

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, 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

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

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

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Application for the Issuance of a First Day Order, an Amended and Restated Initial Order, a Receivership Order and a Claims Procedure Order under the *Companies' Creditors Arrangement Act* ("**CCAA**") dated December 13, 2019 (the "**Application**").
2. On December 13, 2019, Investissement Québec and Fiera Private Debt Inc. (collectively, the "**Applicants**"), in their respective capacity as secured creditors of Fortress Global Enterprises Inc. ("**Fortress Global**"), Fortress Specialty Cellulose Inc. ("Fortress Specialty"), Fortress Bioenergy Ltd. ("**Fortress Bioenergy**"), Fortress Syllitol Inc. ("Fortress Syllitol") and 9217-6536 Québec Inc. ("**9217**") (collectively, "**Fortress**"), filed an Application seeking, *inter alia*,

the issuance of a First Day Initial Order, an Amended and Restated Initial Order 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' SISP; (V) the proposed restructuring; (VI) the Key Employee Retention Program ("**KERP**"); (VII) the appointment of a receiver; (VIII) the charges sought in the First Day Order; (IX) the D&O Trust; (X) the Claims Procedure Order; (XI) payments to Essential Suppliers (as defined in the First Report); (XII) overview of the 22-week cash flow projections as of the date of the First Report, in accordance with section 23(1)(b) CCAA; and (XIII) the Monitor's conclusions and recommendations in the circumstances of the hearing and the motion presented by both Co-Applicants.
4. On December 16, 2019, the Superior Court of Quebec, Commercial Division (the "**Court**") partially granted the Application and rendered a First Day Initial Order (the "First Day Order") which provided for, *inter alia*, (i) a stay of proceedings against Fortress until December 26, 2019 (the "**Stay Period**"); (ii) a stay of proceedings against the Directors and Officers; (iii) the appointment of Deloitte Restructuring Inc. as the monitor under the CCAA (the "**Monitor**"); (iv) the approval of Interim Facility; and (v) the granting of an Interim Lenders' Charge.
5. These proceedings commenced under the CCAA by Fortress will be referred to herein as the "**CCAA Proceedings**".
6. 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**").
7. On December 19, 2019, the Applicants filed an Application for the Issuance of an Amended First Day Order, which was presentable by conference call on December 26, 2019.
8. On December 26, 2019, the above motion by the Applicants was granted by the Court, which rendered an Amended First Day Order which provided for, *inter alia*, (i) an extension of the Stay Period until January 10, 2020; (ii) an increase of the maximum principal amount of the Interim Facility to \$1.5M; (iii) an increase of the Interim Lender Charge to up to \$1.8M; and (iv) the payment of Essential Suppliers (as defined in the First Report) up to a maximum of \$250,000. On such date, the Court advised the parties that it would hear the Applicants' Application for an Amended and Restated First Day Order.
9. On January 8, 2020, the Monitor issued its Second Report. The purpose of the Second Report was to provide information to the Court on the activities of Fortress and of the Monitor since the commencement of the CCAA Proceedings and to support the Applicants' demand for the issuance of an Amended & Restated Initial Order.
10. On January 10, 2020, an Amended & Restated Initial Order was issued by the Court (the "**Amended & Restated Initial Order**") which provided for, *inter alia*, (i) an extension of the Stay Period until May 2, 2020; (ii) an increase of the maximum principal amount of the Interim Facility to \$6M; (iii) an increase of the Interim Lender Charge to up to \$7.2M; (iv) a KERP and KERP Charge in an amount up to \$610,000; (v) a D&O Charge in an amount up to \$500,000; (vi) an Administration charge in an amount up to \$600,000; (vii) an Intercompany Advance Charge in an amount up to \$3M; and (viii) the undertaking of the Monitor to file a report to the Court on further material development every two months, and to post these reports on the Monitor's website.

11. 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).
12. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues this Third Report to the Court, the purpose of which is to provide the Court with an update with respect to the following:
 - I. Update on Fortress' operations (page 5);
 - II. The Monitor's activities since the Second Report; (page 7);
 - III. Fortress' Cash Flow up to February 29, 2020 (page 8);
 - IV. Fortress' updated cash flow projections for the period from March 1, 2020 to May 2, 2020 (page 9);
 - V. The Monitor's conclusions (page 10).
13. In preparing the Third Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, Fortress' books and records and financial information prepared by Fortress and discussions with Management of Fortress (collectively, the "**Information**"). Except as described in this Third Report in respect of Fortress' Cash Flow Statement (as defined below):
 - (i) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - (ii) Some of the information referred to in this Third Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.
14. Future oriented financial information referred to in this Third Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
15. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Third Report concerning Fortress and their business is based on the Information, and not independent factual determinations made by the Monitor.
16. A copy of this Third Report and further reports of the Monitor, as the case may be, will be made available on the Monitor's Website (as defined below).

I. UPDATE ON FORTRESS' OPERATIONS

17. Since the issuance of the Amended & Restated Initial Order on January 10, 2020:
- (i) Fortress has maintained the Pulp Mill in shutdown mode and has continued its minimal and necessary operation at the Cogeneration Facility, and continued to pay its current employees and its suppliers in the normal course of business;
 - (ii) The market price of the dissolving pulp has remained unchanged, and nothing further indicates an increase in the pricing trend in the near future;
 - (iii) 4 employees were laid off in Vancouver, since the head office was closed completely;
 - (iv) 5 notices of termination were sent for leases and service agreements, see **Appendix A** for details; and
 - (v) 23 notices of stay of proceedings were sent in connection with judicial proceedings initiated against Fortress for unpaid claims or contracts termination, see **Appendix A** for details.
18. On January 17, 2020, the TSX proceeded with the delisting of all issued and outstanding shares of Fortress Global.
19. Following the issuance of the Amended & Restated Initial Order, an additional amount of \$23,000 was paid to certain Essential Suppliers (as defined in the First Report) of Fortress for services rendered prior to December 16, 2019. To date, the total amount paid to such Essential Suppliers since the issuance of the Amended First Day Order is \$209,000. A large portion of this amount was paid to biomass suppliers. Fortress does not expect that, in the future, additional amounts will have to be paid for amounts due to Essential Suppliers prior to December 16, 2019.
20. On January 30, 2020, one of Fortress' creditors, Mécanique CNC (2002) Inc. ("**CNC**") filed an application for leave to appeal the Amended & Restated Initial Order, contesting section 2.7 of the Claims Procedure Order.
21. This application was heard by the Court of Appeal on February 12, 2020, and dismissed on February 14, 2020 (the "**Court of Appeal decision**").

Update On Ongoing Issues With Creditors And Co-contractors

22. As discussed in the Pre Filing Report of the Monitor and the Second Report of the Monitor, certain discussions were held with Hydro-Québec regarding, among others, the possibility for Fortress to reduce the minimum power purchases with an objective of working towards a successful restructuring.
23. After several attempts and discussions, Fortress, with the support of the Monitor, was unable to reach a comprehensive agreement with Hydro-Québec. Fortress and the Monitor are of the view that the security deposit that was unilaterally established by Hydro-Québec is not required given that Fortress is in a sufficient enough credit position due to the Cogen agreements.
24. On January 17, 2020, the representatives of the Monitor and Fortress met with the representatives of Lauzon-Planchers de bois exclusifs Inc. ("**Lauzon**"), one of Fortress' important supplier. The purpose of this meeting was to find a solution regarding the

biomass/chips of Fortress which are currently stored on Lauzon's premises. As described in the Second Report, Lauzon has and continues to refuse to grant Fortress access to the biomass/chips that it will require for its operations as part of the Cogen facility.

25. Despite these meetings and discussions, the parties have not been able to reach an agreement. Fortress, with the support of the Monitor, has informed Lauzon on February 11, 2020 that its only remaining option was to initiate legal proceedings, unless its biomass/chips was released forthwith. Later that day, the Monitor instructed its legal counsel to send a formal notice to Lauzon, demanding that it grant access to Fortress before February 17, 2020. Since then, Lauzon has requested additional time twice, on the basis that a solution could be reached shortly, without having to seize the Court with this matter. The Monitor accepted both of those requests.
26. However, access to the biomass/chips by Fortress, has now become very time sensitive, as these biomass/chips of Fortress are necessary for the operation of the Pulp Mill. As Lauzon is still blocking the access to the biomass/chips, the Monitor has informed the Court that it will have no other choice but to seize the Court with this matter.
27. The Monitor has also been made aware of a dispute with Nanotech Security Corp. ("**Nanotech**") regarding amounts invoiced to Fortress for pre and post CCAA Proceedings rent and services. Fortress had a lease agreement with Nanotech whereby Fortress was renting a portion of the premises at 350 Nash Street in Thurso. Fortress and Nanotech were also parties to a Transitional and Shared Services Agreement ("**Services Agreement**") pursuant to which Fortress provided electricity, water and other security services to Nanotech.
28. On January 30, 2020, Fortress notified the Monitor that the premises rented from Nanotech were no longer required, and that the lease agreement with Nanotech should be terminated, as they did not have the liquidities to continue supporting these expenses. The Services Agreement was also to be terminated, because it was causing too much economic strain on Fortress' cash-flow. The Monitor informed Nanotech that Fortress could continue to provide the services provided in the Services Agreement, but that new terms and conditions had to be agreed upon. In the meantime, in an effort to accommodate Nanotech until an agreement is reached, Fortress has continued to provide services on a cost/plus basis.
29. On February 18, 2020, Nanotech filed a motion for an order that agreements are not to be resiliated and for ancillary relief. As of the date of this Third Report, the parties are awaiting a hearing date from the Court.
30. On February 19, 2020, Management met with all of Fortress' employees and their union representatives to update them on Fortress' restructuring process.
31. As the next few months will be critical for the Pulp Mill's future, Fortress, with the assistance of the Monitor, is currently working on preparing and evaluating different scenarios to gain more time, therefore reducing pressure on cash flow, as well as evaluating options to further reduce costs. This is being done with the objective of allowing Fortress to execute its restructuring initiatives as described in the First Report, which included:
 - (i) The reduction to a minimum of Fortress' operations;
 - (ii) The modernization and upgrade of Fortress' current operation and installation;
and
 - (iii) The alternative production.

32. On March 5, 2020, counsel for the Monitor received a correspondence from counsel for the City of Thurso, stating that Fortress had not been operating in respect of its obligations towards the city, and that taxes were left unpaid.
33. The Monitor has been informed that all of Fortress' obligations towards the city since the First Day Order, aside from said payment of taxes, have been fulfilled.

II. MONITOR'S ACTIVITIES SINCE THE SECOND REPORT

34. On January 8, 2020, the Monitor posted a copy of the Second Report on the Monitor's website.
35. On January 10, 2020, the Monitor posted a copy of the Amended & Restated Initial Order and of the Claims Procedure Order on the Monitor's website.
36. Following the issuance of the Claims Procedure Order, the Monitor sent, on January 17, 2020, by prepaid ordinary mail, the Proof of Claim Form and instructions to all the 389 known creditors who wish to assert their claims against the debtors. The bar date for the filing of the proofs of claim is March 16, 2020 at 5:00 PM.
37. On January 17, 2020, pursuant the Claims Procedure Order, the Monitor published a notice of First Day Order & Initial Order and Claims Procedures Order in *La Presse Plus* and *The Globe and Mail* (National Edition).
38. On January 17, 2020 the Monitor posted a copy of the Proof of Claim Form and Instructions the Monitor's website. The French version was posted on January 23, 2020.
39. On February 13, 2020, Deloitte, in its capacity as receiver, sent to each laid-off unionized employee a notice allowing them to make a claim pursuant to the WEPPA. A Proof of Claim Form has been sent directly to the Union in order to simplify the process for these employees.
40. Throughout the process of calculating amounts owed to unionized employees, the Monitor was in constant communication with the union and had several calls with its legal representative.
41. On February 14, 2020, the Monitor posted a copy of the Court of Appeal Decision on the Monitor's website.
42. On February 19, 2020, Deloitte, in its capacity as receiver, sent to each laid-off non-unionized employee a notice as well as a Proof of Claim Form allowing them to make a claim pursuant to the WEPPA.
43. The Monitor's representatives organized, with the support of the employees in the Unifor syndicate, an information day in Thurso, for the benefit of the unionized employees who had questions regarding the amounts that were provided pursuant to the WEPPA.
44. On February 26, 2020 approximately 85 unionized employees individually met with representatives of the Monitor to clarify the amounts that were provided.
45. Since the First Day Order, the Monitor and Fortress had discussion with a total of nineteen (19) different parties regarding the future of the Pulp Mill. Of this number, twelve (12) of those parties entered into a confidentiality agreement and received a revised confidential

information memorandum.

46. More generally, the Monitor, with the assistance of Fortress, has been responding to questions of various stakeholders as to the status of the CCAA Proceedings.
47. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts on a weekly basis with full co-operation of Management and was presented with all requests for payment of services provided to Fortress since the First Day Order.

III. ACTUAL RECEIPTS AND DISBURSEMENTS

48. The highlights of Fortress' financial performance for the period commencing on January 5, 2020, and ending on February 29, 2020, are presented in the Actual Cash Flow annexed hereto as **Appendix B**. The Monitor's comments on the financial performance of Fortress during such period are the following:

- (i) compared with the initial statement of projected cash flow presented to the Court dated January 8, 2020 (the "Initial Cash Flow Statement"), Fortress experienced a favorable variance of approximately \$1,231,000 in respect to the cash inflows:
 - i. Fortress collected \$365,000 less of QST & GST than budgeted. This is mainly due to timing as the balance will be received in the following weeks.
 - ii. Fortress received an additional \$299,000 from Fortress Bioenergy since its level of liquidity was higher than budgeted.
 - iii. Fortress requested an additional \$1M of DIP funding in comparison with the Initial Cash Flow Statement. This is explained by the difference in timing of certain receipts and disbursements that caused a need for liquidity earlier than initially budgeted.
 - iv. Fortress Bioenergy produced a level of electricity higher than forecasted which explained the additional \$254,000 collected.
 - v. Fortress experienced a favorable total variance of less than 2% in respect of all others cash inflows.

- (ii) compared with the Initial Cash Flow Statement, Fortress experienced an unfavorable variance of approximately \$530,000 in respect to the cash outflows. The variance is primarily attributable to:
 - i. a cumulative and positive variance of \$163,000 in trade payables mainly due to lower operational costs than initially budgeted;
 - ii. a cumulative and negative variance of \$294,000 in biomass mainly due to the fact that Fortress made an inventory buildup in anticipation of the thaw period coming;
 - iii. an unfavorable variance of \$194,000 in professional fees mainly due to higher than anticipated work for the sale and investment solicitation process and to litigations;
 - iv. a cumulative and negative variance of \$106,000 due to expenses incurred to begin a feasibility study to explore the possibility of converting the Cogen into a net exporter;
 - v. a cumulative and unfavorable variance of \$299,000 in Transfer to Fortress Cellulose due to a level of liquidity higher than budgeted in Fortress Bioenergy;
 - vi. a cumulative and unfavorable variance of \$134,000 in Hydro-Québec disbursement for the Cogen explained by the fact that penalties have been

- charged to Fortress Bioenergy for the electricity supplied to Nanotech;
and
- vii. a cumulative and positive variance of \$266,000 in GST/QST mainly due to timing since the disbursement will occur in the following weeks.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$701,000.
49. As of the date of this Third Report, all post-filing expenses incurred by Fortress have been or will be paid in the normal course of business out of the existing working capital of Fortress or through a draw of additional funds from the initial amount of \$6M made available as part of the Interim Financing, as described in the First Report. As of the date of this Third Report, an amount of \$4M has been drawn from the Interim Financing (\$1M before January 5, 2020 and \$3M between January 5 and February 29, 2020).

IV. OVERVIEW OF THE 9 WEEK CASH FLOW PROJECTIONS

50. Fortress, with the assistance of the Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 9-week period from March 1, 2020 to May 2, 2020 (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 Third Report.
51. 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**").
52. 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.
53. 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 Third Report, the probable assumptions developed by Management are not suitably supported and consistent with Fortress' plans or that they do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or
- (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.
54. 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.

55. In comparison with the Initial Cash-Flow Statement presented in the Second Report, changes were made to reflect most of the different timing variances as previously described in paragraph 48 of this Third Report and to reflect any new elements.
56. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.
57. Based on the projections for the period ending May 2, 2020, Fortress will need approximately \$2M of additional Interim Financing during this period, as initially expected. The total Interim Financing amount, namely \$6M, remains equal compared to what was presented in the First Report.
58. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

V. THE MONITOR'S CONCLUSIONS

59. The Monitor confirms that there is no further material development to report in this matter, other than what is provided for in this Third Report of the Monitor.
60. The Monitor believes that Fortress has, and is acting, in good faith and with due diligence and that the Stay Period is still appropriate.
61. The Monitor respectfully submits to the Court this, its Third Report.

DATED AT MONTREAL, this 10th day of March, 2020

DELOITTE RESTRUCTURING INC.

In its capacity as Proposed Court-Appointed Monitor of
Fortress



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



Benoît Clouâtre, CPA, CA, CIRP, LIT
Senior Vice President

Appendix A

APPENDIX A
FORTRESS GLOBAL ENTERPRISES AND AL.

Stay of Proceedings sent as of March 10, 2020

Opposing Party	File number	Date of Notice	Comments
Grievance			
Unifor, Section locale 894	#11-014, #14-003, #14-014 and #14-013	January 27, 2020	
Unifor, Section locale 894	#13-129	January 27, 2020	
Unifor, Section locale 894	#17-026	February 28, 2020	
Tribunal Administratif du Travail			
Employee	# TAT: 682465 07 1811 ; #CNESST: R-504346768-001	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" scheduled for June 9, 2020.
Employee	# TAT: 700026 07 1905 / 712088 07 1909 #CNESST: R-504346768-001 / R-505426668-002	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" occurred February 27, 2020.
Commission des Normes, de l'Équité, de la Santé et de la Sécurité du Travail (CNESST)			
CNESST	#550-63-000089-195	January 23, 2020	Stay of proceedings denied as Fortress is not at risk of being exposed to an obligation, CNESST is the party at risk. Hearing before the "Tribunal Administratif du Travail" scheduled for April 16, 2020.
Legal Procedures			
Acier Richard Steel Ltée	#550-17-011261-193	January 24, 2020	
Mécanique CNC (2002) Inc.	#505-17-011537-190	January 24, 2020	
Industries Toromont Ltée	#500-17-109597-198	January 24, 2020	
8015228 Canada Inc.	#550-17-011316-195	January 24, 2020	
Gestion Horizons RH Inc.	#500-22-259189-192	January 24, 2020	
9590404 Canada Inc.	#550-17-011361-191	January 24, 2020	
Consulair	#500-17-110635-193	January 24, 2020	
3188809 Canada Inc	#550-17-011396-197	January 24, 2020	
Les Services Électroniques Thibault (2006) Inc.	#500-22-259957-192	January 24, 2020	
2969-9899 Québec Inc.	#500-17-110951-194	January 24, 2020	
Cascades Sonoco Inc.	#755-17-003091-207	January 28, 2020	
Donati Maisonneuve s.e.n.c.r.l.	#500-22-260483-204	January 30, 2020	
Groupe Laframboise Ltée	#500-17-011375-191	January 31, 2020	
Amex Bank of Canada	# S-200705	February 12, 2020	
Accent Packaging Inc.	#500-17-111540-202	February 13, 2020	
Dispute of various environmental offenses			
Directeur des Poursuites Criminelles et Pénales du Québec	#100500-1116574312, #100400-1116574338, #100400-1116574346, #100400-1116574353 and #100400-1116574361.	February 13, 2020	Case management hearing scheduled for March 20, 2020 before the Superior Court of Québec, district of Gatineau, to determine if the stay of proceedings is applicable to this dispute.
Dispute of an administrative penalty			
Ministère de l'Environnement	STE-Q-211461-1509	February 13, 2020	Case management conference call scheduled before the Tribunal Administratif du Québec for March 18, 2020 to determine if the stay of proceedings is applicable to this dispute.

Contract Resiliations sent as of March 10, 2020

Company	Contract Number	Description	Date of Notice	Comments
Compagnie de Location d'équipements Clé Ltée	#323260 - #323261 - #323262 - #323263	Equipements rental	January 6, 2020	
NO. 229 SAIL VIEW VENTURES LTD - and - CUSTOM REALTY LTD.	Lease Agreement (renewal signed on September 25th, 2017)	Premises rental	January 15, 2020	
Nanotech Security Corp.	- Lease agreement dated September 16, 2014 - Transitional and Shared Services Agreement dated September 16th, 2014	- Premises rental - Services agreement	January 30, 2020	On February 18, 2020, Nanotech filed a motion for an order that agreements are not to be resiliated and for ancillary relief.
Komatsu Intl (Canada) Inc. Financiere Komatsu	Contract #334-0009355-000	Equipements rental	January 31, 2020	
Crédit-Bail RCAP Inc.	- Contract #424897-301845 (partial termination - 14 printers out of 22)	Printers	March 2, 2020	

Appendix B

Appendix B
Fortress Global Enterprises - Budget to Actual

Fortress Specialty Cellulose Inc.

For the cumulative eight-week period
ended Feb 29, 2020

(\$000)	Actual	Budget	Variance	Comments
Receipts				
GST & QST refunds	222	587	(365)	The unfavorable variance of \$365K in GST & QST refunds is mainly due to timing as the amount will be received in the following weeks
Reception from FBL	1,427	1,128	299	The favorable variance of \$299K in Reception from FBL is due to a level of liquidity higher than budgeted in FBL.
DIP	3,000	2,000	1,000	The favorable variance of \$1M is explained by the difference in timing of certain receipts and disbursements which caused a need for liquidity earlier than initially budgeted.
Other deposits	93	-	93	
Total - Receipts	4,742	3,715	1,027	
Disbursements				
Trade payables - Regular	(478)	(641)	163	The favorable variance of \$163K is due to lower operation costs than budgeted.
Payables - Fiber current / Biomass	(1,478)	(1,184)	(294)	The unfavorable variance of \$294K in Biomass is explained by an inventory build up in anticipation of the thaw period coming in the following weeks.
Payroll	(804)	(830)	26	
Payroll related	(96)	(92)	(4)	
Hydro-Quebec	(888)	(819)	(69)	
Professional fees	(694)	(500)	(194)	The professional fees were higher than anticipated mainly due to the sale and investment solicitation process and to litigations which caused a unfavorable variance of \$194.
Insurance	(185)	(185)	-	
Transfer to corporate	(148)	(198)	50	
Feasibility study - Cogen	(106)	-	(106)	Fortress, with the approval of the Interim lender, started a feasibility study to explore the possibility of converting the Cogen into a net exporter which explained the unfavorable variance of \$106K.
Total - Disbursements	(4,877)	(4,449)	(428)	
Change in Cash-Flow	(135)	(734)	599	
Net cash (Shortfall) - Beginning	910	910	-	
Net cash (Shortfall) - End (1)	775	176	599	

(1) The net cash (shortfall) balance at the end includes outstanding checks. As of Feb 29, 2020, outstanding checks totaled 117k\$.

Fortress Bioenergy Ltd.

For the cumulative eight-week period
ended Feb 29, 2020

(\$000)	Actual	Budget	Variance	Comments
Receipts				
Cogeneration plant revenues	1,551	1,297	254	The favorable variance of \$254K is explained by a level of production of electricity higher than budgeted.
Disbursements				
Transfert FSC	(1,427)	(1,128)	(299)	The unfavorable variance of \$299K in Transfer to FSC is due to a level of liquidity higher than budgeted in FBL.
Hydro-Québec	(134)	-	(134)	The unfavorable variance of \$134K in Hydro-Québec disbursement for the Cogen is explained by the fact that penalties have been charged to FBL for the electricity supply to Nanotech.
QST/GST	-	(266)	266	The favorable variance of \$266K in GST/QST is mainly due to timing since the disbursement will occur in the following weeks.
Total - Disbursements	(1,561)	(1,394)	(167)	
Change in Cash-Flow	(10)	(97)	87	
Net cash (Shortfall) - Beginning	161	161	-	
Net cash (Shortfall) - End	151	64	87	

Fortress Global Enterprises

For the cumulative eight-week period
ended Feb 29, 2020

(\$000)	Actual	Budget	Variance	Comments
Opening balance				
Transfer from FSC	148	198	(50)	
Disbursements	(133)	(198)	65	
Closing balance	15	-	15	

FSC, FBL & FGE

For the cumulative eight-week period
ended Feb 29, 2020

(\$000)	Actual	Budget	Variance	Comments
Net cash (Shortfall) - End	941	240	701	

Appendix C

APPENDIX C

Fortress Global Enterprises - 9-week consolidated Cash-Flow

Fortress Specialty Cellulose Inc. - Weekly Cash-Flow										
(\$000)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Week #	7-Mar-20	14-Mar-20	21-Mar-20	28-Mar-20	4-Apr-20	11-Apr-20	18-Apr-20	25-Apr-20	2-May-20	
	1	2	3	4	5	6	7	8	9	
Receipts										
GST & QST refunds	137	183	157	-	-	-	322	-	-	799
Reception from FBL	-	-	706	-	-	-	564	-	-	1,270
DIP	1,000	-	-	-	1,000	-	-	-	-	2,000
Grant MMFP	-	-	-	-	500	-	-	-	-	500
Total - Receipts	1,137	183	863	-	1,500	-	886	-	-	4,569
Disbursements										
Trade payables - Regular	(75)	(75)	(75)	(75)	(60)	(60)	(60)	(60)	(60)	(600)
Payables - Fiber current / Biomass	(148)	(148)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(1,010)
Payroll	(221)	(16)	(171)	(16)	(170)	(15)	(170)	(15)	(170)	(964)
Payroll related	(58)	-	-	-	-	(46)	-	-	-	(104)
Hydro-Quebec	-	-	(445)	-	-	-	(425)	-	-	(870)
Professional fees	(100)	(100)	(100)	(50)	(50)	(50)	(50)	(50)	(50)	(600)
Insurance	(185)	-	-	-	(185)	-	-	-	(185)	(555)
Feasibility study - Cogen	-	(75)	(32)	-	-	-	-	-	-	(107)
Total - Disbursements	(787)	(414)	(925)	(243)	(567)	(273)	(807)	(227)	(567)	(4,810)
Change in Cash-Flow	350	(231)	(62)	(243)	933	(273)	79	(227)	(567)	(241)
Net cash (Shortfall) - Beginning	775	1,125	894	832	589	1,522	1,249	1,328	1,101	775
Net cash (Shortfall) - End	1,125	894	832	589	1,522	1,249	1,328	1,101	534	534

Fortress Bioenergy Ltd - Weekly Cash-Flow										
(\$000)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Week #	7-Mar-20	14-Mar-20	21-Mar-20	28-Mar-20	4-Apr-20	11-Apr-20	18-Apr-20	25-Apr-20	2-May-20	
Receipts										
Cogeneration plant revenues	-	-	812	-	-	-	648	-	-	1,460
Disbursements										
Transfert FSC	-	-	(706)	-	-	-	(564)	-	-	(1,270)
QST/GST	(151)	-	(106)	-	-	-	(84)	-	-	(341)
Total - Disbursements	(151)	-	(812)	-	-	-	(648)	-	-	(1,611)
Change in Cash-Flow	(151)	-	-	-	-	-	-	-	-	(151)
Net cash (Shortfall) - Beginning	151	-	-	-	-	-	-	-	-	151
Net cash (Shortfall) - End	-	-	-	-	-	-	-	-	-	-

Fortress Global Enterprises - Weekly Cash-Flow										
(\$000)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Week #	7-Mar-20	14-Mar-20	21-Mar-20	28-Mar-20	4-Apr-20	11-Apr-20	18-Apr-20	25-Apr-20	2-May-20	
Opening balance	15	15	15	15	15	15	15	15	15	15
Transfer from FSC	-	-	-	-	-	-	-	-	-	-
Disbursements	-	-	-	-	-	-	-	-	-	-
Closing balance	15	15	15	15	15	15	15	15	15	15

FSC, FBL & FGE - Weekly Cash-Flow										
(\$000)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
Week #	7-Mar-20	14-Mar-20	21-Mar-20	28-Mar-20	4-Apr-20	11-Apr-20	18-Apr-20	25-Apr-20	2-May-20	
Net cash (Shortfall) - End	1,140	909	847	604	1,537	1,264	1,343	1,116	549	549

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

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

NOTE B

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

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

NOTE C - DEFINITIONS

(1) CASH-FLOW STATEMENT:

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

(2) HYPOTHETICAL ASSUMPTIONS:

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

(3) PROBABLE ASSUMPTIONS:

Means assumptions that:

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

(4) SUITABLY SUPPORTED:

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

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

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

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on current bank balances	X	
<u>Forecast cash receipts:</u>			
Cogeneration plant revenues	Based on the Company's calculation for a production of 7 MW per hour		X
QST & GST refunds	Based on the level of expenses budgeted	X	
Reception from FBL	Based on the level of the cogeneration revenues budgeted in FBL and then transferred to FSC		X
Grant MMFP	Based on the outstanding amount due to the Company as per the grant	X	
<u>Forecast cash disbursements:</u>			
Trade payables - regular	Weekly estimate of disbursements required based on historical costs	X	
Payables - Fiber current / biomass	Based on the Company's calculation for a production of 7 MW per hour and historical costs. Also, it assumes the fact that biomass already paid at Lauzon will be used		X
Payroll	Based on the Company's historical payroll reports and on the budgeted number of employees	X	
Payroll related	Pension plans, group insurance and other benefits based on the level of employees expected	X	
Hydro-Quebec	Monthly estimate of disbursements required based on historical costs	X	
Professional fees	Management estimate of professional fees to be incurred in the following weeks for monitor and legal services.		X
Insurance	Based on insurance contract	X	
Feasibility study – Cogen	Based on contracts	X	
QST/GST	Based on the level of the cogeneration revenues budgeted in FBL	X	