DIP Term Sheet (as defined below) and allowing the Debtors to borrow the balance of the amounts made available thereunder to fund, *inter alia*, the proposed Restructuring Process (as defined below), as well as an increase in the Interim Lender's Charge (as defined below) securing the Debtors' obligations under the Interim Financing Facility (as defined below);
 - v. approving an Intercompany Charge (as defined below) in order to secure those advances which may be made between the Debtors during these CCAA proceedings;
 - vi. approving a Key Employee Retention Plan (the "**KERP**") as well as a KERP Charge (as defined below) securing the Debtors' obligations under the KERP; and
 - vii. granting the Administration Charge and the Directors' Charge (all as defined below);
- c) a receivership order (the "**Receivership Order**") also appointing Deloitte as receiver to the Debtors, for the sole purpose of allowing their respective employees from benefiting from those payments provided under the *Wage Earner Protection Program Act* (S.C. 2005, c. 47, s. 1) (the "**WEPPA**"), a copy of which is communicated herewith as **Exhibit R-3**; and
- d) a claims procedure order (the "**Claims Procedure Order**") allowing for the filing, the review and the determination of claims against the Debtors and their

respective directors and officers, a copy of which is communicated herewith as **Exhibit R-4**.

2. THE DEBTORS' BUSINESS AND AFFAIRS

2.1. Overview

3. Founded in 2006, Fortress Global is a public company with its shares trading on the Toronto Stock Exchange under the ticker symbol "*FGE*", with no significant operations of its own. Instead, it conducts its business through its direct and indirect subsidiaries, as further described below.
4. Fortress Global's business focuses generally on the global market for innovative high value biomass-based products and in developing new products from sustainable biomass.
5. While Fortress Global's head office is located in North Vancouver, British Columbia, the registered offices and chief place of business of each of its main operating entities, Fortress Specialty and Fortress Bioenergy, are located in Montreal, Quebec.
6. Through Fortress Specialty and Fortress Bioenergy, respectively, Fortress mainly operates:
 - a) a specialty cellulose mill located in Thurso, Québec (the "**Pulp Mill**"); and
 - b) an adjacent 24 MW cogeneration facility (the "**Cogeneration Facility**").
7. As further described below, in August 2019, the Debtors, after having consulted with their principal secured creditors IQ and Fiera, engaged Houlihan Lokey Capital Inc. ("**HL**") as sale advisor to conduct a sale and investment solicitation process (the "**SISP**"), the objective of which was to find an operator capable of acquiring the assets of the Debtors as a going concern.
8. Given Fortress' lack of liquidity, IQ and Fiera offered the necessary bridge financing under the Bridge Financing Agreement (as defined below) to, *inter alia*, fund ongoing operations of the Pulp Mill and Cogeneration Facility during the SISP.
9. However, despite the efforts undertaken by the Debtors and HL, no offer was received in the context of the SISP, which resulted in an event of default under the Bridge Financing Agreement (as defined below).
10. As a result, the Debtors are currently left with no liquidity and have reached the point where they can no longer operate in the normal course of business or meet their obligations as they generally become due.
11. Accordingly, and for the reasons further described below, the Applicants, in their capacity as principal secured creditor of the Debtors, submit that the initiation of these CCAA proceedings is appropriate in the circumstances, as it will allow them to initiate and implement a restructuring process under the supervision of this Court whereby the following could potentially be considered:

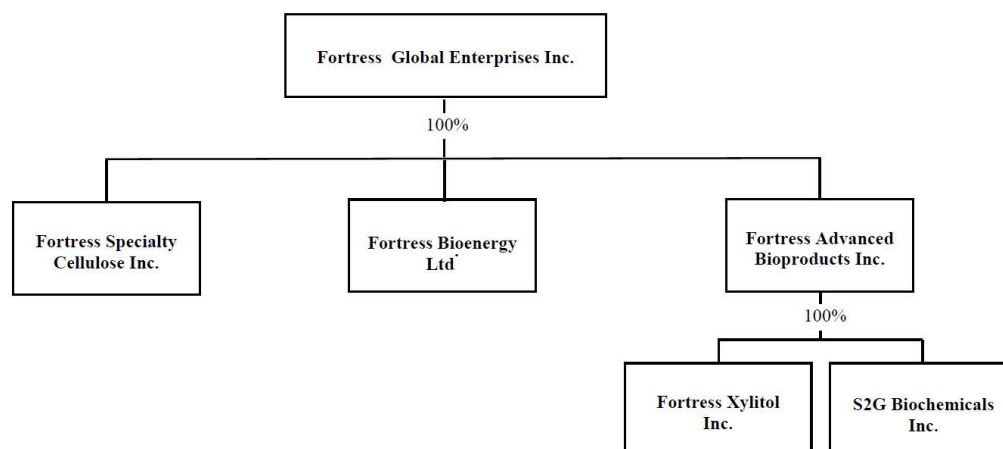
- a) the Pulp Mill will be indefinitely idled, until market conditions improve in a way which would allow the Debtors to operate profitably; and, in parallel,
 - b) Fortress' facilities located in Thurso, Quebec, could be converted and/or modernized with a view of eventually increasing their profitability; and
 - c) the Cogeneration Facility will continue to operate at a reduced production rate.
12. The Applicants believe that the relief sought herein constitutes the best option available in the circumstances to maximize the value of the Debtors' assets, for the benefit of their creditors and stakeholders.
13. IQ is prepared to fund the conservatory and restructuring costs associated with the preservation and eventual modernization of the Pulp Mill during these CCAA proceedings.

2.2. Business Operations

14. As mentioned above, Fortress is primarily engaged in the dissolving pulp business and in the renewable energy generation sector.
15. Dissolving pulp is produced at the Pulp Mill which is operated on approximately 800 acres of land.
16. Pulp made from wood is the principal component used in the production of paper, paperboard, tissue and related products. Generally, wood pulp is produced using either a mechanical or chemical process.
17. Dissolving pulp, also known as specialty cellulose, is a chemically refined bleached pulp in which hemicellulose, in addition to lignin, are removed from the wood.
18. Dissolving pulp has unique properties, including a high purity of cellulose and uniform molecular-weight distribution, and is used in a wide variety of applications, such as the production of rayon textile fibres, acetates, cellophanes, tire filaments, filters and various chemical additives. It is also used by pharmaceutical companies and the food industry as a binding agent.
19. As for its renewable energy generation sector, with access to on-site generation of biomass and an extensive local network of chip and other biomass suppliers, Fortress Bioenergy produces green energy from such waste products through its Cogeneration Facility.
20. The energy produced at the Cogeneration Facility is then sold to Hydro-Québec at a commercial rate.

2.4. Corporate Structure

21. As previously mentioned, Fortress Global is a public company, which mainly operates through its wholly owned subsidiaries, Fortress Specialty and Fortress Bioenergy
22. For ease of reference, below is an organizational chart of Fortress Global and its subsidiaries, including Fortress Specialty and Fortress Bioenergy:



23. What follows is a summary description of Fortress Global's subsidiaries.

2.4.1. **Fortress Specialty**

24. Fortress Specialty is a private corporation which was initially incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57 (the "**BCBCA**") in 2009, and was subsequently continued under the *Canada Business Corporations Act*, RSC 1985, c C-44 (the "**CBCA**") in 2019, as appears from a copy of the relevant extracts of the Quebec Registry of Enterprises for Fortress Specialty communicated herewith as **Exhibit R-5**.
25. Fortress Specialty's principal operating asset is its Pulp Mill, as described above.
26. The Pulp Mill was acquired by Fortress Specialty in April 2010, from Fraser Papers Inc. for net proceeds of approximately \$1.2 million.
27. Following such acquisition, Fortress Specialty began the production and sale of high-quality northern bleached hardwood kraft ("**NBHK**") pulp on an interim basis while it undertook the process of converting the Pulp Mill to a dissolving pulp facility, which conversion project was completed in December 2011.

2.4.2. **Fortress Bioenergy**

28. Fortress Bioenergy is a private corporation which was initially incorporated under the BCBCA in 2010 and was subsequently continued under the CBCA in 2019, as appears from a copy of the relevant extracts of the Quebec Registry of Enterprises for Fortress Bioenergy communicated herewith as **Exhibit R-6**.

29. Fortress Bioenergy owns and operates the Cogeneration Facility the construction of which was completed in October 2013.
30. Fortress Specialty has entered into two energy supply agreements with Hydro-Québec to provide net total of 24 megawatts of green power through 2028 including incremental power increase options through April 2040.

2.4.3. Fortress Xylitol

31. Fortress Xylitol is a private corporation which is incorporated under the BCBCA.
32. 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.
33. Xylitol is a naturally occurring sugar polyol that has a sweetening property matching that of cane sugar, but with 40% fewer calories. Xylitol is used extensively in a variety of confectionary products such as gums and candies.
34. Up until recently, the construction, commissioning and optimization of the demonstration plant was undergoing technical evaluation, including the integration of certain required upgrades to the Pulp Mill, and such plant was expected to commence operations in 2020.
35. The intention was to use C5 sugars extracted from hemicellulose, which is a byproduct from the Pulp Mill, to produce xylitol and other complementary bioproducts.
36. However, the Applicants understand that due to the Debtors' insolvency, the construction of the demonstration plant was put to a halt. As will be further described below, Fortress Xylitol is a guarantor under the Bridge Financing Agreement, and has granted in favour of the agent thereunder a general security interest and hypothec over the universality of its assets.

2.4.4. 9217

37. 9217 is a subsidiary of Fortress Specialty which owns a property located in Notre-Dame-de-la-Salette, Québec which is known as the "*Poupore Bark Pile Site*". The site was used to store wood log bark residue from 1956 to 1993.
38. Since the closing of the site in 1993, the site was covered and revegetated. It is estimated that the site contains 300 000 tons of wood bark residue.
39. Since the closure of the site, the leachate, which is constituted of water that in the course of passing thru the wood bark residue extracts soluble or suspended solids or other components, has been transported from the site to the Pulp Mill for treatment along with other waste water emanating from the Pulp Mill.
40. In 2012, the Quebec Environmental Ministry refused Fortress Specialty's request to cease collecting and treating the leachate and other remediation methods

proposed by Fortress Specialty. The cost to Fortress Specialty for the annual transportation and treatment is of \$150,000. Numerous analysis of the leachate confirms that it is not a pollutant as per the definition of the *Environment Quality Act*, CQLR c Q-2.

41. The inclusion of 9217 in the CCAA filing would allow for environmental protection provided for in the CCAA as well as the ability to deal with the site and the Quebec Environmental Ministry in view of a permanent solution for the site as part of the Fortress reorganization and provide for a reduction of the costs associated with the site going forward.

2.4.5. Revenue Shares and Geographic Distribution of Sales Revenue

42. Over the past few years, the majority of Fortress' revenues have been derived from the production and sale of dissolving pulp.
43. The following table sets forth the share of revenues generated by the Pulp Mill and the Cogeneration Facility for the periods indicated below:

<u>Revenue</u>	Sales by Product			
	<u>Year Ended December 31,</u>			
	2018		2017	
	<i>(thousands of dollars, other than %)</i>			
Dissolving Pulp	164,530	88.5%	136,946	87.6%
Cogeneration	<u>21,415</u>	<u>11.5%</u>	<u>19,468</u>	<u>12.4%</u>
Total	<u>185,945</u>	<u>100%</u>	<u>156,414</u>	<u>100%</u>

44. As appears from the following table, in 2017 and 2018, almost 90% of Fortress' dissolving pulp revenues were generated in Asia:

	Sales Revenue by Geographic Market	
	<u>Year Ended December 31,</u>	
	2018	2017
	<i>(%)</i>	
Asia	88.5	87.5
Other	<u>11.5</u>	<u>12.5</u>
Total pulp production	<u>100.0</u>	<u>100.0</u>

2.5. Employees

45. As explained in greater detail below, prior to the shutdown of Fortress' activities at Thurso, Québec on or around October 8, 2019, the Debtors employed an aggregate of 312 full-time employees, of which 304 were employed in Thurso and of which 236 were unionized. 8 employees were employed exclusively for Fortress Global's head office in North Vancouver, British Columbia.
46. As at the date hereof, following the shutdown of Fortress' activities at Thurso, the Debtors employ 61 full-time employees, of which 23 are unionized.

47. The Applicants understand that the Debtors anticipate that by Mid-December 2019, a total of approximately 39 full-time employees will remain, of which 10 will be unionized.
48. Fortress Specialty is a party to collective agreements with two unions, which will be in effect until 2020. The previous collective agreements expired on April 30, 2016 and bargaining negotiations for the new collective agreements were completed in the second quarter of 2016.
49. The Debtors' gross payroll obligations for the fiscal years 2017 and 2018 amounted to approximately \$28,7 million and \$28,6 million, respectively.

3. ASSETS

50. As at October 31, 2019, Fortress Specialty and Fortress Bioenergy's assets included the following:

Nature	Approximate Book Value
Inventory	\$32,743,000
Property and Equipment	\$199,530,000
Accounts receivables	\$7,733,000
Others	\$7,968,000
Total:	\$247,974,000

4. INDEBTEDNESS

51. As at October 31, 2019, the total indebtedness of Fortress Specialty and Fortress Bioenergy amounted to approximately \$274 million. Of that amount, approximately \$93,5 million was owed to unsecured creditors, whereas the indebtedness of the Debtors *vis-à-vis* its secured creditors amounted to almost \$175 million, as appears from the below:

Secured Claims²	Approximate Amount of Indebtedness
IQ Debt	\$120,417,000
Fiera Debt	\$31,811,000
International Forest Products LLC Debt	\$19,364,000
Bridge Loan	\$9,000,000
Employees' Accrued Salaries and Vacations	\$2,503,000
Total:	\$174,095,000

² Subject to independent review.

4.2. The Indebtedness to IQ

52. On April 14, 2010, IQ extended a loan offer to Fortress Specialty, which was accepted on April 30, 2010 by the latter (as duly approved and authorized by the Québec government via the issuance of Décret 249-2010 dated March 24, 2010 and as amended pursuant to the issuance of Décret 978-2014 dated November 12, 2014, the issuance of Décret 508-2019 dated May 29, 2019 and the amendment letter dated March 27, 2015, the "**IQ Loan Agreement**"), pursuant to which a loan in the maximum amount of \$102,400,000 was made available to Fortress Specialty, with a maturity date of December 31, 2035 (the "**IQ Loan**"). A copy of the IQ Loan Agreement is communicated herewith as **Exhibit R-7**.
53. On March 27, 2015, pursuant to the terms of an amended letter to the IQ Loan Agreement, Fortress Bioenergy was added as beneficiary under the IQ Loan Agreement.
54. The indebtedness owed by Fortress Specialty and Fortress Bioenergy under the IQ Loan Agreement is secured by:
 - a) a first-ranking security on the universality of the assets, tangible and intangible, movable and immovable, present and future, of Fortress Specialty, which include the Fortress Pulp Mill assets. A copy of the IQ security agreements is communicated herewith, *en liasse*, as **Exhibit R-8**; and
 - b) a second-ranking security (pursuant to the Inter-Creditor Agreement, as defined below) on the universality of the assets, tangible and intangible, movable and immovable, present and future, of Fortress Bioenergy, which include the Cogeneration Facility assets.
55. As at October 31, 2019, the indebtedness of Fortress Specialty and Fortress Bioenergy under the IQ Loan Agreement amounted to approximately \$120,417,000.

4.3. The Indebtedness to Fiera

56. On January 19, 2017, Fortress Bioenergy, as borrower, Fortress Paper Ltd. (now Fortress Global) and Fortress Specialty, as guarantors, and IAM Infrastructure Private Debt Fund LP ("**IAM**") (which was recently acquired by Fiera Capital Corporation), as lender, entered into a credit agreement whereby IAM agreed to advance to Fortress Bioenergy a \$40 million secured loan (the "**IAM Loan Agreement**"), scheduled to mature 14 years from the date of advance and is repayable in monthly payments of principal and interest over the term.
57. The indebtedness owed by Fortress Bioenergy under the IAM Loan Agreement is stated to be secured by a first-ranking security on the universality of the assets, tangible and intangible, movable and immovable, present and future, of Fortress Bioenergy, which include the Cogeneration Facility assets.
58. On January 19, 2017, IAM, IQ, Fortress Paper Ltd. (now Fortress Global), Fortress Specialty and Fortress Bioenergy entered into an inter-creditor agreement

(the "**Inter-Creditor Agreement**"). A copy of the Inter-Creditor Agreement is communicated herewith as **Exhibit R-9**.

59. Pursuant to the Inter-Creditor Agreement, the parties agreed that IQ's security over Fortress Bioenergy's assets would rank subordinate to IAM's (now Fiera) security over such assets up to a maximum amount of \$48,000,000.
60. As at October 31, 2019, the indebtedness of Fortress Bioenergy under the IAM Loan Agreement amounted to approximately \$31,811,000.

4.4. The Indebtedness to International Forest Products LLC

61. On December 29, 2017, Fortress Specialty entered into a credit agreement with International Forest Products LLC ("**IFP**"), which provided a revolving credit facility in the principal amount of up to US \$5 million to Fortress Specialty, subject to certain borrowing base restrictions (the "**IFP Loan**").
62. Based on public disclosure documents, the IFP Loan is scheduled to mature on December 30, 2020 and is stated to be secured by certain of Fortress Specialty's inventory located at the Pulp Mill, including wood fibre inventory consisting of round wood, wood chips, and dissolving pulp but excluding certain non-eligible inventory.
63. As at October 31, 2019, based on discussions with Fortress, the Applicants understand that the indebtedness of Fortress Specialty under the IFP Loan amounts to approximately \$19,364,000.

4.5. The Bridge Financing

64. On September 3, 2019, Fortress Specialty and Fortress Bioenergy, as borrowers, Fortress Global, Fortress Advanced Bioproducts Inc., Fortress Xylitol Inc. and S2G Biochemicals Inc., as guarantors (together with Fortress Specialty and Fortress Bioenergy, the "**Credit Parties**") entered into a bridge financing agreement (as amended by the First Amendment to the Bridge Financing Agreement dated October 4, 2019, the Second Amendment to the Bridge Financing Agreement dated November 11, 2019, the Third Amendment to the Bridge Financing Agreement dated November 20, 2019, and the Fourth Amendment to the Bridge Financing Agreement dated November 27, 2019, the "**Bridge Financing Agreement**") with IQ and Fiera FP Business Financing Fund, L.P., as bridge lenders (the "**Bridge Lenders**"), and Fiera Private Debt Inc., in its capacity as administrative agent, collateral agent and hypothecary representative for itself and on behalf of the Bridge Lenders (the "**Agent**"). A copy of the Bridge Financing Agreement and its amendments are communicated herewith, *en liasse*, as **Exhibit R-10**.
65. On September 3, 2019, the Credit Parties, *including Fortress Xylitol*, entered into a Guarantee Agreement with the Agent (the "**Guarantee Agreement**"), pursuant to which each of the Credit Parties solidarily (jointly and severally), unconditionally and irrevocably guaranteed as primary obligor the full payment and performance when due of all the obligations of the Credit Parties under the Bridge Financing Agreement in favor of the Bridge Lenders. A copy of the Guarantee Agreement is communicated herewith as **Exhibit R-11**.

66. Pursuant to the terms of the Bridge Financing Agreement, credit facilities of up to \$15,000,000 were made available by the Bridge Lenders to Fortress Specialty and Fortress Bioenergy, solely for the purpose of allowing the Debtors to advance and implement a restructuring process in accordance to the terms thereof (the "**Bridge Facility**").
67. The Bridge Facility is due and repayable on the earlier of: (i) upon the occurrence of any event of default under the Bridge Financing Agreement which is continuing and has not been cured or waived; (ii) the completion of a restructuring transaction; (iii) the filing by or against (as applicable) any of the Credit Parties of proceedings under the CCAA, the *Bankruptcy and Insolvency Act* (the "**BIA**") or under any other applicable corporate act in respect of any of the Credit Parties, (iv) the sale of all or substantially all of the assets of the Credit Parties; and (v) October 15, 2020.
68. The Bridge Facility, together with the Guarantee Agreement is secured by:
- a) a deed of hypothec on the universality of property executed by the Credit Parties – *including Fortress Xylitol* - in favour of the Agent on September 3, 2019. A copy of this hypothec is communicated herewith as **Exhibit R-12**; and
 - b) a general security agreement (the "**GSA**") executed by the Credit Parties – *including Fortress Xylitol* - in favour of the Agent on September 3, 2019, as amended, supplemented, restated or otherwise modified from time to time. A copy of the GSA is communicated herewith as **Exhibit R-13**.
69. As at the date hereof, the Credit Parties are in breach under the Bridge Financing Agreement and several Events of Default (as defined in the Bridge Financing Agreement) have occurred and are continuing, including: (i) the commencement of Insolvency Proceedings (as defined therein), (ii) the failure of the Credit Parties to meet the SISP Milestones, and in particular the failure of the Credit Parties of having considered the LOIs (as defined in the Bridge Financing Agreement) and selected one or more purchasers / investors to proceed by December 6, 2019.
70. As at October 31, 2019, the Credit Parties owed a total of approximately \$9,000,000 to the Bridge Lenders, in capital and accrued interest, under the Bridge Financing Agreement. Considering that Fortress is currently in breach of the Bridge Financing Agreement and that the filing by or against any of the Credit Parties of proceedings under the CCAA has accelerated the maturity and repayment obligation under the Bridge Financing Agreement, the Credit Parties do not have access to any undisbursed balance thereunder.

4.6. The Debenture Indenture

71. On December 22, 2011, Fortress and Computershare Trust Company of Canada entered into a Debenture Indenture (as amended by the first Supplemental Indenture dated as of July 10, 2012 and by the Second Supplemental Debenture Indenture dated as of October 11, 2018, the "**Debenture Indenture**") which provides for the issuance of up to \$69,000,000 aggregate principal amount of convertible unsecured debentures by way of a supplemental indenture (the "**Debentures**"). A copy of the Debenture Indenture and its amendments is communicated herewith, *en liasse*, as **Exhibit R-14**.

72. The Debentures have a maturity date of December 31, 2021.
73. As at October 31, 2019, \$62.1 million in principal amounts of Debentures remained outstanding.

4.7. Suppliers and Other Creditors

74. As at December 6, 2019, an amount of approximately \$22,187,000 was owing by the Debtors to trade creditors and an amount of approximately \$6,877,000 was owing by the Debtors for other payables.

4.8. Employee Obligations

75. As at December 6, 2019, the gross accrued normal pay obligations totaled approximately \$750,000. Normal pay obligations are paid every two (2) weeks to the Debtors' non-unionized employees, and every week for unionized employees.
76. The Debtors provide vacation time to its employees as a paid time-off benefit. The duration of vacation benefits varies based on the employee's location, position, amount of time employed. The estimated amount of accrued, unused vacation time and salaries as at December 6, 2019 was approximately \$2,503,000.
77. The Debtors currently maintains defined contribution plans.

5. FINANCIAL DIFFICULTIES

5.1. Financial Results

78. For the fiscal year ended December 31, 2017, the Debtors recorded a total comprehensive net loss of approximately \$93.4 million, as appears from audited financial statements of the Debtors for the year ended December 31, 2017, communicated herewith as **Exhibit R-15**.
79. For the fiscal year ended December 31, 2018, the Debtors recorded a total comprehensive net loss of approximately \$32.2 million, as appears from audited financial statements of the Debtors for the year ended December 31, 2018, communicated herewith as **Exhibit R-16**.

5.2. Insolvency

80. Over the past several months, the Debtors have accumulated significant losses which ultimately led to their insolvency.
81. Such losses have been incurred, *inter alia*, for the following reasons:
- a) Difficult market conditions globally, stemming from lower prices for dissolving pulp in China;
 - b) Lower than expected revenues due to a significant decrease of the average selling price per ton of pulp;

- c) The Sino-American economic conflict which is disrupting markets and has a significant impact on the garment sector, particularly the global production of viscose, for which the pulp produced by Fortress is intended;
 - d) A slight slowdown in the Chinese economy;
 - e) Lower electricity sales than anticipated; and
 - f) Increase in pulp costs.
82. In fact, on or around October 8, 2019, Fortress decided to suspend all activities at the Pulp Mill for an undetermined period due to the above-mentioned circumstances (the "**Shutdown**"). As detailed above, a large portion of the Debtors' employees working at the Thurso facilities were laid-off as a consequence of the Shutdown.
83. It is anticipated that the Debtors will shortly run out of cash, to the detriment of their creditors and other stakeholders, as will appear from a cash-flow forecast prepared for the Debtors, a copy of which will be annexed to the proposed Monitor's pre-filing report.

6. RESTRUCTURING EFFORTS TAKEN TO DATE

84. Over the course of the past several months, the Applicants understand that the Debtors have made certain efforts to implement a variety of cost reduction and cash generation measures to address short and long term liquidity needs and have engaged a number of independent advisors to assist them in exploring various strategic alternatives in an attempt to again restructure their capital and specifically address their liquidity position outside of insolvency proceedings so as to minimize interruptions to their operations.
85. In parallel to the above, in order to seek all available options for the realization of the Debtors' assets and the maximization of their value, a SISP was conducted by the Debtors with the assistance of HL and in consultation with IQ and the Proposed Monitor between August and November 2019.
86. In the context of the SISP, HL, *inter alia*:
- a) contacted 59 potential strategic buyers and 59 potential financial purchasers; and
 - b) entered into a confidentiality agreement and provided access to the virtual data room to conduct their due diligence process with thirteen (13) of those parties.
87. The Debtors and HL also completed an extensive evaluation of various strategic and financing alternatives which included potential recapitalization, restructuring and/or other transactions, and engaged with numerous third parties and stakeholders to develop and evaluate various potential transaction structures.

88. Despite these efforts, no offer or indication of interest or other proposal was submitted to the Debtors or HL, which, as previously mentioned, resulted in an event of default under the Bridge Financing Agreement.
89. In addition, the Applicants understand that prior the filing of these proceedings, given the concerns raised by their directors and officers with respect to claims which could be raised against them in such capacity in light of the Debtors' insolvency, particularly in connection with employee claims, the Debtors established a directors and officers' trust (the "**D&O Trust**") in the amount of \$1,300,000. The purpose of the D&O Trust was to provide financial support for the defense and payment of claims (including employee claims) against such directors and officers in such capacity, to the extent that their insurance coverage proved to be insufficient.
90. The Applicants understand that the establishment of the D&O Trust could ultimately provide some assurances to the Debtors' employees with regards to the payment of their employee claims, to the extent that such claims exceed their entitlements under the WEPPA, and to the extent that such claims are not covered by the director and officers' insurance coverage.
91. Indeed, while the insolvency of the Debtors and its non-payment of various employee obligations may trigger the personal liability of its directors and officers, any recourse initiated by the Debtors' employees does not guarantee them any recovery.
92. Therefore, the creation of a trust in favour of the Debtors' directors and officers for sums for which they may be held liable to employees (but for which the Debtors is ultimately liable) enhances such employees' chances of recovery by, in effect, creating a security for their claims, which will be determined in the context of the claims process further described below.
93. In these circumstances, the Applicants, who are the principal secured creditors of the Debtors, have advised them that they do not oppose to the establishment of the D&O Trust.

7. PROPOSED RESTRUCTURING

94. In light of the foregoing, the Applicants believe that it has become necessary to seek relief and protection for the Debtors under the CCAA.
95. Because of the Debtors' financial situation, and most notably, their limited amount of liquidity, the Applicants have significant concerns that some creditors may seek to take measures which could be detrimental to all of their stakeholders.
96. Accordingly, the Applicants, after having discussed with the management of the Debtors, believe that a restructuring process which could include the proposed actions below (the "**Restructuring Process**"), to be implemented with the assistance and under the supervision of the Proposed Monitor, Deloitte, constitutes the most viable option under the circumstances.

97. Although the parties are still at an early stage in these proceedings, the Applicants, further to their discussions with the Debtors and the proposed Monitor, believe that the Restructuring Process could potentially involve the following:
- a) Modernization and upgrade: A modernization and upgrade their current operations and installations in view of reducing costs and improving profitability. This would require a business plan validation and potentially an important investment from an investor;
 - b) Alternative production: A transition of Fortress Specialty's operations at the Pulp Mill from pulp to paper production to kraft paper production. This would require a business plan validation and potentially an important investment from an investor;
 - c) Reduction to a minimum of the Debtors' operations: A reduction of the Debtors' operations to a bare minimum so as to minimize their operating costs for a determined period of time until the demand for pulp related products increases in global market, allowing the Debtors to restart their activities at the Pulp Mill;
 - d) Implementation of a simplified and efficient claims procedure: The implementation of a simplified and expeditious procedure for assessing priority claims from certain creditors (legal construction hypothecs, wages, pension plans, etc.). This process will determine a collocation order for a possible disposition of the Debtors' assets in the event of a sale or liquidation; and
 - e) Plan of Arrangement: If circumstances permit, the Applicants could also consider submitting, in due course, a plan of arrangement and compromise on behalf of the Debtors to the Debtor' creditors, pursuant to the CCAA.
98. The Applicants currently expect that the proposed Restructuring Process will last no less than six (6) months.
99. The Applicants respectfully submit that the above proposed Restructuring Process under the supervision of this court constitutes the best option for the realization of the Debtors' assets and the maximization of their value for the benefit of its stakeholders.
100. Indeed, such Restructuring Process could allow, *inter alia*, the preservation and maximization of the Debtors' assets by limiting the costs associated with the operation of the Debtors' assets and by limiting the number of participants to the minimum required in the circumstances.
101. Without the protection and supervision of this Court, it is anticipated that the some of the Debtors' creditors could exercise their rights against the Debtors' assets and ultimately force their bankruptcy, which would prevent them from maximizing the value of their assets.
102. IQ understands that the Debtors and their principal secured creditors, including Fiera, are supportive of these CCAA proceedings.

8. RELIEF SOUGHT

8.1. Stay of Proceedings

103. The present proceedings have been filed by the Applicants because the Debtors currently find themselves in dire financial circumstances, are insolvent, are not able to meet their obligations and require, for the benefit of their stakeholders, a stay of proceedings for an initial period of ten (10) days (the "**Stay**"), to be extended for an additional period of six (6) months thereafter.
104. The filing of these proceedings is necessary to preserve the value of the Debtors' assets while the Restructuring Process is implemented.
105. The Stay will preserve the status quo during the completion of the Debtors' Restructuring Process and prevent creditors and others from taking any steps to try and better their positions in comparison to other creditors. All stakeholders generally, including creditors, will benefit from these proceedings.
106. In the event of an immediate liquidation under a bankruptcy scenario where all operations would be terminated, it is expected that the value of the assets of the Debtors will be substantially reduced. It is expected that the above-proposed Restructuring Process in the context of the present proceedings will yield better results than any conceivable "*go-dark*" scenario.

8.2. Appointment of Deloitte as Monitor

107. Deloitte has been assisting Investissement Québec and the Debtors for several months in connection with the preparation of a contingency plan and the exploration of various restructuring alternatives.
108. Considering its valuable insights into the Debtors' business and operations and its ability to perform the monitoring duties without further delay, the Company believes that it is in the best interests of all stakeholders that Deloitte be appointed as monitor in the within proceedings.
109. Moreover, the Applicants and the proposed Monitor have recently been informed that most of the Debtors' directors and officers will resign shortly prior to or concurrently with the filing of these CCAA proceedings.
110. Given these circumstances, the draft Initial Order seeks the expansion of the proposed Monitor's powers in the context of these CCAA proceedings (the "**Monitor's Powers**") to implement the Restructuring Process for the benefit of the Debtors' stakeholders.
111. The granting of the Monitor's Powers is a condition to the closing of the Interim Financing Facility and in the circumstances is appropriate to ensure that the secured creditors and the proposed monitor have the ability to implement the Restructuring Process.
112. Deloitte has advised the Applicants that it consents to its appointment as Monitor in the context of this matter.

8.3. Appointment of Deloitte as Receiver

113. As previously discussed, prior to the Shutdown, the Debtors employed an aggregate of 312 full-time employees, a significant portion of which was located in Thurso, Quebec.
114. Unfortunately, several of these employees have been the subject of a temporary lay-off, and these employees, together with several others employees, are expected to be terminated in the context of the Restructuring Process currently contemplated.
115. In these circumstances, the Applicant believes that it is just and convenient to also appoint Deloitte as court-appointed receiver to the Debtors pursuant to section 243 of the BIA, to allow these employees to recover certain amounts which may be owing to them pursuant to the WEPPA.
116. As things currently stand, the dire financial circumstances of the Debtors and the limited value of their assets in comparison with the amount of their respective secured debts make it such that it is difficult to conceive any scenario under which all such debts will be paid in full.
117. The appointment of Deloitte as receiver to the Debtors will be limited to what is necessary in order to allow the Debtors' terminated employees to benefit from the WEPPA, and will not affect the present CCAA Proceedings nor the Restructuring Process contemplated hereby, and furthermore will not cause any prejudice to any party and would only serve to benefit the Debtors' employees whose employment will have been terminated.
118. Deloitte has advised the Applicants that it consents to its appointment as receiver in these circumstances.
119. Given the initiation of these proceedings, the Applicants shall also ask this Court to dispense them with the requirement to provide the Debtors with a notice of intention to enforce its security pursuant to section 244 of the BIA.

8.4. Interim Financing and Interim Lender's Charge

120. Over the course of the past few weeks, the Applicants, together with the Debtors and Deloitte, have had several discussions regarding the Debtors' financing needs to ensure the funding of the proposed Restructuring Process, and the payment of the Debtors' post-filing working capital requirements during the pendency of these proceedings.
121. On the basis of these discussions, Investissement Québec (in such capacity, the "**Interim Lender**") is prepared to provide interim financing to the Debtors on the terms and conditions set forth in the interim financing facility term sheet (the "**DIP Term Sheet**") which provides for credit facility in the *total* amount of \$6 million (the "**Interim Financing Facility**") (with an initial tranche of \$1 million to be approved at the hearing on the First Day Order) to be guaranteed and secured by a super-priority charge (the "**Interim Lender's Charge**") on all present and after-

acquired property of the Debtors. A copy of the DIP Term Sheet is communicated herewith as **Exhibit R-17**.

122. The Interim Financing Facility will be used, to the extent required, to implement the proposed Restructuring Process.
123. Given the current financial situation of the Debtors, including their cash position, the Interim Financing Facility is the only feasible financing alternative available to the Debtors, and is on terms that are fair, reasonable and adequate.
124. As things currently stand, the Debtors are currently expected to run out of cash by no later than December 13, 2019 (i.e. prior to the hearing on the Applicants' request for an Initial Order.
125. Accordingly, given the *immediate* liquidity needs of the Debtors, the Interim Lender proposes the following:
 - (a) that the DIP Term Sheet be approved at the hearing on the Applicants' request for the First Day Order, and that the Debtors be authorized to borrow thereunder a maximum amount of up to \$1,000,000, subject to a corresponding Interim Lender's Charge being approved in favour of Investissement Québec; and
 - (b) that the DIP Term Sheet be approved and ratified at the hearing on the Applicants' requests for the Initial Order, and that the Debtors be authorized to borrow thereunder the balance of the Interim Financing Facility made available under the DIP Term Sheet, subject to the Interim Lenders' Charge being increased accordingly.
126. The Applicants understand that Deloitte is supportive of the proposed Interim Financing Facility and the Interim Lender's Charge, as well as the manner in which the advances thereunder should be made.

8.5. Administration Charge

127. The Applicants respectfully submits that a \$600,000 administration charge should be granted in accordance with the draft Initial Order (the "**Administration Charge**"). As appears from the draft Initial Order, the Applicants request that such charge takes rank prior to any all other charges existing over the assets and undertakings of the Debtors.
128. During these proceedings, including the Restructuring Process, the Debtors will require the assistance of the following professionals:
 - a) The Investissement Québec's legal counsels: Investissement Québec's legal counsels have been retained to assist it in the conduct of these proceedings, including the Restructuring Process; and
 - b) Deloitte and its legal counsels: Deloitte has agreed to act as monitor to the Debtors' restructuring proceedings and to assist the Debtors and Investissement Québec in the context of the Restructuring Process.

Deloitte has valuable insights into the Debtors' business and is in a position to perform its monitoring duties as well as to assist the Debtors in their Restructuring Process without further delay.;

- c) The Debtors' legal counsels: The Debtors' legal counsel may be called upon going forward, on the instructions of the Monitor, in consultation with Investissement Québec, to provide some assistance in the conduct of these proceedings, including the Restructuring Process and/or the claims process further described below.

- 129. In this context, the Applicants respectfully submit that the Administration Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted in accordance with the draft Initial Order.

8.6. The Intercompany Charge

- 130. The Applicants also seek the approval of an intercompany charge in the amount of \$3,000,000 in order to secure the repayment of intercompany advances which may be made between the Debtors during these proceedings.
- 131. Such Intercompany Charge would represent as a significant measure of protection when monies are expected to flow between debtor companies.

8.7. KERP and KERP Charge

- 132. In consultation with the proposed Monitor and the representatives for the Debtors, Investissement Québec has developed a draft KERP, the terms and conditions of which are set out in the summary documents and draft letter (collectively the "**KERP Summary**"), communicated herewith under seal as **Exhibit R-18**.
- 133. The KERP provides incentives for key employees to continue to remain employed by the Debtors in the unusual circumstances that face these executives. These key employees have been working and will continue to work with the objective of implementing the proposed Restructuring Process, even though their own continued employment is not certain.
- 134. The KERP has therefore been put in place to ensure that these key individuals remain with the Debtors until the completion of their restructuring. Retaining these key employees will provide critical stability in these otherwise uncertain times for the Debtors. It is anticipated that this stability will enable the Debtors to maintain orderly operations and existing customer relations as well as maximize enterprise value throughout the course of the restructuring.
- 135. In order to secure the payment owed to the above-mentioned key employees in accordance with the KERP, the Applicants seek an order from this Court granting to such employees a priority charge over the Debtors' assets in the amount of \$610,000 (the "**KERP Charge**").

8.8. D&O Charge

136. In order to carry on business during these proceedings and in order to complete the Restructuring Process, the Applicants require the active and committed involvement and continued participation of some of the Debtors' remaining director and/or officers, who have confirmed to be willing to remain involved in the management of the Debtors' business, commercial activities and internal affairs after the filing of the present proceedings (the "**Remaining D&Os**").
137. Although the Applicants understand that the Debtors intend to comply with all applicable laws and regulations, including the timely remittance of deductions at source and federal and provincial sales tax, the Remaining D&Os are nevertheless concerned about the possibility for their personal liability in the context of the present proceedings given the Restructuring Process.
138. Considering the risk to which the Remaining D&Os may be exposed to in assisting the Applicants during the Restructuring Process, the Remaining D&Os require the Debtors to indemnify them of all liabilities which they may incur in the context of their employment after the filing of these proceedings.
139. The Applicants understand that Fortress maintains directors' and officers' liability insurance (the "**D&O Insurance**") which provides for coverage, as well as for various deductibles depending on the nature of the loss.
140. Although the D&O Insurance may provide coverage to protect the Remaining D&Os from most of their obligations in such capacity, there can be no guarantee to that effect, especially in the context of insolvency proceedings, where the Debtors' insurer cannot be expected to readily agree to be bound to insure hypothetical claims before they are brought. Therefore, the Applicants submit that there is a risk of a gap in the coverage otherwise provided by the D&O Insurance, which ultimately creates a degree of uncertainty for the Remaining D&Os.
141. The Applicants therefore request a Court-ordered charge in the amount of \$500,000 (the "**D&O Charge**") over the Debtors' assets, property and undertaking, to indemnify the Remaining D&Os in respect of any liability which they may incur in connection with these proceedings. As appears from the draft Initial Order, the Applicants request that such charge takes rank prior to any all other charges existing over the assets and undertakings of the Debtors, except for the Administration Charge (as defined below).
142. The Applicants submit that the requested D&O Charge is reasonable and adequate given, notably, the potential exposure of the Remaining D&Os to personal liability, especially under a scenario where the Debtors would not be able to secure satisfactory offers in respect of their business and assets.
143. In addition, the Applicants further submit that the D&O Charge will provide some assurances to the Debtors' employees with regards to the payment of their salaries.
144. Indeed, while the insolvency of the Debtors and its non-payment of various employee obligations may trigger the personal liability of the Remaining D&Os,

any recourse initiated by the Debtors' employees does not guarantee them any recovery. Therefore, the creation of a security in favour of the Remaining D&Os for sums for which they may be held liable to employees (but for which the Debtors is ultimately liable) enhances such employees' chances of recovery by, in effect, creating a security for their claims.

145. Finally, Deloitte has advised that it is supportive of the D&O Charge, including the amount thereof.

8.9. The Claims Procedure

146. In order to proceed with the review and determine the number and quantum of all claims, actual and contingent, against the Debtors, the Applicants seek the issuance of an order approving the procedure for the filing of such claims, as further set forth in the draft Claims Procedure Order, the terms of which are summarized below.

8.9.1. Issuance of the Claims Package

147. Pursuant to the draft Claims Procedure Order, Deloitte shall, if appointed as monitor, send a claims document package (the "**Claims Package**") to each known creditor of the Debtors as soon as possible following the issuance of the Claims Procedure Order, informing them of the filing of the present proceedings by the Applicants in respect of the Debtors, as well as of their rights to file a claim against the Debtors and their directors or officers by no later than March 15, 2020 (the "**Claims Bar Date**").

148. More specifically, the Claims Package to be sent by Deloitte, if appointed as monitor, will include the following:

- (a) a copy of the Newspaper Notice to be issued by Deloitte, in its capacity as monitor (Schedule "A" to the draft Claims Procedure Order)
- (b) a copy of the form of Proof of Claim (Schedule "B" to the draft Claims Procedure Order);
- (c) a copy of the Instruction Letter to the Debtors' creditors (Schedule "C" to the draft Claims Procedure Order); and
- (d) a copy the form of Notice of Revision or Disallowance (Schedule "D" to the draft Claims Procedure Order).

149. In addition, the mailing of the Claims Package to known creditors of the Debtors will be supplemented by the placement, in widely distributed newspapers, of the Notice of the Claims Procedure, as well as the posting of the Claims Package on the Monitor's website.

8.9.2. Claims Bar Date

150. As previously mentioned, the proposed draft Claims Procedure Order outlines a procedure for the filing of claims against the Debtors, their directors or officers and

establishes a Claims Bar Date of March 15, 2020, as well as a subsequent bar date for claims arising after the issuance of the draft Claims Procedure Order, as further detailed therein. The Claims Bar Date will not apply to certain claims designated as "*Excluded Claims*" which (i) cannot be compromised under the CCAA, (ii) relate to the sale of goods or the rendering of services after the filing of these CCAA proceedings or (iii) are secured by court-authorized prior ranking charges.

8.9.3. Review and Determination of Claims

151. Pursuant to the draft Claims Procedure Order, the Debtors and Deloitte, if appointed as monitor, shall review of all claims against the Debtors and their directors or officers and proceed with the determination thereof.
152. The Monitor shall send, where applicable, a Notice of Revision or Disallowance to the creditors whose claims are disallowed in whole or in part. Upon receiving a Notice of Revision or Disallowance, a creditor whose claim has been disallowed in whole or in part will have the opportunity file, within ten (10) calendar days from the receipt of the Notice of Revision or Disallowance, a motion before this Court to appeal said Notice of Revision or Disallowance, failing which, the creditor will be deemed to have accepted Deloitte's determination of its claim.
153. It is submitted that the proposed Claims Procedure will allow the Applicants to better assess the number of claims against the Debtors and their directors or officers, as well as their quantum, and will enable it to better determine, if circumstances permit, the terms of an eventual plan of arrangement and compromise.

9. CONCLUSIONS

154. For the reasons set forth above, the Applicants believe it is both appropriate and necessary that the relief being sought be granted. With such relief, the Debtors will be able to proceed with the Restructuring Process in order to maximize the value of their business and assets for the benefit of its stakeholders.
155. All parties who may be affected by the present motion will be served with the present Application.
156. Considering the urgency of the situation, the Applicants respectfully submit that the notices given for the presentation of this Application are proper and sufficient.
157. The Applicants respectfully submit that this Application should be granted in accordance with its conclusions.

WHEREFORE, MAY THIS COURT:

GRANT this *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order* (the "**Application**").

ISSUE orders substantially in the form of:

- a) the draft First Day Order communicated as Exhibit R-1;
- b) the draft Initial Order communicated as Exhibit R-2;
- c) the draft Receivership Order communicated as Exhibit R-3; and
- d) the draft Claims Procedure Order communicated as Exhibit R-4.

WITHOUT COSTS, save and except in case of contestation.

MONTREAL, December 13, 2019

Stikeman Elliott

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INVESTISSEMENT QUÉBEC

SWORN STATEMENT

I, the undersigned, Alejandro Morales, having my principal place of business at 413, Saint-Jacques Street, Suite 500, in the city of Montreal, Province of Quebec, solemnly declare the following:

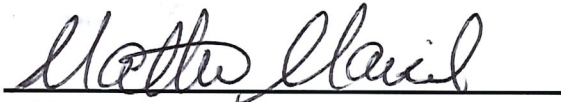
1. I am a Director of Investissement Québec;
2. All the facts alleged in the *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order* are, to the best of my knowledge, true.

AND I HAVE SIGNED



Alejandro Morales, Directeur
Créances spéciales - Ouest du Québec

**Solemnly declared before me at Montreal,
on the 13th day of December 2019**



Matthew Clavel
Bureau 282644-5

NOTICE OF PRESENTATION

TO: the Service List

TAKE NOTICE that the *Application for the Issuance of a First Day Initial Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order* will be presented for adjudication before the Honourable Marie-Anne Paquette of the Superior Court of Quebec, Commercial Division, at the Montréal Courthouse located at 1 Notre-Dame Street East, at a date, time and in a room to be determined by the Court and announced to the service list.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTRÉAL, December 13, 2019

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INVESTISSEMENT QUÉBEC

**SUPERIOR COURT
(Commercial Division)**

Court No:

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL**

**IN THE MATTER OF THE PLAN OF ARRANGEMENT
AND COMPROMISE OF:**

INVESTISSEMENT QUÉBEC

Co-Applicant / Secured Creditor

- and - **FIERA PRIVATE DEBT INC.**

Co-Applicant / Secured Creditor

- and - **FORTRESS GLOBAL ENTERPRISES INC.**

- and - **FORTRESS SPECIALTY CELLULOSE INC.**

- and - **FORTRESS BIOENERGY LTD.**

- and - **FORTRESS XYLITOL INC.**

- and - **9217-6536 QUÉBEC INC.**

Debtors

- and - **DELOITTE RESTRUCTURING INC.**

Proposed Monitor

BS0350

Our file: 107804-1024

**APPLICATION FOR THE ISSUANCE OF
A FIRST DAY INITIAL ORDER,
AN AMENDED AND RESTATED INITIAL ORDER,
A RECEIVERSHIP ORDER AND
A CLAIMS PROCEDURE ORDER**

*(Sections 9, 11, 11.51 and 11.52 of the Companies' Creditors
Arrangement Act*

and Section 243 of the Bankruptcy and Insolvency Act)

**SWORN STATEMENT
and NOTICE OF PRESENTATION**

ORIGINAL

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