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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-Montreal, in the city of Montreal, Province of Quebec, H3B 0M7;

#### **Monitor**

**NINETEENTH 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 seventeen (17) 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. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its Nineteenth report (the "**Nineteenth Report**"). The purpose of the Eighteenth Report is to inform the Court with respect to the following:
  - I. Update on Fortress' operations;
  - II. The Monitor's activities since the Eighteenth report;
  - III. Fortress' cash flow up to April 8, 2023 (21 weeks);
  - IV. Fortress' updated cash flow projections for the period from April 9, 2023, to June 24, 2023;
  - V. The Monitor's request for the approval of a settlement agreement;
  - VI. The Applicant's request for an extension of the Stay Period;
  - VII. The Applicant's request to extend the Stay to the SAP Proceedings; and
  - VIII. The Monitor's conclusions.

**I. UPDATE ON FORTRESS' OPERATIONS**

41. Since the Eighteenth 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.

***Update on Fortress Xylitol Inc.***

42. As mentioned in the previous reports, 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.

43. Fortress Xylitol came to the end of its financial resources in October 2021 and it was expected that Fortress would cover for its expenses from the funds available through the Interim Financing Facility until the end of the solicitation process.
44. Since the technology being developed by Fortress Xylitol is part of some of the projects currently being analyzed in the context of the solicitation process, it was agreed with the Interim Lender that its expenses would continue to be covered by the funds available through the Interim Financing Facility until a decision is made with respect to these projects.

**Other**

45. Fortress, with the assistance of the Monitor, updated its budget for the coming months in order to validate the additional financing needed to complete the solicitation process as described hereinafter.
46. The updated budget allows Fortress to continue implementing the Cold Idle Plus Scenario in the coming months, while finalizing, with the help of the Monitor, a transaction with a potential purchaser in the context of the solicitation process.

**II. MONITOR'S ACTIVITIES SINCE THE LAST REPORT**

General

47. 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 ongoing solicitation process.
48. The Monitor also held a call with Fiera in order to update it on the developments in the CCAA Proceedings.
49. 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.
50. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts with the full co-operation of Management.

Solicitation Process

51. Since the previous report, some parties continued to show a strong interest in purchasing the Pulp Mill in order to use it in the context of an alternative project. With several players still being active in the process and in view of promoting a competitive bidding process, the Monitor, with the consent of the Interim Lender, established a deadline for the submission of letters of intent ("**LOI**") and the terms and conditions of the process. A summary of these terms and conditions as well as the timeline of the process is attached as **Appendix A (under seal)** to this Nineteenth Report.
52. On March 16, 2023, the Monitor communicated the terms and conditions of the process to potential bidders that had already demonstrated serious interest (NDAs, site visits, data room access and already provided LOIs or indication of interest in submitting one) in Fortress' assets and informed them that they had until April 14, 2023, to present a LOI. A total of 7 parties were contacted.
53. The Monitor received LOIs from 6 different parties before the April 14, 2023, deadline. Some of these LOIs are in respect of interesting alternative projects that could be beneficial for

Fortress as well as for the region of Thurso. Also, the LOIs were submitted by serious parties, which appear to be able to ensure the sustainability of their respective project.

54. Following the receipt of these LOIs, the Monitor prepared a summary of the LOIs, which is attached as **Appendix B (under seal)** to this Nineteenth Report. The Québec government is currently analyzing the offers and will inform the Monitor in the coming days of the party(ies) who have submitted a LOI with whom meetings will be scheduled in order to give them the opportunity to present their business plan and answer questions regarding same. Many Québec government representatives from various ministries should attend these meetings. The party(ies) whose LOI was not retained will be informed of this determination by the Monitor as soon as practicable.
55. Given the fact that the LOIs contain many conditions, including requests for significant financing, the Monitor, the Interim Lender and the Québec government will be analyzing the LOIs identified for further analysis to determine whether or not the projects described therein meet the criteria set forth by the Québec government. The Monitor believes that the Québec government will be able to provide it with an indication about such LOIs in the coming weeks with a view to identifying a viable project by the end of June 2023.
56. In light of the foregoing, the Monitor believes that there is a strong possibility that a viable project will be selected; however, should no project be deemed viable and selected in the coming weeks, the Monitor plans to maintain Fortress' activities to a minimum until a permanent decision is rendered by the Québec government and Fortress' secured creditors.

#### Claims Against the D&O Insurer

57. As mentioned in the previous reports, the Monitor was awaiting the payment of an indemnity from the D&O insurer for payments which had been made to employees from the D&O trust in accordance with the Trust Order. On February 17, 2023, the Monitor received an indemnity from the D&O Insurer in the amount of \$1,036,841.87.
58. In accordance with the Trust Order, this amount should be paid back to the D&O trust, less the expenses incurred in order to recover the indemnity from the D&O Insurer.
59. At this time, the Monitor is contemplating terminating the D&O trust in accordance with its terms and conditions given that there is no outstanding claim against the D&Os of Fortress. A determination in this respect will be made in the coming weeks and, in the event it is determined that the D&O trust should not be terminated, the Monitor will pay back the indemnity to the D&O trust, less the expenses incurred in order to secure the payment from the D&O Insurer.

#### Environmental Matters

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



**III. FORTRESS' CASH FLOW UP TO APRIL 8, 2023 (21 WEEKS)**

61. Fortress' financial performance highlights for the period from November 13, 2022, to April 8, 2023, are presented in the Actual Cash Flow annexed hereto as **Appendix C**. 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 Eighteenth Report on November 22, 2022 (the "**Initial Cash Flow Statement**"), Fortress experienced an unfavorable variance of \$1.1M in cash inflows mainly explained by:
    - i. An unfavorable variance of \$1M in interim financing. Fortress' draws from the Interim Financing Facility were \$1.3M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements. The additional draw of \$1.3M was received during the week ended November 19, 2022.
    - ii. An unfavorable variance of \$123K of QST/GST refund mainly due to the fact that disbursements were lower than budgeted.
  - (ii) compared with the Initial Cash Flow Statement, Fortress experienced a favorable variance of \$1.7M in cash outflows. The variance is primarily attributable to:
    - i. A favorable variance of \$0.9M in the Cold Idle Plus Scenario. This favorable variance is mainly due to savings that have been made by Fortress. Less costly alternative measures have been put in place and certain expenses have been avoided.
    - ii. A favorable variance of \$188K in Hydro-Québec. This favorable variance is mainly due to a consumption level lower than budgeted as well as a reduction in the minimum subscribed rate.
    - iii. An unfavorable variance of \$54K in payroll, this unfavorable variance is mainly explained to an unbudgeted invoice of \$66K that was received related to Employer Health Tax of British Columbia for the year 2020.
    - iv. A favorable variance of \$185K in professional fees mainly due to timing as some services have not yet been invoiced.
    - v. A favorable variance of \$159K in Fortress Xylitol expenses. This favorable variance is mainly due to the fact that there is only one employee left and disbursements are at a bare-minimum level.
    - vi. A favorable variance of \$340K in QST & GST payments. This variance is strictly due to timing as payment has been made during the week ended April 22, 2023.
    - vii. An unfavorable variance of \$82K in other disbursements due to financing fees on DIP financing.
  - (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$549K, as explained, mainly related to lower disbursements in the implementation of the Cold Idle Plus scenario and timing differences.
62. As of the date of this Nineteenth 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. OVERVIEW OF THE 11-WEEK CASH FLOW PROJECTIONS**

63. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 11-week period from April 9, 2023 to June 24, 2023 (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 Nineteenth Report.
64. Fortress is currently limiting its activities to the bare minimum. The Cash Flow Statement has been prepared to reflect the Cold Idle Plus Scenario.
65. 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**").
66. 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.
67. 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 Nineteenth 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.
68. 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.
69. 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.
70. Based on the projections for the period ending April 29, 2023, Fortress will have sufficient funds to cover the expected disbursements during this period with the proposed increase in the Interim Financing Facility as indicated in the projections attached as **Appendix C**.

71. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
72. This Cash Flow Statement allows Fortress to continue to implement the Cold Idle Plus Scenario that will limit Fortress' expenses for the next year to the bare minimum while maintaining the water treatment for the benefit of the city of Thurso and the fire service for neighbouring businesses.
73. The Cash Flow Statement demonstrates that an additional increase in the Interim Financing Facility is not required in the coming weeks.

**V. REQUEST FOR THE APPROVAL OF A SETTLEMENT AGREEMENT**

74. As mentioned in the Monitor's seventeenth and eighteenth reports to this Court, a former employee of Fortress (the "**Former Employee**") sent a demand letter (the "**Demand Letter**") to Fortress and IQ seeking damages for constructive dismissal.
75. The Monitor responded to the Demand Letter refuting the allegations contained in the Demand Letter and contending that no amounts were owed by Fortress to the Former Employee.
76. Notwithstanding the foregoing, the Monitor informed the Former Employee that it would be willing to consider private dispute prevention and resolution processes with a view to avoiding a potential litigation.
77. Further to several discussions and exchanges between the Monitor, IQ, the Former Employee and their respective legal counsel, the parties have agreed on the terms and conditions of a settlement agreement (the "**Settlement Agreement**"), which remains conditional upon the approval of the Court given that Fortress remains subject to the CCAA Proceedings.
78. The Settlement Agreement inter alia provides for:
  - (i) the payment of a compensation to the Former Employee in exchange for a full and final release in favour of Fortress and IQ with respect to the allegations contained in the Demand Letter; and
  - (ii) the confidentiality of the terms and conditions of the Settlement Agreement in order to preserve the confidentiality of the identity of the Former Employee.
79. The Monitor is of the view that the Court should approve the Settlement Agreement given that:
  - (i) the terms and conditions of the Settlement Agreement are reasonable in the circumstance, namely because they will allow the parties to avoid the costs and inconvenience associated with a potential litigation with the Former Employee, which would, in all likelihood, exceed the amount of the consideration provided for under the Settlement Agreement given the numerous parties involved;
  - (ii) IQ, in its capacity as interim lender, is supportive of the Settlement Agreement;
  - (iii) no party will be materially prejudiced as a result of the Settlement Agreement; and
  - (iv) the Settlement Agreement will allow Fortress to operate within its budget without harming the execution of its restructuring initiatives.

## **VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS**

80. IQ is seeking an extension of the Stay Period until June 23, 2023, in order to allow IQ, together with the Quebec government, and with the Monitor, to assess the LOIs recently received and make an informed decision as to the next steps or, if required, develop and implement potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.
81. 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.
82. As described in this Nineteenth 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 the increase to the Interim Financing Facility that was granted to Fortress through the Sixth Amending Agreement, in the previous report.

## **VII. REQUEST FOR THE EXTENSION OF THE STAY TO THE SAP PROCEEDINGS**

83. Fortress Specialty was issued a certificate of authorization by the Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs (the "**MELCC**") in accordance with the *Loi sur la qualité de l'environnement* (the "**LQE**") and the *Règlement sur les fabriques de pâtes et papier* (the "**Certificate of authorization**"), which certificate is necessary for the operation of the Pulp Mill.
84. On July 7, 2021, the Bureau de réexamen of the MELCC issued a decision (the "**SAP Decision**") confirming a monetary administrative penalty in the amount of \$10,000, bearing number 401,854,814 (the "**SAP**") against Fortress Specialty.
85. On or about August 6, 2021, Fortress Specialty filed a motion contesting the SAP Decision before the Tribunal administratif du Québec in file number STE-Q-257041-2108 (the "**SAP Proceedings**").
86. The Monitor is informed that if the SAP is confirmed, the MELCC could, without any other motive, refuse to amend or renew Fortress Specialty's Certificate of authorization as well as amend, suspend or revoke same in accordance with section 115.5 of the LQE. Should this occur, it would have a negative impact on Fortress' perspective of closing a transaction.
87. Given the limited human resources available to Fortress, Fortress Specialty does not have the time and resources to adequately prepare for the SAP Proceedings as the current employees will, above and beyond their current roles, be needed to assist in the efforts to finalize in transaction.
88. Furthermore, the Pulp Mill has been and is expected to remain for the near future in shutdown mode, such that there is no risk that the alleged violations to the LQE and its regulation will continue.

## **VIII. THE MONITOR'S CONCLUSIONS**

89. The Monitor is of the view that the Settlement Agreement is fair and reasonable and that it should be approved by this Court for the reasons more fully set out in this Nineteenth Report of the Monitor.
90. 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 preserve some value while the Quebec

government comes to a determination with respect to the next steps, including possibly moving forward with one of the projects described in the LOIs or, if required, develops and implements potential revalorization initiatives for the site and alternative water treatment solutions for the city of Thurso.

91. As noted above, the current Stay Period expires on April 28, 2023. The Monitor understands that the extension of the Stay Period sought by IQ is required to allow Fortress to preserve some value while the Government develops and implements the initiatives previously described.
92. 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.
93. The Monitor supports the extension of the Stay to the SAP Proceedings. As previously outlined, this would allow Fortress' employees to concentrate on implementing a potential transaction and there is no risk that the alleged violation will continue as the Pulp Mill is in shutdown mode.
94. Furthermore, it is in the interest of Fortress and its stakeholders that Fortress Specialty be able to adequately prepare for the SAP Proceedings given the negative impact on a potential transaction should the SAP Proceedings be dismissed without Fortress Specialty being able to provide a full and complete defense.
95. 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 Nineteenth Report of the Monitor.
96. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
97. The Monitor respectfully submits to the Court this, its Nineteenth Report.

DATED AT MONTREAL, this 25<sup>th</sup> day of April 2023.

**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  
Under seal

# Appendix C



## APPENDIX C

### Fortress Global Enterprises

#### Budget-to-Actual Analysis for the 21-week period ended April 8, 2023

(in \$000 CAD)

	For the 21-week period ended April 8, 2023				Note
	Actual	Budget	Var (\$)	Var (%)	
<b>Consolidated Receipts</b>					
DIP	3,300	4,300	(1,000)	-23%	Note 1
GST & QST refunds	200	323	(123)	-38%	Note 2
<b>Total - Receipts</b>	<b>3,500</b>	<b>4,623</b>	<b>(1,123)</b>	<b>-24%</b>	
<b>Disbursements</b>					
Cold Idle Plus	573	1,459	886	61%	Note 3
Hydro-Québec	694	882	188	21%	Note 4
Payroll	823	769	(54)	-7%	Note 5
Professional fees	190	375	185	49%	Note 6
Fortress Xylitol Inc. - expenses	159	375	216	58%	Note 7
Municipal taxes	196	160	(36)	-23%	
GST & QST payments	-	340	340	100%	Note 8
Trade payables - Operation	149	168	19	11%	
Insurance	20	30	10	33%	
Other	82	-	(82)	0%	Note 9
<b>Total - Disbursements</b>	<b>2,886</b>	<b>4,558</b>	<b>1,672</b>	<b>37%</b>	
<b>Change in Cash-Flow</b>	<b>614</b>	<b>65</b>	<b>549</b>	<b>844%</b>	
Net cash (Shortfall) - Beginning	1,791	1,791	-	0%	
<b>Net cash (Shortfall) - Ending</b>	<b>2,405</b>	<b>1,856</b>	<b>549</b>	<b>30%</b>	

## APPENDIX C (con't)

### Fortress Global Enterprises Notes on Budget-to-Actual Analysis

For the 21-week period ended April 8, 2023

<b>Note 1</b>	<b>DIP</b>	Fortress' draws from the Interim Financing Facility were \$1M less than budgeted for this period. This variance is mainly due to timing differences in the receipts and disbursements.
<b>Note 2</b>	<b>QST &amp; GST refunds</b>	The QST & GST refunds of \$200K were lower than the budgeted \$323K. This \$123K unfavorable variance is mainly due to the fact that disbursements were lower than budgeted.
<b>Note 3</b>	<b>Cold Idle Plus</b>	The disbursements for the Cold Idle were significantly lower than expected. This favorable variance of \$0.9M is mainly due to savings that have been made by Fortress. Less costly alternative measures have been put in place and certain expenses have been avoided.
<b>Note 4</b>	<b>Hydro-Québec</b>	The Hydro-Québec disbursements of \$694K were lower than the budgeted \$882K. This favorable variance of \$188K is mainly due to a consumption level lower than budgeted as well as a reduction in the minimum subscribed rate.
<b>Note 5</b>	<b>Payroll</b>	The payroll disbursements of \$823K were higher than the budgeted \$769K. This unfavorable variance of \$54K is mainly due to an unbudgeted invoice of \$66K that was received related to Employer Health tax of British Columbia for the year 2020.
<b>Note 6</b>	<b>Professional fees</b>	Disbursements for professional fees were lower than the budgeted \$375K. This favorable variance of \$185K is mainly due to timing as some services have not yet been invoiced.
<b>Note 7</b>	<b>Fortress Xylitol Inc. - Expenses</b>	Disbursements for Fortress Xylitol Inc. of \$159K were lower than the budgeted \$375K. This favorable variance of \$216K is mainly due to the fact that there is only one employee left and disbursements are at a bare-minimum level.
<b>Note 8</b>	<b>GST &amp; QST payments</b>	The favorable variance of \$340K is strictly due to timing as payment has been made during the week ended April 22, 2023.
<b>Note 9</b>	<b>Other</b>	The unfavorable variance of \$82K is due to financing fees on the DIP financing.

# Appendix D

## APPENDIX D

### Fortress Global Enterprises

### Consolidated Cash-Flow

For the 11-week period ending June 24, 2023

Consolidated (\$000)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total	
		15-Apr-23	22-Apr-23	29-Apr-23	06-May-23	13-May-23	20-May-23	27-May-23	03-Jun-23	10-Jun-23	17-Jun-23		24-Jun-23
<b>Receipts</b>													
DIP		-	-	-	-	-	-	-	-	-	500	-	500
Sales of parts		-	-	375	-	-	-	-	-	-	-	-	375
GST & QST refunds		-	-	-	-	43	-	-	-	2	-	-	45
<b>Total - Receipts</b>		<b>-</b>	<b>-</b>	<b>375</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>500</b>	<b>-</b>	<b>920</b>
<b>Disbursements</b>													
Key Employee Retention Plan (KERP) [1]		-	-	-	-	-	-	-	-	-	-	466	466
Hydro-Québec		42	42	42	42	42	42	42	42	42	42	42	462
Payroll		64	-	64	16	64	-	64	20	64	-	64	420
Cold Idle Plus		65	29	29	43	43	43	43	29	29	29	29	411
Municipal taxes		-	-	200	-	-	-	160	-	-	-	-	360
GST & QST payments		-	321	-	-	-	-	-	-	-	-	-	321
Professional fees		15	15	15	15	15	15	15	15	15	15	15	165
Vacations [1]		-	-	-	-	-	-	-	-	-	-	120	120
Other		-	-	-	100	-	-	-	-	-	-	-	100
Fortress Xylitol Inc. - expenses		7	7	7	7	7	7	7	7	7	7	7	77
Trade payables - Operation		8	8	8	8	8	8	8	8	8	8	8	88
Insurance		-	-	-	6	-	-	-	6	-	-	-	12
<b>Total - Disbursements</b>		<b>201</b>	<b>422</b>	<b>365</b>	<b>237</b>	<b>179</b>	<b>115</b>	<b>339</b>	<b>127</b>	<b>165</b>	<b>101</b>	<b>751</b>	<b>3,002</b>
<b>Change in Cash-Flow</b>		<b>(201)</b>	<b>(422)</b>	<b>10</b>	<b>(237)</b>	<b>(136)</b>	<b>(115)</b>	<b>(339)</b>	<b>(127)</b>	<b>(163)</b>	<b>399</b>	<b>(751)</b>	<b>(2,082)</b>
<b>Net cash (Shortfall) - Beginning</b>		<b>2,405</b>	<b>2,204</b>	<b>1,782</b>	<b>1,792</b>	<b>1,555</b>	<b>1,419</b>	<b>1,304</b>	<b>965</b>	<b>838</b>	<b>675</b>	<b>1,074</b>	<b>2,405</b>
<b>Net cash (Shortfall) - End</b>		<b>2,204</b>	<b>1,782</b>	<b>1,792</b>	<b>1,555</b>	<b>1,419</b>	<b>1,304</b>	<b>965</b>	<b>838</b>	<b>675</b>	<b>1,074</b>	<b>323</b>	<b>323</b>

**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**

<b>Assumptions</b>	<b>Source</b>	<b>Probable Assumption</b>	<b>Hypothetical Assumption</b>
<b><u>Opening cash balance</u></b>	Based on current bank balances	X	
<b><u>Forecast cash receipts:</u></b>			
Sales of parts	Based on invoice received	X	
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<b><u>Forecast cash disbursements:</u></b>			
KERP	Based on the calculations approved during these CCAA Proceedings	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	
Cold Idle Plus	Estimate of disbursements required based on Fortress' knowledge and estimated from external advisors		X
Municipal taxes	Based on historical costs	X	
QST & GST payments	Based on the level of receipts and disbursements budgeted	X	
Professional fees	Management estimate of professional fees to be incurred in the following months for monitor and legal services.		X
Vacations	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Fortress Xylitol Inc. – expenses	Based on historical costs	X	
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Insurance	Based on historical costs	X	