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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;

- and -

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

Debtors

- and -

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

Monitor

**FOURTEENTH 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.
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 eleven (11) 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 ("**Hydro-Québec Order**").
 - (ii) the Distribution and Assignment Order, essentially allowing the Monitor to distribute funds that were held in trust to Fortress employees for their unpaid claims ("**Trust Order**").
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 "**LFA Motion**").
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 (the "**Application**").
24. On September 29, 2021, the Court extended the Stay Period up to and including October 8, 2021, in order to allow the presentation of the Application on 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 LFA Motion 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 "**LFA Judgment**").
27. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its Fourteenth report (the "**Fourteenth Report**"). The purpose of the Fourteenth Report is to provide the Court with an update with respect to the following:
 - I. Request for the approval of the Litigation Funding Agreement (as defined hereinafter) (page 5);
 - II. Update on the Solicitation Process (page 6);
 - III. Fortress' cash flow up to November 13, 2021 (8 weeks) (page 6);
 - IV. The Monitor's conclusions (page 7).

I. REQUEST FOR THE APPROVAL OF THE LITIGATION FUNDING AGREEMENT

28. Following the issuance of the LFA Judgment which refused to approve the Initial LFA in its current form, the Monitor, the Interim Lender and Omni had discussions and agreed to make certain changes to the LFA, which changes were incorporated in the Amendment No. 1 to Litigation Funding Agreement (the "**LFA Amending Agreement**" and together with the Initial LFA, the "**Litigation Funding Agreement**").
29. The LFA Amending Agreement amends the Initial LFA so that:
 - (i) it clarifies the intent of the parties that it applies to all legal fees and disbursements incurred by Fortress potentially giving rise to court-ordered costs while the Litigation Funding Agreement is in effect, even if the CCAA Court issues an award for such costs after the Litigation Funding Agreement has been terminated;
 - (ii) Omni provides additional funding to cover an eventual adverse costs award against Fortress in the Litigation Proceedings, including for costs incurred prior to the Litigation Funding Agreement; and

(iii) the financial terms account for the increased risk in connection with the amendments mentioned in (i) and (ii).

30. Given Omni's initial position regarding the costs incurred prior to the coming into force of the Litigation Funding Agreement, the Monitor accepted the compromise which includes an increase in the percentage of the Omni Return in order to mitigate the risk associated with the amendments provided for by the LFA Amending Agreement. A summary of the payment waterfall, a sample calculation regarding the distribution of the LFA Amending Agreement as well as a compare of the calculation of the LFA versus the LFA Amending Agreement are included in **Appendix A (under seal)**.

II. UPDATE ON THE SOLICITATION PROCESS

31. As mentioned in the previous report, the Monitor, with the consent of the Secured Creditors, established September 15, 2021 as the deadline for the submission of LOIs. The Monitor has received a total of seven (7) LOIs, four (4) from strategic parties and three (3) from dismantlers before the deadline.

32. Following the receipt of these LOIs, the Monitor prepared a summary of the LOIs as well as additional analysis in order to quantify the various conditions included in the offers. On November 16, 2021, virtual meetings were organized with each of the four (4) strategic parties that submitted a LOI in order to give them the opportunity to present their business plan and answer questions regarding same. Many Government representatives from various ministries attended this meeting. A list of additional questions arising from these meetings will be sent to the strategic parties in the coming days.

33. Given the fact that all of the LOIs contain many conditions, including requests for significant financing, the Monitor, the Interim Lender and the Government are still analyzing these offers to determine whether a viable offer can be further negotiated. This explains the delay on the timeline presented in the Thirteenth Report. The Monitor believes that an indication about these offers should be provided to him before the end of 2021 or in the first weeks of 2022.

34. Considering the delay with the initial timeline and the fact that no offer ensured that an exclusivity would be given, the Monitor, with the consent of the Interim Lender, refunded the deposits that had been made at the time of submitting the LOIs, therefore offering no exclusivity at this time.

III. FORTRESS' CASH FLOW UP TO NOVEMBER 13, 2021 (8 WEEKS)

35. Fortress' financial performance highlights for the period from September 19, 2021, to November 13, 2021, 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 Thirteenth Report on September 30, 2021 (the "**Initial Cash Flow**

Statement”), Fortress experienced a favorable variance of \$166K in cash inflows mainly explained by:

- i. A favorable variance of \$240K in other deposits mainly due to transfers from bank accounts that belonged to the head office;
 - ii. Fortress experienced an unfavorable variance of less than 2% in respect of all other cash inflows.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.5M in cash outflows. The variance is primarily attributable to:
- i. A favorable variance of \$97K in trade payables. This is mainly due to timing since the Cogen started 2 weeks later than budgeted due to mild weather;
 - ii. A favorable variance of \$682K in biomass strictly due to timing since biomass supply was slower than expected. The required volumes will therefore be received over a longer period;
 - iii. A favorable variance of \$51K in payroll mainly due to the delay in the restart of the Cogen as well as the timing of pension payments;
 - iv. An unfavorable variance of \$55K in Hydro-Québec. This variance is mainly explained by the prepayments. For the month of October, prepayments were higher than budgeted but lower than the actual consumption creating a credit position of \$39K on the last invoice;
 - v. A temporary favorable variance of \$690K in municipal taxes. This amount will be paid in the week ending December 4, 2021;
 - vi. An unfavorable variance of \$48K in insurance. This variance is due to timing since the insurance payments are not spread linearly over time, the first payment representing a larger amount;
 - vii. A temporary favorable variance of \$167K in GST & QST payments; and
 - viii. An unfavorable variance of \$148K in other disbursements due to the administration fees for the additional interim financing.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$1.6M, as explained, mainly related to timing differences.

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

IV. THE MONITOR’S CONCLUSIONS

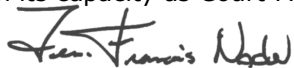
37. In light of the foregoing, the Monitor submits that it is appropriate, in the present circumstances, for this Court to grant the Application for the Issuance of an Order Approving a Litigation Funding Agreement and a Litigation Financing Charge.

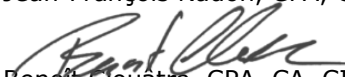
38. The Monitor respectfully submits to the Court this, its Fourteenth Report.

DATED AT MONTREAL, this 23rd day of November 2021

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress


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


Benoit Clouâtre, CPA, CA, CIRP, LIT

Appendix A
Under seal

Appendix B

APPENDIX B**Fortress Global Enterprises****Budget-to-Actual Analysis for the 8-week period ended November 13, 2021**

(in \$000 CAD)

	For the 8-week period ended November 13, 2021				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
Cogen sales	-	-	-	0%	
GST & QST refunds	-	74	(74)	-100%	
DIP	4,000	4,000	-	0%	
Other Deposits	240	-	240	0%	Note 1
Total - Receipts	4,240	4,074	166	4%	
Disbursements					
Trade payables - Operation	515	612	97	16%	Note 2
Biomass	246	928	682	73%	Note 3
Chemicals	11	10	(1)	-10%	
Payroll	454	505	51	10%	Note 4
Hydro-Quebec	376	321	(55)	-17%	Note 5
Municipal taxes	-	690	690	100%	Note 6
Insurance	93	45	(48)	-107%	Note 7
GST & QST payments	-	167	167	100%	Note 8
Professional fees	382	370	(12)	-3%	
Fortress Xylitol Inc. - expenses	-	54	54	100%	
Other	148	-	(148)	0%	Note 9
Total - Disbursements	2,225	3,702	1,477	40%	
Change in Cash-Flow	2,015	372	1,643	442%	
Net cash (Shortfall) - Beginning	1,185	1,185	-	0%	
Net cash (Shortfall) - Ending	3,200	1,557	1,643	106%	

APPENDIX B (con't)

Fortress Global Enterprises - Consolidated

Notes on Budget-to-Actual Analysis

For the 8-week period ended November 13, 2021

Note 1	Other deposits	Other deposits mainly includes transfers from bank accounts that belonged to the head office.
Note 2	Trade payables - Operation	The trade payables operation disbursements of \$515K were lower than the budgeted \$612K, creating a favorable variance of \$97K. This is mainly due to timing since the Cogen started 2 weeks later than budgeted due to mild weather.
Note 3	Biomass	Biomass disbursements of \$246K were lower than the budgeted \$928K. This favorable variance is strictly due to timing since biomass supply was slower than expected. The required volumes will therefore be received over a longer period.
Note 4	Payroll	The payroll disbursements of \$454K were lower than the budgeted \$505K, creating a favorable variance of \$51K. This is mainly due to the delay in the restart of the Cogen as well as the timing of pension payments.
Note 5	Hydro-Québec	Hydro-Québec disbursements totaled \$376K compared to a budget of \$321K. This unfavorable variance of \$55K is mainly explained by the prepayments. For the month of October, prepayments were higher than budgeted but lower than the actual consumption creating a credit position of \$39K on the last invoice.
Note 6	Municipal taxes	This \$690K favorable variance is temporary and strictly due to timing.
Note 7	Insurance	Insurance disbursements were \$48K higher than the \$45K initially budgeted. This unfavorable variance is due to timing since the insurance payments are not spread linearly over time, the first payment representing a larger amount.
Note 8	GST & QST payments	This \$167K favorable variance is temporary and strictly due to timing.
Note 9	Other	The unfavorable variance of \$148K in other disbursements is due to the administration fees for the additional interim financing.