

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

THIRTEENTH 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 ten (10) 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 "**Litigation Funding Agreement**"), 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 Litigation Funding Agreement, the Litigation Financing Charge and the transfer of the Litigation Proceedings was heard by the Court. As of the date of this Report, the judgment has not been rendered.
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. In accordance with the Amended and Restated Initial Order, the Monitor hereby issues its thirteenth report (the "**Thirteenth Report**"). The purpose of the Thirteenth Report is to provide the Court with an update with respect to the following:
 - I. Update on Fortress' operations (page 6);
 - II. The Monitor's activities since the Twelfth report (page 7);
 - III. Fortress' cash flow up to September 18, 2021 (10 weeks) (page 8);
 - IV. Fortress' updated cash flow projections for the period from September 19, 2021, to April 2, 2022 (page 9);
 - V. The proposed increase of the Interim Lender's Charge sought as part of the Application (page 11);
 - VI. The request for an extension of the Stay Period (page 12); and
 - VII. The Monitor's conclusions (page 12).

I. UPDATE ON FORTRESS' OPERATIONS

26. Since the Twelfth Report:

- (i) Fortress has maintained the Pulp Mill and the Cogen Facility in a shutdown mode;
- (ii) The market price of the dissolving pulp continued to be robust and to show some resilience. From \$640 USD per metric ton in December 2019, the price is now up to a range of \$1,000 to \$1,030 USD per metric ton; and
- (iii) Fortress currently employs 15 employees in its Thurso location.

Update on Ongoing Issues with Creditors and Co-contractors

Hydro-Québec

- 27. On August 25, 2021, the Monitor scheduled a conference call with Hydro-Québec's representatives in order to update them on Fortress' situation and to discuss the restart of the Cogen Facility. The Monitor informed Hydro-Québec of Fortress's intention to restart the Cogen Facility with the objective of preserving the assets, including the Cogen Facility, during the winter and operating the water treatment plant for the benefit of Fortress and the City of Thurso.
- 28. As mentioned in the Eight Report, the Monitor, Fortress and Hydro-Québec worked together last year in order to find a consensual solution that allowed Fortress to continue to sell electricity to Hydro-Québec under the terms of the supply agreements for the Cogen Facility. The Monitor informed Hydro-Québec that Fortress wanted to maintain the terms that were agreed upon in the previous year in view of restarting the Cogen Facility.
- 29. The terms agreed upon last year with Hydro-Québec namely included (i) granting Hydro-Québec, with the consent of the Interim Lender, the Hydro-Québec Charge in the amount of \$840,000 to guarantee the payment of Fortress' obligations under the supply agreements for the Cogen Facility and (ii) allowing Hydro-Québec to proceed with a monthly holdback of \$105K on the amounts that were owed to Fortress pursuant to the terms of the supply agreements for the four (4) billing periods during which the Cogen Facility was in operation for a total amount of \$420K, which was then remitted to Fortress in April 2021, after the last month of operation of the Cogen Facility.
- 30. On September 9, 2021, Hydro-Québec's representatives confirmed that they would consent to the restart of the Cogen Facility subject to the same terms and conditions as last year (i.e. the maintenance of the Hydro Québec Charge, the monthly holdback of \$105K to be remitted to Fortress in April 2022).
- 31. As of the date of this Report, the Hydro-Québec Charge is still in place and no amounts are due by Fortress to Hydro-Québec under the supply agreements.

Update on Fortress Xylitol Inc.

- 32. 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.
- 33. Fortress Xylitol obtained, prior to the CCAA Proceedings, grants from the National Research Council Canada ("**NRCC**") through the IRAP program in order to proceed with its research.

34. As of the date of this report, Fortress Xylitol employs 2 employees and outsources the cooking of wood chips to obtain pre-hydrolysate that will be used to further develop the xylitol conversion expertise. Fortress is in discussion with several parties interested in the technology.
35. Since it received the grants from the NRCC, Fortress Xylitol must submit reports to the NRCC quarterly. These reports are currently up to date.
36. With the funding obtained from the IRAP and IFIT programs, Fortress Xylitol was self-sufficient and was able to continue its research without requiring money from the Interim Financing. However, as per the cash-flow forecast, Fortress Xylitol will come to the end of its financial resources in October 2021 and Fortress plans to cover its expenses from the Interim Financing available until the end of the year as presented in the cash-flow attached to this Thirteenth Report.

Other

37. Fortress, with the assistance of the Monitor, updated its budget for the next 12 months in order to secure additional financing to maintain the minimum maintenance scenario after the end of the Stay Period and to restart the Cogen Facility during fall 2021. Discussions have taken place with the Interim Lender and an increase in the Interim Financing has been made available to Fortress.
38. In light of the updated budget, it was essential that Fortress obtain this increase in the Interim Financing in order to cover certain expenses that have been incurred by the Company. This updated budget was prepared to reflect a minimum maintenance scenario until the end of the Stay Period and the preparation in anticipation of restarting the Cogen Facility, which requires immediate disbursements.
39. The updated budget also takes into consideration the additional time needed by Fortress to conclude the solicitation process and to execute its restructuring initiatives as described in the previous reports, which include:
 - (i) Maintaining Fortress' operations at a minimum and preserving the value of the assets;
 - (ii) Continuing discussions with potential investors and/or purchasers as part of the solicitation process; and
 - (iii) Assessing alternative production options.

II. MONITOR'S ACTIVITIES SINCE THE LAST REPORTGeneral

40. Fortress and the Monitor held calls with the Secured Creditors on a regular basis in order to update them on cash-flow, operations and the ongoing solicitation process.
41. 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.
42. The Monitor has also analyzed the receipts and disbursements transacted through Fortress' bank accounts on a weekly basis with the full co-operation of Management.

Claims Against the D&O Insurer

43. Since the issuance of the Order Allowing the Distribution of Funds Held in Trust and Assigning Claims to the Monitor, the Monitor has been in regular communication with the D&O insurer and provided same with additional documents with a view to allowing the D&O insurer to further analyze the claim.

Solicitation Process

44. As previously mentioned, the market price of the dissolving pulp has recently stabilized at a 10-year high generating an increase in the interest of some parties in the purchase of the Pulp Mill. The market price is still in the range of \$1,000 - \$1,030 USD per metric ton. As comparison, when the mill closed in October 2019, the price was around \$640 USD per metric ton.
45. Since the previous report, some parties continued to show a strong interest in purchasing the Pulp Mill. 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 Secured Creditors, 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 Thirteenth Report.
46. On August 4, 2021, 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 September 15, 2021, to present a LOI. A total of 22 parties were contacted, including strategic targets and dismantlers.
47. Before the established deadline, Fortress and the Monitor engaged in discussions with several serious parties and worked on answering the interested parties' questions as well as providing them with additional documents and analysis upon requests. Several parties have spent some time at the Pulp Mill and completed on-site visits in view of meeting Fortress' management and completing their physical due diligence.
48. The Monitor has received a total of seven (7) LOIs, four (4) from strategic parties and three (3) from dismantlers. The Monitor, with the assistance of Fortress and the Secured Creditors, is currently reviewing the submitted LOIs, as per the proposed timeline, in order to determine whether a viable offer can be further negotiated in view of closing a transaction before the end of 2021.

Environmental Matters

49. Since the Twelfth Report, the Monitor had frequent discussions with the employees 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 Thirteenth Report, the Monitor has not been made aware of any major issues that would necessitate immediate actions.

III. FORTRESS' CASH FLOW UP TO SEPTEMBER 18, 2021 (10 WEEKS)

50. Fortress' financial performance highlights for the period from July 17, 2021, to September 18, 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 Twelfth Report on July 22, 2021 (the "**Initial Cash Flow Statement**"), Fortress experienced a favorable variance of \$815K in cash inflows mainly explained by:
 - i. An unfavorable variance of \$36K in GST & QST refunds strictly due to timing. This amount should be received in the coming weeks.
 - ii. A favorable variance of \$800K of Interim Financing. The Interim Lender made available an additional amount of \$900K in order to reach the maximum principal amount of the Interim Financing Facility creating a favorable variance of \$800K.
 - iii. A favorable variance of \$51K in other deposits due to unbudgeted receipts.
- (ii) compared with the Initial Cash Flow Statement, Fortress experienced an unfavorable variance of \$22K in cash outflows. The variance is primarily attributable to:
 - i. An unfavorable variance of \$56K in trade payables operation mainly due to an unbudgeted \$37K invoice that was recently received for services rendered between January 2021 and August 2021.
 - ii. An unfavorable variance of \$160K in Hydro-Québec mainly explained by the prepayments. For the month of September, Fortress has made two (2) prepayments totalling \$103K. The balance is explained by the fact that a grant of 20% expired in August, but was budgeted until September.
 - iii. A temporary favorable variance of \$31K in municipal taxes.
 - iv. A favorable variance of \$79K strictly due to timing, this payment is budgeted in the coming weeks.
 - v. A favorable variance of \$103K in professional fees. This variance is strictly due to timing. Fortress did not have sufficient funds to pay the professional fees incurred so these fees will be paid through the increase in the Interim Financing.
- (iii) compared with the Initial Cash Flow Statement, Fortress experienced a net favorable variance of approximately \$793K, as explained, mainly related to timing differences.

51. As of the date of this Thirteenth 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 28-WEEK CASH FLOW PROJECTIONS

52. Fortress, with the assistance of the Monitor, prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 28-week period from August 29, 2021, to April 2, 2022 (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 Thirteenth Report.
53. Fortress is currently in a minimum maintenance scenario and plans to restart the Cogen Facility in November 2021. The Cash Flow Statement has been prepared to reflect this minimum maintenance scenario and the restart of the Cogen Facility.
54. 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**").

55. 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.
56. 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 Thirteenth 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.
57. 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.
58. 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.
59. Based on the projections for the period ending April 2, 2022, Fortress will not have sufficient funds to cover the expected disbursements during this period without an increase in the Interim Financing. An amount of \$7M of additional Interim Financing was included in the projections attached as **Appendix C**.
60. Management has advised the Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.
61. This Cash Flow Statement allows Fortress to ensure the security of the site, restart the Cogen Facility in order to maintain the assets, including the Cogen Facility, and to ensure the continued operation of the water treatment plant for the benefit of Fortress and the City of Thurso and to conclude the solicitation process. The Cash Flow Statement allows Fortress to continue maintaining its assets until all conditions of a potential transaction that includes a restart of the Pulp Mill are met. In the event that no such potential transaction is envisioned further to analyzing the LOIs, the Monitor will review the necessity of the disbursements included in this Cash Flow Statement and report to the court in a timely manner.

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

62. As described in the previous reports of the Monitor, Fortress does not generate sufficient revenue to continue to operate, implement the proposed Restructuring Process' measures and safeguard the integrity and safety of all of its assets and must therefore obtain additional financing during the Stay Period.
63. As appears from the Application, Fortress has negotiated an increase in the Interim Financing with the Interim Lender, which would allow Fortress to borrow and repay up to an additional principal amount of \$7M outstanding at any time, on the terms and conditions as set forth in the Interim Financing Term Sheet. The total amount of the Interim Financing Facility would be increased to \$24M.
64. The Interim Financing Facility has been and will continue to be used to provide interim financing to Fortress during the pendency of these CCAA Proceedings.
65. As appears from the Interim Financing Facility, all amounts advanced thereunder are to be secured by a Court-ordered super-priority charge in the total amount of \$28.8M on all of Fortress' assets, in priority to all other existing encumbrances and Court charges, except for the Administration Charge.
66. The Interim Financing Facility is to bear interest ordered at a rate of 10% per annum. Additional details in connection with the Interim Financing Facility are provided in the Application.
67. Based on the current cash-flow forecasts, an additional amount will need to be urgently advanced to Fortress under the Interim Financing Term Sheet, in order to cover the budgeted amount set forth in said cash-flow forecasts.
68. The Monitor supports the IQ's request to increase the amounts which Fortress will be entitled to borrow under the DIP Term Sheet for the following reasons:
 - (i) In the Monitor's view, no creditor will be materially prejudiced as a result of the increase of the Interim Financing Facility and related Interim Lender's Charge, as the funding is expected to allow Fortress to continue its restructuring efforts and proposed restructuring, which will enhance the recovery for the benefit of Fortress' secured creditors, suppliers and employees, as opposed to a piecemeal liquidation, which would occur in the absence of funding;
 - (ii) The Monitor considers the terms of the Interim Financing Facility and its costs to Fortress highly competitive given that the Interim Financing Facility contemplates an interest rate of 10% per annum, with no other fees or charges required (other than the reimbursement of legal fees);
 - (iii) Given the unique nature of the collateral, it is unlikely that alternative financing could have been arranged with a third party at this cost; and
 - (iv) The terms and conditions of the DIP Term Sheet have already been approved by this Court as part of the First Day Order.

VI. REQUEST FOR EXTENSION OF THE STAY OF PROCEEDINGS

69. IQ is seeking an extension of the Stay Period until March 31, 2022, in order to preserve the value of Fortress' assets, to continue the Restructuring Process and conclude the solicitation process.
70. The Monitor is informed that Fortress intends to continue to pay its trade creditors for services rendered and goods provided in the normal course of business during the CCAA Proceedings. The Monitor has been advised that, in parallel, Fortress intends to maintain the Pulp Mill in shutdown mode and to reopen the Cogen Facility in November 2021.
71. As described in this Thirteenth 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 additional Interim Financing that has been made available to the Company, subject to the approval of this Court.

VII. THE MONITOR'S CONCLUSIONS

72. 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 extending the Stay Period and increasing the Interim Financing Facility, including the granting of the charges provided for therein, since same would provide Fortress with the opportunity to attempt a successful restructuring of its operations.
73. As noted above, the current Stay Period expires on October 8, 2021. The Monitor understands that the extension of the Stay Period sought by IQ is required to complete the Restructuring Process.
74. 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.
75. 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 Thirteenth Report of the Monitor.
76. The Monitor believes that Fortress has acted, and continues to act, in good faith and with due diligence.
77. The Monitor respectfully submits to the Court this, its Thirteenth Report.

DATED AT MONTREAL, this 30th day of September 2021

DELOITTE RESTRUCTURING INC.

In its capacity as Court-Appointed Monitor of Fortress



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



Benoît Clouâtre, CPA, CA, CIRP, LIT

Appendix A
Under seal

Appendix B

APPENDIX B**Fortress Global Enterprises****Budget-to-Actual Analysis for the 10-week period ended September 18, 2021**

(in \$000 CAD)

	For the 10-week period ended September 18, 2021				Note
	Actual	Budget	Var (\$)	Var (%)	
Consolidated Receipts					
GST & QST refunds	208	244	(36)	-15%	Note 1
DIP	900	100	800	800%	Note 2
Other Deposits	51	-	51	0%	
Total - Receipts	1,159	344	815	237%	
Disbursements					
Trade payables - Operation	141	85	(56)	-66%	Note 3
Chemicals	35	30	(5)	-17%	
Payroll	358	344	(14)	-4%	
Hydro-Quebec	342	182	(160)	-88%	Note 4
Municipal taxes	63	94	31	33%	Note 5
Insurance	12	12	-	0%	
GST & QST payments	264	343	79	23%	Note 6
Professional fees	63	166	103	62%	Note 7
Total - Disbursements	1,278	1,256	(22)	-2%	
Change in Cash-Flow	(119)	(912)	837	-92%	
Net cash (Shortfall) - Beginning	1,304	1,304	-	0%	
Net cash (Shortfall) - Ending	1,185	392	793	202%	

APPENDIX B (con't)

Fortress Global Entreprises - Consolidated

Notes on Budget-to-Actual Analysis

For the 10-week period ended September 18, 2021

Note 1	GST & QST refunds	The unfavorable variance of \$36K in GST & QST refunds is strictly due to timing. This amount should be received in the coming weeks.
---------------	------------------------------	---

Note 2	DIP	Fortress collected \$0.8M more of Interim Financing. The Interim Lender made available an additional amount of \$900K in order to reach the maximum principal amount of the Interim Financing Facility creating a favorable variance of \$0.8M.
---------------	------------	---

Note 3	Trade payables - Operation	The trade payables operation disbursements of \$141K were higher than the budgeted \$86K, creating an unfavorable variance of \$56K. This is mainly due to an unbudgeted \$37K invoice that was recently received for services rendered between January 2021 and August 2021.
---------------	-----------------------------------	---

Note 4	Hydro-Québec	Hydro-Québec disbursements totaled \$342K compared to a budget of \$182K. This unfavorable variance of \$160K is mainly explained by the prepayments. For the month of September, Fortress has made 2 prepayments totaling \$103K. The balance is explained by the fact that a grant of 20% expired in August but was budgeted until September.
---------------	---------------------	---

Note 5	Municipal taxes	This \$31K favorable variance is temporary and due to timing.
---------------	------------------------	---

Note 6	GST & QST payments	The favorable variance of \$79K is strictly due to timing and is budgeted in the coming weeks.
---------------	-------------------------------	--

Note 7	Professional fees	The favorable variance of \$103K in professional fees is strictly due to timing. Fortress did not have sufficient funds and was waiting for additional interim financing to pay the professional fees incurred. Payments are budgeted in the coming weeks.
---------------	--------------------------	--

Appendix C

APPENDIX C

FORTRESS GLOBAL ENTERPRISES INC.

28-Week Consolidated Cash-Flow

For the period ending April 2, 2022

Consolidated (\$000 CAD)	Period ending	Forecast 25-Sep-21	Forecast 02-Oct-21	Forecast 09-Oct-21	Forecast 16-Oct-21	Forecast 23-Oct-21	Forecast 30-Oct-21	Forecast 06-Nov-21	Forecast 13-Nov-21	Forecast 20-Nov-21	Forecast 27-Nov-21	Forecast 04-Dec-21	Forecast 11-Dec-21	Forecast 18-Dec-21	Forecast 25-Dec-21
Receipts															
Cogen sales		-	-	-	-	-	-	-	-	-	-	-	-	-	471
GST & QST refunds		-	38	-	-	36	-	-	-	28	-	-	-	-	162
DIP		-	-	-	2,000	-	-	2,000	-	-	-	-	2,000	-	-
Total - Receipts		-	38	-	2,000	36	-	2,000	-	28	-	-	2,000	-	633
Disbursements															
Trade payables - Operation		6	63	68	68	68	113	113	113	53	53	53	53	53	53
Biomass		-	-	348	116	116	116	116	116	116	116	116	116	116	116
Chemicals		-	-	-	-	-	-	5	5	5	5	5	5	5	5
Payroll		45	61	14	93	-	127	38	127	22	124	35	113	15	113
Hydro-Québec		51	(18)	38	38	38	38	68	68	68	68	68	68	68	68
Hydro-Québec Holdback on Cogen Sales		-	-	-	-	-	-	-	-	-	-	-	-	-	105
Municipal taxes		-	-	-	330	-	-	360	-	-	-	-	-	-	-
Insurance		-	6	-	-	-	-	39	-	-	-	39	-	-	-
GST & QST payments		-	-	-	167	-	-	-	-	-	-	-	-	-	-
Professional fees		20	230	20	20	20	20	20	20	20	20	20	20	20	20
Fortress Xylitol Inc. - expenses		-	-	9	9	9	9	9	9	9	9	9	9	9	9
Total - Disbursements		122	342	497	841	251	423	768	458	293	395	345	384	286	489
Change in Cash-Flow		(122)	(304)	(497)	1,159	(215)	(423)	1,232	(458)	(265)	(395)	(345)	1,616	(286)	144
Net cash (Shortfall) - Beginning		1,185	1,063	759	262	1,421	1,206	783	2,015	1,557	1,292	897	552	2,168	1,882
Net cash (Shortfall) - End		1,063	759	262	1,421	1,206	783	2,015	1,557	1,292	897	552	2,168	1,882	2,026

APPENDIX C (con't)
FORTRESS GLOBAL ENTERPRISES INC.
28-Week Consolidated Cash-Flow

For the period ending April 2, 2022

Consolidated (\$000 CAD)	Period ending	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total	
		01-Jan-22	08-Jan-22	15-Jan-22	22-Jan-22	29-Jan-22	05-Feb-22	12-Feb-22	19-Feb-22	26-Feb-22	05-Mar-22	12-Mar-22	19-Mar-22	26-Mar-22		02-Apr-22
Receipts																
Cogen sales		-	-	-	-	785	-	-	-	628	-	-	-	628	-	2,512
GST & QST refunds		-	-	-	152	-	-	-	-	110	-	-	-	34	-	560
DIP		-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	7,000
Total - Receipts		-	-	-	152	785	1,000	-	-	738	-	-	-	662	-	10,072
Disbursements																
Trade payables - Operation		53	53	53	53	53	53	53	53	53	53	53	53	53	53	1,672
Biomass		116	116	116	116	116	116	116	-	-	-	-	-	-	-	2,436
Chemicals		5	5	5	5	5	5	5	5	5	5	5	5	5	5	110
Payroll		15	129	15	113	15	129	15	113	15	129	15	113	15	133	1,891
Hydro-Québec		68	68	68	68	68	68	68	68	68	68	68	68	68	38	1,651
Hydro-Québec Holdback on Cogen Sales		-	-	-	-	105	-	-	-	105	-	-	-	105	-	420
Municipal taxes		-	-	-	-	-	360	-	-	-	-	-	-	-	-	1,050
Insurance		-	39	250	-	-	39	-	-	-	39	-	-	-	6	457
GST & QST payments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	167
Professional fees		20	20	20	20	20	20	20	20	20	20	20	20	20	15	765
Fortress Xylitol Inc. - expenses		9	-	-	-	-	-	-	-	-	-	-	-	-	-	117
Total - Disbursements		286	430	527	375	382	790	277	259	266	314	161	259	266	250	10,736
Change in Cash-Flow		(286)	(430)	(527)	(223)	403	210	(277)	(259)	472	(314)	(161)	(259)	396	(250)	(664)
Net cash (Shortfall) - Beginning		2,026	1,740	1,310	783	560	963	1,173	896	637	1,109	795	634	375	771	1,185
Net cash (Shortfall) - End		1,740	1,310	783	560	963	1,173	896	637	1,109	795	634	375	771	521	521

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>			
Cogen Sales	Based on the Company's calculation for a production of 6.5 MW per hour		X
QST & GST refunds	Based on the level of receipts and disbursements budgeted	X	
<u>Forecast cash disbursements:</u>			
Trade payables – Operation	Weekly estimate of disbursements required based on historical costs	X	
Biomass	Based on the Company's calculation for a production of 6.5 MW per hour and historical costs		X
Chemicals	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	
Hydro-Québec	Monthly estimate of disbursements required based on historical costs	X	
Hydro-Québec Holdback on Cogen Sales	Estimated holdback required based on prior year agreement	X	
Municipal Taxes	Estimated disbursements based on historical costs	X	
Insurance	Based on historical costs	X	
GST & QST 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
Fortress Xylitol Inc. – expenses	Based on historical costs	X	