

CANADA
PROVINCE OF QUEBEC
DISTRICT OF FRONTENAC
No. COURT:

SUPERIOR COURT
“Companies’ Creditors Arrangement Act (RSC
1985, c. C-36), as amended”

IN THE MATTER OF THE PLAN OF ARRANGEMENT AND COMPROMISE OF

CERTAIN UNDERWRITERS AT LLOYD'S, LONDON

- and -

TENECOM LIMITED (as successor to Winterthur Swiss Insurance Company formerly known as Accident & Casualty Insurance Company of Winterthur, Switzerland)

- and -

THE OCEAN MARINE INSURANCE COMPANY LIMITED (as successor to liabilities of Commercial Union Assurance Company Limited, The Edinburgh Assurance Company, The Indemnity Marine Assurance Company Limited, The Northern Assurance Company Limited, The Road Transport & General Insurance Company Limited, United Scottish Insurance Company Limited, and The Victoria Insurance Company Limited)

- and -

NRG VICTORY REINSURANCE LIMITED (as successor to liabilities of New London Reinsurance Company Limited)

- and-

THE SCOTTISH LION INSURANCE COMPANY LIMITED.

Applicants

- and -

ASBESTOS CORPORATION LIMITED

Debtor

- and -

RAYMOND CHABOT INC.

Proposed Monitor

**PRE-FILING REPORT BY RAYMOND CHABOT INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

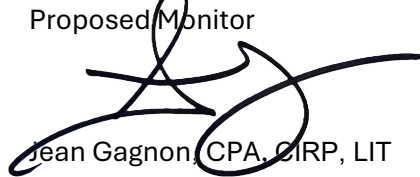
TO THE HONOURABLE JUSTICE JEAN-FRANÇOIS ÉMOND OF THE SUPERIOR COURT SITTING
IN THE COMMERCIAL DIVISION IN AND FOR THE JUDICIAL DISTRICT OF FRONTENAC:

In connection with the filing of an *Application for the Issuance of a First Day Initial Order, and an Amended and Restated Initial Order* (the "**Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"), we respectfully submit to you the Pre-filing report of the Proposed Monitor.

Signed in Montréal, on May 5, 2025.

RAYMOND CHABOT INC.

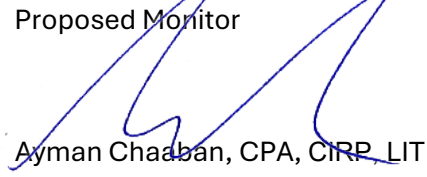
Proposed Monitor



Jean Gagnon, CPA, CRRP, LIT

RAYMOND CHABOT INC.

Proposed Monitor



Ayman Chaaban, CPA, CRRP, LIT

1. INTRODUCTION

- 1.1 This report ("**Pre-filing Report**") has been prepared in connection with the filing of the Application seeking the issuance of a first day initial order (the "**First Day Order**") and an amended and restated initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**").
- 1.2 The main parties involved in the CCAA proceedings can be summarized as follows:
- 1.2.1 Asbestos Corporation Limited ("**ACL**" or the "**Debtor**"): ACL operates in the mining sector and is the debtor. Its business and affairs are further detailed in section 2 of this report. CLMI (defined below) subscribed to one or more excess liability policies that were issued to General Dynamics Corporation, certain of which provide insurance to ACL, a former subsidiary of General Dynamics Corporation. ACL's common shares trade on the NEX Board of TSX Venture Exchange under the stock symbol AB.H.
 - 1.2.2 General Dynamics Corporation ("**GDC**"): GDC was the parent company of ACL from 1969 to 1982, during which time ACL was an insured party under certain of GDC's general liability insurance policies, which are occurrence policies. CLMI subscribed to one or more excess liability policies that were issued to GDC and provide insurance to GDC (the "**London Policies**"). The London Policies insure both ACL and GDC, with only one set of insurance limits available. This means that payment of amounts owing pursuant to a lawsuit against ACL reduces the limits available to pay lawsuits against GDC, and vice versa.
 - 1.2.3 Mazarin Inc. ("**Mazarin**"): Mazarin is a reporting issuer and is ACL's parent company. Mazarin holds a majority of the shares of ACL. Mazarin's shares trade on the NEX Board of TSX Venture Exchange under the stock symbol MAZ.
 - 1.2.4 Certain Underwriters at Lloyd's, London, Tenecom Limited, The Ocean Marine Insurance Company Limited, NRG Victory Reinsurance Limited and The Scottish Lion Insurance Company Limited (collectively, the "**CLMI**"): CLMI are insurers of ACL and GDC (as described above).
 - 1.2.5 Asbestos-related claimants ("**Asbestos Claimants**"): persons alleging bodily injury from exposure to asbestos fibres produced and sold by ACL and incorporated into asbestos-containing products.¹
 - 1.2.6 Directors and officers of ACL ("**D&O**"): directors and officers of ACL.
 - 1.2.7 Raymond Chabot Inc. (the "**Proposed Monitor**" or "**RCI**"): the proposed Monitor under the Debtor's CCAA proceedings.
 - 1.2.8 RC Benson Consulting Inc. (the "**CRO**"): the proposed chief restructuring officer under the Debtor's CCAA proceedings.
 - 1.2.9 Mr. Peter D. Protopapas (the "**South Carolina Receiver**"): South Carolina court appointed receiver. On September 8, 2023, the South Carolina

¹ The definition of claim and claimant for the purpose of the CCAA proceedings will be defined in an upcoming Claim Process Order, if granted.

Court ordered the appointment of Mr. Peter D. Protopapas of the South Carolina law firm of Rikard & Protopapas, as receiver of ACL with respect to certain powers, rights and assets, specifically, the power and right to control the defense of asbestos suits against ACL in the United States and the power and right to deal with its insurers with respect to those suits.

- 1.3 The report is divided into the following sections:
 - 1.3.1 **Section 1:** Introduction
 - 1.3.2 **Section 2:** The Debtor's business and affairs
 - 1.3.3 **Section 3 :** Proposed Restructuring Process
 - 1.3.4 **Section 4 :** Stay of Proceedings
 - 1.3.5 **Section 5 :** Interim Financing
 - 1.3.6 **Section 6:** Appointment and powers of the Proposed Monitor
 - 1.3.7 **Section 7:** Center of main interests' declaration and recognition of CCAA proceedings in the United States
 - 1.3.8 **Section 8:** Conclusion and recommendations

2. THE DEBTOR'S BUSINESS AND AFFAIRS

Corporate structure

- 2.1 ACL is a corporation incorporated under the *Canada Business Corporations Act* and was founded in 1925.
- 2.2 ACL is a reporting issuer in the provinces of Québec, Alberta, British Columbia and Ontario, with Québec being ACL's principal jurisdiction. ACL's common shares trade on the NEX Board of TSX Venture Exchange under the stock symbol AB.H.
- 2.3 ACL is a subsidiary of Mazarin, which holds a majority of the shares of ACL.
- 2.4 ACL operates its business at 840 Ouellet Blvd. in Thetford Mines, Québec, where its head office is located.
- 2.5 All of ACL's assets and operations are in Québec, Canada.

Overview of the business of the Debtor

- 2.6 For almost a century, ACL operated open pit chrysotile mines for the purpose of asbestos mining in Québec. ACL's asbestos mining-related operations and activities produced millions of tons of serpentine tailings which contain several minerals, including the strategic minerals of magnesium and nickel (the "**Serpentine Tailings**"). ACL currently owns 8 mining sites located in Québec.
- 2.7 In or around 1986, ACL halted its asbestos-mining activities but nevertheless continues to operate. Currently, ACL describes its operations and business plan as including the following activities:

- the valorization and exploitation of the Serpentine Tailings to extract the minerals that are located in the Serpentine Tailings;
 - the promotion of the sustainable development of ACL's properties, and the restoration and revitalization of all of its mining sites and buildings in agreement with various regional stakeholders, while also ensuring the exploitation of the Serpentine Tailings;
 - the maintenance of warehouses and other buildings available for rent; and
 - the innovation and implementation of new energy sources, such as wind and solar power, with the potential for carbon dioxide sequestration from the carbonation of its mine tailings.
- 2.8 Presently, ACL's activities, also include, namely dealing with the numerous claims that it is facing in the United States as a result of ACL's former activities relating to asbestos mining. These claims have been filed by persons alleging bodily injury from exposure to asbestos fibers produced and sold by ACL and incorporated into various products, including namely building materials.
- 2.9 ACL is also exposed to certain liquidity risks due to the operating costs and to the non-recurring nature of some of its revenues. The financial situation of the Debtor is presented in more detail below.
- 2.10 As at April 30, 2025, ACL has approximately 11 employees which are located and employed in Québec. The employees are not unionized. As of December 2024, ACL decided to terminate its defined-benefit pension plan. The plan was closed to new members since December 2023. The plan administrator purchased annuities for all participants and beneficiaries who were receiving a pension from the plan, and whose annuities had not been previously purchased for an insurer.
- 2.11 The Debtor's gross payroll obligations, including commissions, for the fiscal year 2024 amounted to approximately \$1,334,000 CAD.

Claims and litigation proceedings against ACL

(i) The Interim Settlement Agreement

- 2.12 On August 24, 1998, an interim settlement agreement was made by and between ACL and GDC (collectively, the "**Assured**") and the Applicants (as amended from time to time, the "**ISA**"). The ISA, filed confidentially under seal, sets forth an arrangement among the parties thereto by which CLMI, under the London Policies, shall reimburse ACL for their several shares of amounts paid by or on behalf of ACL for Defence Costs and Indemnity Payments attributable to Asbestos-Related Bodily Injury Claims (as such terms are defined in the ISA).
- 2.13 Indeed, pursuant to the ISA, the Assured and the Applicants agreed to provide for, among other things, the apportionment of indemnity payments and defence costs attributable to certain asbestos-related bodily injury claims asserted against ACL by way of claims or lawsuits instituted against ACL.
- 2.14 The London Policies insure both ACL and GDC, and only one set of insurance limits

is available. This means that payment of amounts owing pursuant to a lawsuit against ACL reduces the limits available to pay lawsuits against GDC, and *vice versa*.

- 2.15 Over the course of the past decades, ACL has been the subject of thousands of asbestos-related claims, and, until recently, ACL was fully responsible for resolving these asbestos-related claims.
- 2.16 The Applicants are involved in reimbursing ACL for these same asbestos-related claims, solely in their capacity as insurers of ACL. More specifically, in accordance with the terms of the ISA and of the London Policies, certain Applicants have been reimbursing defence costs incurred by ACL in relation to the claims and have also reimbursed certain settlements agreed upon between ACL and certain claimants.

(ii) South Carolina Proceeding and Receivership Order

- 2.17 *Tibbs v. 3M Co.* is an asbestos personal-injury action filed in South Carolina state court in which ACL was named as a defendant (the “**South Carolina Proceeding**”).
- 2.18 On July 19, 2023, the Court of Common Pleas of Richland County (the “**South Carolina Court**”), South Carolina, ordered ACL to fully answer discovery and to provide a corporate representative for deposition, failing which ACL would be held in contempt of court.
- 2.19 ACL’s position was that as a Québec Corporation with all of its books and records in Québec, it could not comply with the discovery order, since such compliance would place ACL in violation of the *Québec Business Concerns Record Act* (“**QBCRA**”). The QBCRA is a Québec law that prohibits the removal from Québec of documents relating to any business concern in Québec pursuant to any requirement of a judicial authority outside the province (the QBCRA is attached to this report as **Schedule A**). ACL asserted that complying with the order would have required to violate its home law and risk potential civil and criminal penalties in Québec.
- 2.20 On September 8, 2023, the South Carolina Court held ACL in contempt, and sanctioned ACL by striking its pleadings such that it was in default (the “**South Carolina Contempt Order**”). Pursuant to the South Carolina Contempt Order, the South Carolina Court appointed Mr. Peter D. Protopapas of the South Carolina law firm of Rikard & Protopapas as receiver of ACL.
- 2.21 As appears from a copy of the receivership order (the “**Receivership Order**”), the South Carolina Receiver is purported to be granted the rights, powers and authority to, among other things:
 - (a) fully administer all insurance assets of ACL and any subsidiaries;
 - (b) accept service of process on behalf of ACL;
 - (c) engage defence counsel on behalf of ACL;
 - (d) assume control of the defence of all asbestos bodily injury litigation matters pending in the United States against ACL; and
 - (e) take any and all steps necessary to protect the interests of ACL whatever they

may be.

- 2.22 Thus, as a sanction for ACL's decision to respect the laws of its home jurisdiction, the South Carolina Receiver has seized the right of ACL's duly appointed directors and officers to control its defence of asbestos litigation in the United States and to seek insurance coverage from its insurers, despite the fact that ACL has no activities or operations in the United States, let alone in South Carolina.
- 2.23 On September 13, 2023, ACL appealed the Receivership Order and the South Carolina Contempt Order to the South Carolina Court of Appeals, which in turn certified the appeal for direct consideration by the highest court in the state, the South Carolina Supreme Court, which appeal is currently pending. However, the appeal has not stayed the Receivership Order and actions of the South Carolina Receiver. As a result, asbestos-related bodily injury claims continue to be filed and pursued, with the South Carolina Receiver accepting service of some (but not all) claims. The Monitor understands that the parties are awaiting judgment.
- 2.24 The South Carolina Receiver has now accepted service for ACL and/or taken control of the asbestos personal injury cases against ACL in South Carolina. He has insisted that he be treated as the insured by ACL's insurers, and, purporting to act for ACL, has filed lawsuits against many of those insurers. Additionally, the South Carolina Receiver had not retained counsel for ACL in some asbestos personal injury cases, opening the door to potential default judgments for hundreds of millions of dollars that plaintiffs may then seek to execute directly against ACL and/or the Applicants.
- 2.25 This same South Carolina Receiver has been criticized and sanctioned in another foreign jurisdiction for similarly taking control over a foreign corporation in the context of asbestos litigation. For example, in the United Kingdom, the UK High Court ordered the South Carolina Receiver to cease claiming that he was the legal representative of Cape Plc ("**Cape**"), a UK company whose corporate predecessor once mined asbestos in South Africa. In that matter, the South Carolina Court had assigned Mr. Protopapas as Receiver over Cape. The UK court rejected the South Carolina Receiver's claim of jurisdiction over Cape, since Cape never did business in South Carolina, and held that the South Carolina Receiver had no authority to act on behalf of Cape. Moreover, the UK court held that although the South Carolina Receiver's function was allegedly to protect the interests of Cape, in reality he had done the opposite by taking steps that positively damaged Cape's interests.

(iii) Washington Proceeding

- 2.26 *Kotzerke v 3M Co.* is another asbestos personal-injury action in which ACL was named as a defendant (the "**Washington Proceeding**").
- 2.27 As part of the Washington Proceeding, the plaintiff requested that ACL to produce its corporate documents located in Québec and to present a witness to testify on these Canadian documents. ACL's position was that it could not comply, since the QBCRA prevents such disclosure.
- 2.28 ACL filed an interlocutory appeal of that order to the Court of Appeals of the State

of Washington and the appellate court, in a decision dated December 12, 2024, denied ACL's appeal and expressly rejected ACL's argument concerning the QBCRA (the "**Washington Appellate Decision**").

- 2.29 ACL did not comply with the Washington Appellate Decision on the basis of the QBCRA.
- 2.30 As a result, ACL was held in contempt of court in the state of Washington on January 29, 2025. A default order was rendered against them (the "**Washington Default Order**"), and monetary sanctions in the amount of USD\$68,000 were issued (the "**Sanction Damages**").
- 2.31 On March 3, 2025, the plaintiff presented its damage claim in the Washington Proceeding. However, ACL was precluded from disputing causation or plaintiff's alleged damages. Therefore, the results of this hearing were not based upon the actual merits of the case following a contradictory debate, but rather served to punish ACL for relying on the QBCRA.
- 2.32 On March 18, 2025, following the hearing on damages, the Washington Superior Court ordered that ACL pay damages in the total amount of USD\$16,219,398.25, with a monetary judgment subsequently entered on April 3, 2025 (the "**Washington Default Judgment**").

(iv) California Proceeding

- 2.33 ACL was also sanctioned by the Superior Court of Los Angeles County, California, in an asbestos lawsuit alleging exposure to ACL asbestos fiber that purportedly contributed to the death of Mr. Frederick H. Smalley (the "**California Proceeding**").
- 2.34 As part of the California Proceeding, ACL was (once again) requested by the plaintiff to produce documents and a witness in the context of discovery. ACL did not do so, on the basis that the QBCRA prevented such disclosures.
- 2.35 Nonetheless, despite the QBCRA, the California Superior Court ordered that ACL must produce and communicate the requested documents as part of discovery.
- 2.36 ACL did not comply with the California Superior Court's order, again on the basis of its required compliance with the QBCRA, and, on February 5, 2025, the California Superior Court sanctioned ACL an amount of USD\$1,000 and ordered ACL to answer the complaint, but denied without prejudice the plaintiffs' motion to impose evidentiary sanctions against ACL.

Financial situation of the Debtor

- 2.37 The table below summarizes the financial statements of the Debtor for the years ending on December 31, 2021, 2022, 2023 and 2024.
- 2.38 The table below is a compilation of the financial statements available to the public through SEDAR+, the secure web-based system used by all market participants to file, disclose and search for information in Canada's capital market. This work does not constitute an audit or review of the financial statements in accordance

with generally accepted auditing standards established by CPA Canada or by the American Institute of Certified Public Accountants (AICPA), and consequently, we do not express any opinion on these financial statements.

2.39 Statements of Financial Position:

(In thousands of \$ - audited)	2024-12-31	2023-12-31	2022-12-31	2021-12-31
Assets				
Cash and restricted cash	2 392	1 476	1 497	1 057
Accounts receivable	4 853	3 026	4 690	3 641
Income taxes recoverable	892	873	888	885
Current portion of investments	915	950	1 600	1 685
Others	153	121	920	903
Prepaid expenses	153	121	111	94
Assets held for sale	-	-	809	809
	9 205	6 446	9 595	8 171
Investments	31 674	27 702	22 155	24 416
Note receivable from a company under common control	645	598	552	516
Security deposits receivable	242	167	9	9
Property, plant and equipment	1 229	1 261	356	330
	42 995	36 174	32 667	33 442
Liabilities				
Accounts payable and accrued liabilities	2 409	2 266	1 856	1 885
Interest on note payable to the parent company	-	-	-	-
Current portion of litigation-related liabilities	3 284	1 956	3 329	1 852
	5 693	4 222	5 185	3 737
Litigation-related liabilities	26 129	23 507	22 671	23 804
Notes payable to related companies	28 087	26 339	24 553	25 337
Post-employment benefit liabilities	407	407	404	471
Others	715	425	38	6
	61 031	54 900	52 851	53 355
Shareholder' deficiency				
Capital stock	33 312	33 312	33 312	33 312
Deficit	(51 348)	(52 038)	(53 496)	(53 225)
	(18 036)	(18 726)	(20 184)	(19 913)
	42 995	36 174	32 667	33 442

2.40 A more detailed description of the Debtor's main balance sheet items is provided below.

2.41 Cash and restricted cash: As of December 31, 2024, available cash totals \$780,000 and restricted cash totals \$1,612,000. Restricted cash consists of highly liquid investments with original maturity of three months or less at the acquisition date and for which use is restricted to the settlement of expenses arising from Asbestos Claimants.

2.42 Accounts Receivable: As of December 31, 2024, the accounts receivable primarily comprise amounts due from insurers (\$3.5 million) in connection with various litigation cases, but also from trade receivable (\$1.3 million).

2.43 Investments: As at December 2024, investments evaluated at fair value are composed of shares (\$12,1 million), mutual funds (\$12,8 million) and governments bonds and treasury bills (\$7,7 million).

As per the financial statements of ACL, the use of the investments is exclusively restricted to the settlement of expenses arising from asbestos lawsuits and for

maintaining the commercial existence of ACL, companies under common control and Mazarin.

2.44 Property, plant and equipment: consist of, among other things, land, building, plant equipment and office equipment.

2.45 Accounts payable and accrued liabilities: consist of fees and compensation related to litigation payable (\$1,3 million) and trade payable (\$1,1 million). Accounts payable and accrued liabilities: consist of fees and compensation related to litigation payable (\$1,3 million) and trade payable (\$1,1 million). In addition to those accounts payable and accrued liabilities, the debtor executed on May 4th, 2025 a promissory note in the amount of US \$300,000 in favour of CLMI and other insurance companies in order to fund a retainer of counsel engaged in the United States to prosecute ancillary proceedings under Chapter 15 of the United States Bankruptcy Code.

2.46 Litigation-related liabilities:

- ACL is the subject of litigation, as persons claiming exposure to asbestos fiber or asbestos-containing products have filed numerous actions in the United States for damages due to bodily injury allegedly caused by asbestos exposure. CLMI have, as of December 31, 2024, reimbursed their share of settlements that have compensated several thousand claims instituted against ACL, while thousands of claims have also been dismissed, and others pending. The breakdown of the number of claims that are settled, dismissed and pending are attached herewith as **Schedule B (under seal)**, along with the total costs of expenses and indemnities reimbursed to ACL in relation to these claims.
- Litigation-related liabilities result from lawsuits and claims of persons alleging bodily injury attributable to their exposure to asbestos fibers. Provisions for litigation are recognized when ACL has a present legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated.
- As of December 31, 2024, the Debtor's declared indebtedness for litigation-related liabilities was approximately \$29,413,000, of which approximately \$3,284,000 consists of amounts currently owed due to litigious proceedings in the United States, and \$26,129,000 of non-current liabilities. Additional monetary judgments have been rendered since December 31, 2024, including the Washington Default Judgment (in the amount of USD\$16,219,398.25).
- Litigation-related liabilities include (i) two (2) asbestos suits filed against ACL in Louisiana that are also filed against CLMI as direct actions, and (ii) a USD\$151 million suit filed against ACL in which it is alleged that ACL and its insurance carriers conspired to conceal insurance information.
- At the same time, ACL has been subject to sanctions in the United States due to its respect of the provisions of the QBCRA, including by way of the Washington Default Judgment, and increasing litigation debts owed (if coverage is not voided) towards the Applicants. ACL's position that the QBCRA prevents it from producing its corporate documents from Canada in

the United States in the context of the litigation taking place there, has also resulted in the appointment of the South Carolina Receiver as a discovery sanction. The South Carolina Receiver subsequently instituted multiple declaratory actions matters against various carriers, including the Applicants, before the South Carolina Court that seek the following findings:

- that the policies are "property" of the South Carolina Receiver;
- that the Applicants must defend and indemnify ACL even though the Applicants have been reimbursing ACL for defence and indemnity for at least twenty-five (25) years; and
- that the rules governing the payment of defence and indemnity are directly contrary to the terms of the ISA negotiated with ACL, and which have existed for over twenty-five (25) years.

2.47 The following excerpt from Note 19 (Contingencies) of ACL's financial statements provides additional details on asbestos related litigation contingencies:

"Asbestos lawsuits

Persons claiming exposure to asbestos fibre or to asbestos-containing products have filed numerous actions in the United States for bodily injury against various suppliers of asbestos fibre and manufacturers of asbestos-containing products, including the Corporation, which operated asbestos mines.

The Corporation cannot reasonably estimate the extent of the lawsuits related to this litigation matter due to the absence of allegations in connection with damages claimed in these proceedings, and to the inability to assess the creditworthiness of co-defendants and their insurers, to estimate the number of potential claims and to predict the development of liability theories applicable to such proceedings. In management's opinion, even if they are partially reimbursed by the insurers, settlement-related expenses and defence fees for claims relating to asbestos litigation could have a material effect on the Corporation's results of operations and financial position over the coming fiscal years.

However, according to the opinion of legal advisers consulted, even if a default judgment were rendered against the Corporation in the United States, such judgment could not be enforced against the subsidiaries prior to its verification or recognition by a competent court in the province of Quebec; this court could refuse such recognition due to certain statutory provisions of the Civil Code of Quebec."

2.48 Notes payable to related companies: As at December 31, 2024, the Debtor had one main secured creditor, namely its parent company, Mazarin, to whom ACL owes approximately \$26,729,000, secured by an immovable hypothec up to the principal amount of \$70,000,000 registered on the land register in the land book for the registration division of Thetford on January 28, 1986, under number 110 884, and in the land book for the registration division of Beauce on February 17, 1986, under number 368 108 (the **"Trust Deed"**). On May 11, 2015, the Immovable Hypothec resulting from the Trust Deed was renewed and was registered, on May 15, 2015, in the land register under numbers 21 517 957, 21 524 569 and 21 533 174.

2.49 The Debtor has more liabilities than assets on its balance sheet and has an

accumulated deficit of \$51,35 million, without considering potential liabilities related to pending and future asbestos-related litigation.

2.50 Statements of Income (Loss):

(In thousands of \$ - audited)	FY24	FY23	FY22	FY21
Revenue				
Revenue from mining properties	5 509	3 085	1 561	2 075
Investment income	4 069	1 899	(282)	3 047
Parent company's management fees	66	66	66	66
Other	89	83	20	115
	9 733	5 133	1 365	5 303
Operating expenses				
Mining properties' ownership and management expenses	3 486	1 889	1 083	986
Administrative expenses	1 248	862	825	763
Litigation management fees (recovery)	2 244	(784)	(244)	2 884
Interest on notes payable to the parent company	1 795	1 686	-	605
	8 773	3 653	1 664	5 238
Income (loss) before income taxes	960	1 480	(299)	65
Income (recovery) tax expense	291	40	38	6
Net income (loss) for the year	669	1 440	(337)	59
Post-employment benefit actuarial gains	21	18	66	46
Comprehensive income (loss) for the year	690	1 458	(271)	105

2.51 ACL's revenue streams are derived from two primary sources: the company's mining properties and its investments.

2.52 Revenue from mining properties includes:

- Building rental income;
- Earnings from a demonstration plant;
- Royalties.

2.53 Revenue from investments includes:

- Interest revenues;
- Dividends;
- Gain on sale of investments;
- Net change in fair value of investments.

As previously stated, the use of the investments is exclusively restricted to the settlement of expenses arising from asbestos lawsuits and for maintaining the commercial existence of ACL, companies under common control and Mazarin.

2.54 The main operating expenses incurred by ACL consist of:

- Mining properties operational costs, including maintenance and repair expenses, monitoring, and demonstration plant;
- Administrative expenses, mainly salaries and professional fees;
- Litigation management fees (or recovery) associated with various legal cases, including from Asbestos Claimants, representing 23% of its revenues;
- Interest payable to the Parent Company on its secured indebtedness, which

is contingent upon the cash flow generated by ACL. According to the notes in the financial statements, this interest appears to be capitalized.

2.55 ACL appears to generate little to no net cash-flow from its operations since 2021.

3. PROPOSED RESTRUCTURING PROCESS

3.1 The Applicants proposed restructuring process (the “**Restructuring Process**”) contemplates:

- the execution of a transparent court-supervised process aimed at stabilizing ACL’s operations and ensuring that sufficient liquidity is available via the Interim Facility (as defined below);
- the eventual implementation, in due course, of a claims process to ensure that ACL’s individual Asbestos Claimants can efficiently and judiciously settle their outstanding claims against ACL, among others.

A claims process under the CCAA will allow these claims to be channeled into a fair and efficient claims process in Canada, where the interests of both Debtor and creditors can be appropriately balanced;

- the implementation of a plan of compromise or arrangement of the asbestos-related claims following the above-mentioned claims process; and
- the preservation and maximization of the value of ACL for its various stakeholders.

3.2 The eventual-claims process will be crafted taking into consideration the best interests of all stakeholders and potential stakeholders of ACL, including, among others, the Asbestos Claimants in connection with asbestos-related injuries and claims, in order to:

- preserve and maximize the value of ACL for its various stakeholders;
- allow for the orderly distribution of funds and compensation which will be available to any claimant, or stakeholder entitled to a claim or compensation;
- avoid the current situation in which there is a "race to the courts" on the part of plaintiffs in the United States in order to seek individual recovery to the detriment of other claimants;
- adjudicate claims against ACL based on their merit, and not based on default or contempt of court, with a view to ensuring that claimants with valid claims are duly compensated in a structured and cost-effective manner; and
- devise a simpler, less costly, more effective and more rapid process to deal with all the claims or potential claims than legal proceedings in Canada and the United States, the multiplicity of which is likely to contribute to the erosion of the value of ACL and recovery for the claimants.

3.3 The Proposed Monitor will occupy a central role in the Restructuring Process, as will the CRO, who will also assist in the Restructuring Process.

3.4 The proposed Restructuring Process will ensure that no further prejudice is

suffered by any and all of the stakeholders of ACL.

4. STAY OF PROCEEDINGS

- 4.1 A stay of proceedings is the primary tool that allows the CCAA to achieve its restructuring objective and is central to the Restructuring Process.

Debtor

- 4.2 Considering the Debtor's situation resulting from the claims and litigation proceedings instituted against it, the Applicants require a stay of proceedings in order to ensure that the claims and litigation against the Debtor can be resolved, compromised or otherwise addressed in a single forum, without undue or unjust interference, in a stable and secure environment.
- 4.3 The success of the Restructuring Process and the resolution of the various claims and litigation, present and future, against the Debtor will require multi-party negotiations and discussions. The CCAA proceedings will provide a reasonable and effective forum within which these negotiations and discussions may take place, without prejudice from the multiplicity of additional recourses and actions being instituted against the Debtor. Moreover, the CCAA proceedings will provide one forum for dealing with all liabilities of the Debtor. Such stability is necessary to enhance the success of the Restructuring Process.
- 4.4 Accordingly, the Monitor supports the Applicants' request for a stay of proceedings against the Debtor and its assets, undertakings and properties.

D&O

- 4.5 The Applicants request that the Stay of Proceedings be extended in favour of ACL's directors and officers. The directors and officers of a Debtor company play an essential role in the CCAA Restructuring Process, and their active participation is necessary to its success. Extending the Stay of Proceedings to ACL's directors and officers will serve to encourage them to remain in their positions throughout the Restructuring Process.

The Applicants

- 4.6 The Applicants are also requesting that the Stay of Proceedings be extended in favour of CLMI, and its third-party claims administrator Resolute Management Inc., as ACL's insurers. CLMI is a significant stakeholder in the Restructuring Process and will play an important role in negotiating a settlement. Given that some lawsuits are instituted directly against CLMI in the United States, extending the stay of proceedings to CLMI is in the interests of the fair administration of justice.
- 4.7 A single claims resolution process in Canada where the Debtor is headquartered, and its senior management, tangible assets and operations are located is the most efficient and equitable way to resolve the claims for all stakeholders as it will promote fairness among all claimants and avoid a rush to the courthouse in the United States and in Canada that may unfairly deplete available insurance and

other assets to the benefit of some claimants and the detriment of others, while also reducing the extraordinary expense of defending actions in multiple jurisdictions.

General Dynamic Corporation

- 4.8 The Applicants also request that a stay of proceedings be extended in favour of GDC. As further detailed in the Application, GDC is also subject to the Insurance Coverage Settlement Agreement, the underlying policies of which provide that ACL and GDC are subject to one insurance limit amongst them for asbestos-related claims. As a result, the payment of claims or amounts owed pursuant to the Insurance Coverage Settlement Agreement against ACL consequently reduces the limits payable against GDC, and vice versa.
- 4.9 Therefore, it is critical that a stay of proceedings be extended in favour of GDC because failing to do so could result in parties seeking to obtain payment and recovery from GDC to the overall detriment of the Debtor's mass of creditors, given that the amounts payable to stakeholders of the Debtor would decrease in such a case. To avoid such a situation that would be prejudicial to all stakeholders, and to ensure the stability of the present CCAA proceedings, a stay of proceedings must be extended to GDC.

5. INTERIM FINANCING

- 5.1 Over the course of the past few weeks, the Applicants together with the proposed Monitor have had several discussions regarding the Debtor's financing needs to ensure the funding of the proposed Restructuring Process, and the payment of the Debtor's post-filing working capital requirements during the pendency of the CCAA proceedings, and expect to finalize the terms of the financing conditions, such that the parties will request the approval of an interim financing facility, to the extent required, at the *comeback hearing*.
- 5.2 An interim financing facility, secured by a priority charge will, to the extent required, be sought at the *comeback hearing* to ensure the continuity of ACL's operations, to support the costs of asbestos-related litigation as well as the costs related to the CCAA proceedings and the implementation of the Restructuring Process.

6. APPOINTMENT AND POWERS OF THE PROPOSED MONITOR

- 6.1 The Applicants request that Raymond Chabot Inc. ("**RCI**") be appointed by the Court to act as Monitor of the Debtor in the present CCAA proceedings.
- 6.2 RCI is a licensed trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* and is not subject to any of the restrictions set out in subsection 11.7(2) of the CCAA.
- 6.3 RCI has extensive experience in matters of this nature and is well-suited to this mandate and, as such, has confirmed that it consents and is in a position to perform its monitoring duties without any delay.

- 6.4 The Proposed Monitor will play a central role in the proposed Restructuring Process.

7. COMI DECLARATION AND RECOGNITION OF CCAA PROCEEDINGS IN THE UNITED STATES

COMI declaration

- 7.1 The Proposed Monitor and the Applicants each attorn to the jurisdiction of this Court and confirm that the Debtor's centre of main interest ("**COMI**") is in Québec, Canada, as set out below:
- 7.1.1 the registered head office and chief place of business and the headquarters office of ACL is in Québec, Canada;
 - 7.1.2 ACL's operational and critical strategic decisions are mainly made in Québec, Canada by senior management of ACL also located in Québec, Canada;
 - 7.1.3 ACL's Board of Directors is comprised of 6 persons, each of whom have their primary residence in Québec, Canada;
 - 7.1.4 ACL's board meetings have been held exclusively in Québec, Canada;
 - 7.1.5 All directors or officers of ACL have places of residence in Canada and work in Canada;
 - 7.1.6 All of ACL's bank accounts are located in Canada;
 - 7.1.7 ACL, as a publicly listed entity trading in Canada, receives proceedings from share capital issuances and uses such proceeds to fund its activities, including those with respect to litigious claims in the United States;
 - 7.1.8 All material and/or long-term contracts and expenses are subject to the approval of ACL's senior management located in Québec, Canada;
 - 7.1.9 Corporate governance and regulatory compliance for ACL is overseen by its management team located in Québec, Canada;
 - 7.1.10 All of ACL's employees are based and work in Québec, Canada;
 - 7.1.11 ACL's tangible assets and operations are located in Québec, Canada, including the Serpentine Tailings and the property that ACL leases out to its customers;
 - 7.1.12 The books and records of ACL are located and maintained at ACL's headquarters offices in Québec, Canada.

Activities in the United States and intention to file recognition proceedings pursuant to Chapter 15 of the US Bankruptcy Code.

- 7.2 Considering the foregoing, the Applicants request a declaration from the Court that the Debtor's COMI is located in Québec, Canada.
- 7.3 While the Court will have jurisdiction over the Debtor (subject to its decision and declaration with respect to the latter's COMI), the Debtor is, as previously noted,

subject to many litigation claims in the United States, which, if allowed to continue unabated, will exhaust resources and interfere with the contemplated plan to resolve these and other liabilities under these CCAA proceedings. To minimize disruptions and ensure adequate protection to ACL in the United States, and to obtain guidance as to the application of the present CCAA Proceedings in the United States, the Applicants intend to file, if this Application is granted, recognition proceedings in the United States pursuant to Chapter 15 of the US Bankruptcy Code.

- 7.4 More specifically, pursuant to such recognition proceedings, the Applicants will be seeking, among other things:
 - 7.4.1 recognition of these CCAA proceedings as a foreign main proceeding pursuant to Chapter 15 of the US Bankruptcy Code;
 - 7.4.2 recognition and enforcement by the US bankruptcy court of the First Day Order, the Initial Order, and any subsequent orders to be rendered by this Court;
 - 7.4.3 other appropriate relief, as necessary.
- 7.5 The Proposed Monitor is of the opinion that such foreign recognition proceedings are necessary to ensure that the Stay of Proceedings will be recognized and enforced in the United States, where numerous substantial asbestos-related lawsuits are pending against the Debtor, so that the CCAA proceedings can proceed without interference.

8. CONCLUSION AND RECOMMENDATIONS

- 8.1 Given the Pre-Filing Report and the Application, the Proposed Monitor is of the opinion that it is in the interest of all stakeholders for an Initial Order pursuant to the CCAA to be issued in accordance with the relief sought in the Application.
- 8.2 In the event where this Court agrees to issue the Initial Order being sought, the Proposed Monitor will file a report ahead of the comeback hearing (as Monitor) with respect to (a) developments since the issuance of the Initial Order, and (b) the relief sought by the Applicants in the proposed Amended and Restated Initial Order.

SCHEDULE A

QUÉBEC BUSINESS CONCERNS RECORD ACT

chapter D-12

BUSINESS CONCERNS RECORDS ACT

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REPEAL SCHEDULE

1. In this Act, the following words mean:

(a) “document” : any account, balance sheet, statement of receipts and expenditure, profit and loss statement, statement of assets and liabilities, inventory, report and any other writing or material forming part of the records or archives of a business concern;

(b) “concern” : any business concern in Québec;

(c) “requirement” : any demand, direction, order, subpoena or summons.

R. S. 1964, c. 278, s. 1.

2. Subject to section 3, no person shall, pursuant to or under any requirement issued by any legislative, judicial or administrative authority outside Québec, remove or cause to be removed, or send or cause to be sent, from any place in Québec to a place outside Québec, any document or résumé or digest of any document relating to any concern.

R. S. 1964, c. 278, s. 2.

3. The prohibition enacted in section 2 shall not apply in the case of the removal or sending of a document out of Québec

(a) by an agency, branch, legal person or firm carrying on business in Québec, to a principal, head office, affiliated legal person or firm, agency or branch situated outside Québec, in the ordinary course of their business;

(b) by or on behalf of a natural or legal person, a partnership or an association that is not a legal person carrying on business in Québec, to a territory subject to another political jurisdiction in which the sale of the securities of such person, partnership or association has been authorized;

(c) by or on behalf of any such person, partnership or association carrying on business in Québec as a broker, security issuer or salesman within the meaning of the Securities Act (chapter V-1.1), to a territory subject to another political jurisdiction in which any such person, partnership or association has been registered or is otherwise authorized to carry on business as broker, security issuer or salesman, as the case may be;

(d) whenever such removal or sending is authorized by any law of Québec or of the Parliament of Canada, in accordance with their respective jurisdictions.

R. S. 1964, c. 278, s. 3; 2009, c. 52, s. 590.

4. Whenever there is reason to believe that a requirement has been or is likely to be made for the removal or sending out of Québec of a document relating to a concern, the Attorney General may apply to a judge of the Court of Québec, in the judicial district where the concern in question is located, for an order requiring any person, whether or not designated in the requirement, to furnish an undertaking or security to ensure that such person will not remove or send out of Québec the document mentioned in the said requirement.

In case of urgency, the application may be filed and presented to the judge without prior service. The judge may however order the service thereof within such time, in such manner and on such conditions as he may consider expedient.

Every person having an interest in a concern may exercise the rights contemplated in this section.

R. S. 1964, c. 278, s. 4; 1965 (1st sess.), c. 17, s. 2; 1988, c. 21, s. 66; 1999, c. 40, s. 109; I.N. 2016-01-01 (NCCP).

5. Every person who, having received notice of an application to a judge of the Court of Québec under section 4, infringes the provisions of section 2, shall be guilty of contempt of court.

Every person who has furnished, or has received from the judge an order to furnish, an undertaking or security and who infringes the provisions of section 2 shall be guilty of contempt of court in addition to any obligation provided by the undertaking or security furnished or ordered by the judge.

R. S. 1964, c. 278, s. 5; 1965 (1st sess.), c. 17, s. 2; 1988, c. 21, s. 66; 1990, c. 4, s. 388; 1992, c. 61, s. 267; I.N. 2016-01-01 (NCCP).

6. *(This section ceased to have effect on 17 April 1987).*

1982, c. 21, s. 1; U. K., 1982, c. 11, Sch. B, Part I, s. 33.

REPEAL SCHEDULE

In accordance with section 17 of the Act respecting the consolidation of the statutes (chapter R-3), chapter 278 of the Revised Statutes, 1964, in force on 31 December 1977, is repealed effective from the coming into force of chapter D-12 of the Revised Statutes.

**SCHEDULE B
(UNDER SEAL)**

THE BREAKDOWN OF THE NUMBER OF ASBESTOS-RELATED BODILY INJURY CLAIMS