

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

Co-Applicants

- and -

ASBESTOS CORPORATION LIMITED

Debtor and Co-Applicant

- and -

RAYMOND CHABOT INC.

Monitor

**FIRST REPORT BY RAYMOND CHABOT INC.
IN ITS CAPACITY AS 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 an Amended and Restated Initial Order* (the "**ARIO Application**") under the *Companies' Creditors Arrangement Act* ("**CCAA**"), we respectfully submit to you the first report of the Monitor.

Signed in Montréal, on May 14, 2025.

RAYMOND CHABOT INC.

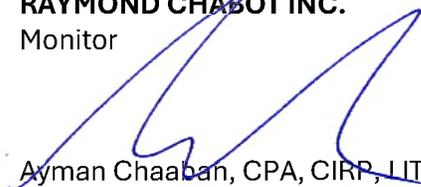
Monitor



Jean Gagnon, CPA, CIRP, LIT

RAYMOND CHABOT INC.

Monitor



Ayman Chaaban, CPA, CIRP, LIT

1. INTRODUCTION

- 1.1 This report (the "**First Report**") of the Monitor is intended to complement the report dated May 5, 2025 ("**Pre-Filing Report**") prepared by Raymond Chabot Inc. ("**RCI**"), then in its capacity as Proposed Monitor, in the context of the current proceedings (the "**CCAA Proceedings**") and the testimony of M. Jean Gagnon on May 6, 2025.
- 1.2 The First Report should be read in conjunction with the Pre-Filing Report. Capitalized terms not defined in this First Report have the meaning ascribed to them in the Pre-Filing Report.

CCAA Proceedings

- 1.3 On May 6, 2025, an application was filed under the Companies' Creditors Arrangement Act ("**CCAA**") before the Superior Court of Québec, Commercial Division (the "**Court**"), seeking a first-day initial order ("**First Day Order**") and an amended and restated initial order ("**Initial Order**") granting, inter alia, a stay of proceedings in favour of the Debtor and several parties and appointing RCI as Monitor of the Debtor's CCAA Proceedings.
- 1.4 On that same day, the Court, at the request of the Debtor and the Co-Applicants, issued the First Day Order and ordered, among other things, that the comeback hearing shall take place on May 15, 2025.

Chapter 15 Proceedings

- 1.5 As mentioned in the Pre-Filing Report, the Monitor requested recognition of the CCAA Proceedings as a foreign proceeding pursuant to Chapter 15 of the US Bankruptcy Code which included the below described filings (the "**Chapter 15 Proceedings**").
- 1.6 On May 6, 2025, RCI, having been fully appointed as the foreign representative of the Debtor in the CCAA proceedings (the "**Foreign Representative**"), the Monitor filed in the United States Bankruptcy Court in the Southern District of New York (the "**US Court**") a *Chapter 15 Petition for Recognition of Foreign Proceeding* (the "**Petition**") and a *Verified Petition and Motion of the Foreign Representative for (A) Recognition of the CCAA Proceeding as a Foreign Main Proceeding or, in the Alternative, as a Foreign Nonmain Proceeding, and (B) Certain Related Relief* (the "**Verified Petition**") under the Chapter 15 of the United States Bankruptcy Code ("**Chapter 15**") seeking entry of an order after notice and hearing granting recognition of the CCAA Proceedings as a foreign main proceeding or, in the alternative, as a foreign nonmain proceeding and certain related relief ("**Recognition Order**").
- 1.7 On May 6, 2025, the Foreign Representative also filed before the US Court a *Motion for (I) Ex Parte Emergency Relief and (II) Provisional relief* (the "**Stay Motion**") under Chapter 15 seeking on an emergency, *ex parte* basis, the entry of a temporary restraining order (the "**Emergency Order**") staying all persons and entities from taking any and all actions with respect of the Stay Parties (as defined in the Stay Motion) and/or their U.S. Interest (as defined in the Stay Motion) and upon expedited notice and a hearing, the entry of an order continuing the relief sought in the Emergency Order pending entry of the Recognition Order (the "**Provisional Relief**").

- 1.8 On May 6, 2025, the Foreign Representative also filed before the US Court an *Application of Foreign Representative for Order (I) Scheduling Hearing on Verified Petition of Asbestos Corporation Limited and Motion for Recognition and (II) Specifying Form and Manner of Service and Notice* (the “**Scheduling Application**”) seeking an order (a) scheduling a hearing (the “**Recognition Hearing**”) to consider the relief sought in the Petition and the concurrently filed Verified Petition and (b) specifying the form and manner of service thereof (the “**Scheduling Order**”).
- 1.9 On May 6, 2025, the US Court issued the Emergency Order granting the ex parte stay relief and setting a hearing on the Provisional Relief Order for May 19, 2025.
- 1.10 On May 7, 2025, the US Court issued the Scheduling Order setting the Recognition Hearing for June 2, 2025.

Purpose of the First Report

- 1.11 This report has been prepared in connection with the comeback hearing. The Debtor and the Co-Applicants are seeking the issuance of an Initial Order, providing for, inter alia, the following additional reliefs:
- The extension of the Stay Period until September 5, 2025, and the broadening of the stay of proceedings to the legal advisors of the Debtor, GDC and the insurance companies benefiting from the stay of proceedings;
 - The approval of an interim financing and related charge; and
 - The approval of an administration charge and of a D&O charge;
- 1.12 This report is divided into the following sections:
- **Section 1:** Introduction;
 - **Section 2:** Actions taken by the Monitor since the issuance of the First Day Order;
 - **Section 3:** Proposed Restructuring Process;
 - **Section 4:** Stay of Proceedings
 - **Section 5:** Projected Cash Flow Statement;
 - **Section 6:** Interim Financing;
 - **Section 7:** Administration Charge;
 - **Section 8:** D&O Charge;
 - **Section 9:** Conclusion and recommendations.

2. ACTIONS TAKEN BY THE MONITOR SINCE THE ISSUANCE OF THE FIRST DAY ORDER

- 2.1 On May 7, 2025, the Monitor posted relevant materials relating to the CCAA Proceedings and the Chapter 15 Proceedings on its website at:
- <https://www.raymondchabot.com/en/companies/public-records/asbestos-corporation/>
(the “**Monitor’s Website**”).
- 2.2 The Monitor also set up a dedicated email address (asbestoscorp@rcgt.com) to allow

the different stakeholders to contact the Monitor directly to discuss any matter related to the CCAA Proceedings and the Chapter 15 Proceedings.

- 2.3 On May 7, 2025, the Monitor circulated a notice for publication with respect to the Initial Order, to be published in (i) La Presse+ (May 14 and May 21, 2025) and (ii) in The Globe & Mail (May 12 and May 19, 2025), as required pursuant to the First Day Order.
- 2.4 On May 7, 2025, the Monitor filed Form 1 with the Office of the Superintendent of Bankruptcy. On May 13, 2025, the Monitor filed Form 2 with the Office of the Superintendent of Bankruptcy.
- 2.5 On May 13, 2025, the Monitor sent a notice by e-mail, fax or regular mail to counsel for all known creditors having an amount due of more than USD 1,000 (approximately 170 creditors) advising them that the First Day Order is publicly available (the “**Notice to Creditors**”).
- 2.6 The Monitor visited the place of business and discussed operations with management.
- 2.7 The Monitor assisted management in discussions with stakeholders.
- 2.8 The Monitor reviewed receipts and disbursements held meetings with management to discuss operations.
- 2.9 The Monitor assisted management in the preparation of a projected cash flow statement (refer to section 5 of this report).
- 2.10 The Monitor participated to a number of preparation for the Chapter 15 Proceedings, with its legal advisors.

Additional Claims Initiated Against ACL

- 2.11 Since the First Day Order was granted, the Monitor has been made aware of thirteen additional Asbestos-Related Bodily Injury Claims initiated against ACL since the appointment of the South Carolina Receiver (see **Schedule A**), in addition to the proceedings already identified in the Pre-Filing Report. Twelve of these proceedings were filed in Richland County, South Carolina, and one in Oklahoma County, Oklahoma.
- 2.12 The plaintiffs in these proceedings are individuals who have been diagnosed with lung cancer, which they claim was caused by exposure to asbestos dust and fibers manufactured by ACL and other defendants.
- 2.13 In the twelve South Carolina cases, the plaintiffs are claiming damages in an amount to be proved at trial, including damages for pain and suffering, mental distress, and medical bills, damages for loss of income, punitive damages, legal costs, damages for breach of implied warranty, and damages for fraudulent misrepresentation.
- 2.14 In the Oklahoma proceedings, the plaintiffs are claiming \$75,000 for general and special damages and \$75,000 for punitive and exemplary damages, as well as legal costs, interest, and other relief.
- 2.15 The twelve South Carolina proceedings are nearly identical to one another in form and content, with many paragraphs copied word for word. The Oklahoma proceeding also

shares similar language with the South Carolina proceedings and some identical paragraphs.

- 2.16 In the thirteen proceedings identified, ACL is generally one of approximately 80 to 120 defendants (all companies). While the list of defendants in each complaint is not identical, there is significant overlap between them. In eight cases, ACL is sued both directly and through GDC, which is identified as successor-in-interest to ACL. In five cases, ACL is only sued through GDC.
- 2.17 Defendants are generally divided into the following categories: “Product Defendants,” “Premises Defendants” and “Design Defendants.” In the twelve South Carolina proceedings, ACL and GDC are both identified as “Products Defendants.” In the Oklahoma proceeding, ACL is identified as a “Product Defendant” and GDC is identified as a “Premises Defendant.”
- 2.18 The proceedings, as written, do not appear to allege a direct link between the plaintiffs and ACL. Rather, as a “Product Defendant,” ACL is one of many companies that allegedly manufactured, sold, and / or distributed asbestos-containing products or raw asbestos materials for use in the state where plaintiffs are residing.
- 2.19 In the context of a claim process to be sought for by the Debtor and Co-Applicant, the Monitor understand that they will seek to implement a fair and equitable process necessary to determine whether any of the injuries or disease suffered by a plaintiff were caused by exposure to ACL’s products specifically (and not to the products of other “Product Defendants” also sued in the same proceedings).

The NSI Trustee

- 2.20 In addition, as indicated in paragraph 49 of the Initial Application, proceedings have been initiated against ACL in South Carolina by Charles Forman, the Chapter 7 Trustee for the estate of National Services Industries, Inc. (the “**NSI Trustee**”).
- 2.21 NSI is subject to asbestos-related claims dating back to the 1960s, arising from the distribution of asbestos-containing insulation by a previously divested business (North Brothers). In 2012, NSI filed a voluntary bankruptcy petition in Delaware pursuant to the Chapter 7 of the United States Bankruptcy Code (“**NSA’s Bankruptcy**”). The allowed claims in NSA’s bankruptcy case amount to approximately \$151,000,000.
- 2.22 NSI holds ACL directly responsible for the \$151,000,000 in claims against NSI. Specifically, NSI alleges that ACL was the primary supplier of asbestos to various manufacturers and suppliers of asbestos containing products which gave rise to the claims against NSI. In this action, NSI is represented by the same two law firms as the plaintiffs in the twelve South Carolina proceedings.

Proceedings against professionals

- 2.23 The Monitor has been made aware of cases in which counsel for ACL and other asbestos defendants have been pursued in their personal capacity.
- 2.24 In a recent asbestos-related personal injury action against ACL in California, the plaintiff moved for evidentiary and monetary sanctions in the amount of \$9,500 against ACL and its counsel jointly and severally. In a recent judgment dated February 5, 2025, the Court

denied ACL's motion to quash and awarded a sanction of \$1000 against ACL and its counsel. A copy of the judgment is attached to this report at **Schedule B**.

- 2.25 In the Washington Proceedings described in the Pre-filing Report, the plaintiffs have similarly sought sanctions against ACL's counsel personally. A copy of these proceedings is attached to this report at **Schedule C**.
- 2.26 Moreover, the South Carolina Receiver has repeatedly taken legal action against counsel in cases involving other asbestos defendants for which he has been appointed receiver, seeking sanctions, damages, and other legal relief against counsel personally.
- 2.27 Specifically, the South Carolina Receiver has retaliated against opposing counsel and law firms for (i) claims of alleged legal malpractice, (ii) declarations that the Receiver is entitled to counsel's and client files, (iii) claims of alleged spoliation of evidence with respect to representations of clients dating back decades, (iv) declarations that counsel and law firms must "account" for all fees received from clients, and (v) sanctions. See, for example, the proceedings attached to this report at **Schedule D**.
- 2.28 The collaboration of the legal advisors for ACL are essential to the success of the proposed restructuring as a result of the extent of their knowledge of current claims.

3. PROPOSED RESTRUCTURING PROCESS

- 3.1 As detailed in the Pre-Filing Report, the restructuring process proposed by the Debtor and the Co-Applicants (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 (and future 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, the creditors and other stakeholders 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 During the restructuring, it is the intention of the Monitor and ACL that the 11 employees currently employed by ACL and its wholly owned subsidiary, 3R Minéral Inc., should remain in their positions, namely:
- ACL's President.
 - Director of Operations: Management of the Demonstration Plant: responsible for the supervision of operators, management of work at various mining sites and different buildings, monitoring, maintenance, and repairs.
 - Chief Financial Officer (CFO): responsible for managing the company's financial information and overseeing the accounting technician.

- Accounting Technician: responsible for payables, receivables, and preparation of financial information.
- Two Administrative Assistants: primarily focused on reviewing US legal counsel fees and preparing claims for the insurer.
- Executive Assistant: responsible of compliance related to stock market obligations and of organization of board meetings, primarily focused on supporting the President and the board.
- Three Operators: primarily focused on operation of machinery, plant, and equipment maintenance.
- Mechanic: responsible for maintenance and repair of buildings and equipment.
- Students: some students are also retained for various tasks.

3.3 The eventual-claims process will be crafted by taking into consideration the best interests of all stakeholders and potential stakeholders of ACL, including, among others, the present and futur 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 a consistent procedure for the review and determination of claims in a single forum and 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 present and future 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 in inefficient and uncoordinated legal proceedings in various jurisdictions in the United States, the multiplicity of which would undoubtedly result in enhances administrative costs.

3.4 Furthermore, the Monitor understands from its counsel that in the context of these CCAA Proceedings the Quebec Business Concerns Records Act ("**QBCRA**") will no longer be of concern. The Monitor's intention is to share and disclose all relevant and useful documents and financial information relating to ACL in its reports to the Court in order to ensure that all stakeholders make informed decisions in the context of these CCAA Proceedings.

3.5 In addition, in the context of the CCAA Proceedings supervised by the Court and being conducted in Quebec, the Superior Court of Quebec, which is not prohibited by QBCRA as the judicial authorities outside the province of Quebec, will have jurisdiction to order to ACL to provide creditors with any relevant information or documentation that could be required in case of ACL's refusal.

3.6 The proposed Restructuring Process will ensure that no further prejudice is suffered by any 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. The First Day Initial Order provides for a stay of proceedings to the following parties:

- 4.1.1 The Debtor;
- 4.1.2 The D&O;
- 4.1.3 The Co-Applicants; and
- 4.1.4 General Dynamics Corporation.

4.2 The contemplated Initial Order requests to extend the stay of proceedings for the above-mentioned parties and requests the stay of proceedings to also apply to the legal advisors of the Debtor, GDC and the insurance companies benefiting from the stay of proceedings.

4.3 As indicated in the Pre-Filing Report, the Stay of Proceedings to the following parties is essential to the success of the restructuring process for the reasons below:

4.3.1 The Debtor:

- The CCAA proceedings will provide a reasonable and effective forum for multi-party negotiations and discussions, and avoid the inefficiencies and the inconsistent application standards that naturally result from the prosecution of cases in multiple forum.
- The CCAA proceedings will provide one forum for dealing with all liabilities of the Debtor (including the apportionment of any damages awarded to or agreed to any Asbestos Claimants for which the Debtor is responsible, which has, historically, varied between 4% to 22% of the claims), providing necessary stability to the Restructuring Process.

4.3.2 The D&O:

- The directors and officers of the Debtor play an essential role in the CCAA Restructuring Process, and their active participation is necessary to its success.
- It is crucial that the Stay of Proceedings be extended to the directors and officers so that they are encouraged to stay in their positions and are able to focus on the Restructuring Process without distractions or outside pressures.

4.3.3 CLMI:

- CLMI is a significant stakeholder in the Restructuring Process and likely one of the primary contributors to an eventual plan of arrangement, such that CLMI will play an important role in negotiating a settlement.
- Given that some lawsuits are instituted directly against CLMI in the United States, it is crucial that the Stay of Proceedings be extended to CLMI in order to preserve the proceeds of the insurance policies for equitable distribution through the CCAA Proceeding, the main objective of this restructuring.

4.3.4 General Dynamics Corporation:

- 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. All proceeds of the insurance policies shall be preserved for equitable distribution, as part of a claims process to be authorized by this Court.
 - It is critical that the Stay of Proceedings be extended in favour of GDC because actions against GDC deplete the pool of coverage available for ACL to the prejudice of all stakeholders.
- 4.4 Since 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, including the current and past legal advisors of the Debtor, GDC and the insurance companies, the extension of the stay to the same is essential. More so considering that 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 legal advisors. Such stability is necessary to enhance the chances of success of the Restructuring Process.
- 4.5 Accordingly, the Monitor supports the request for a stay of proceedings against the legal advisors of the Debtor, GDC and the insurance companies benefiting from the stay of proceedings.

5. PROJECTED CASH FLOW STATEMENT

- 5.1 The Debtor's management, with the assistance of the Monitor, prepared a projected cash flow statement (the "**Projections**"), which is summarized on **Schedule E**. The Projections were prepared on a consolidated basis as management manages cash on a consolidated basis (i.e., the Debtor and its wholly owned subsidiary, 3R Minéral inc).
- 5.2 The Projections have been prepared on a going-concern basis and are based on assumptions which reflect the general direction that the Debtor's management shall be adopting given the financial and economic conditions, which in the opinion of the Debtor's management is the most probable. The Projections also consider objections and challenges to the CCAA Proceedings and the Chapter 15 Proceedings.
- 5.3 Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the Debtor. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Projections. We have also reviewed the support provided by the Debtor for the probable assumptions and the preparation and presentation of the Projections.
- 5.4 Since the Projections are 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, we express no assurance as to whether the Projections will be achieved (this should not be interpreted as the expression of an opinion).
- 5.5 Subject to Court approval, the contemplated Interim Financing Facility (see section 6)

appears sufficient to cover fees and expenses until at least September 5, 2025.

6. PROPOSED INTERIM FINANCING

- 6.1 The cash flow situation, as outlined in section 5, indicates insufficient liquidity to cover operating expenses, asbestos-related litigation costs, and costs associated with the CCAA Proceedings, with the Chapter 15 Proceedings and the implementation of the Restructuring Process.
- 6.2 An interim financing facility ("**Interim Financing Facility**"), secured by a priority charge (the "**Interim Lenders Charge**"), is therefore required 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, the Chapter 15 Proceedings and the implementation of the Restructuring Process.
- 6.3 Based on the projected cashflow statement presented in section 5 of this report, the funding requirements could total approximately \$18 million. The funding requirements correspond mainly to the fees of Professionals (as defined in section 7) related to the CCAA Proceedings and the Chapter 15 Proceedings for the period ending September 30, 2025.
- 6.4 Over the course of the past few days, the Co-Applicants together with the Debtor and the Monitor have had several discussions regarding the Debtor's financing needs to ensure the funding of the proposed Restructuring Process, and, as needed, the payment of the Debtor's post-filing working capital requirements during the pendency of these proceedings.
- 6.5 Based on these discussions, the Co-Applicants (the "**Interim Lenders**") are prepared to provide interim financing to the Debtor, on the terms and conditions set forth in an interim financing term sheet (the "**Interim Financing Term Sheet**"), subject to the Interim Lenders' Charge being approved in favour of the Interim Lenders.
- 6.6 The main terms and conditions of the Interim Financing Term Sheet can be summarized as follows (refer to the actual Interim Financing Term Sheet for all terms and conditions):
- 6.6.1 Borrower: Asbestos Corporation Ltd (the "**Borrower**");
- 6.6.2 Amount: 20 million USD (or approximately 28 million CAD);
- 6.6.3 Interest rate:
- Prime Rate (as defined in the Interim Financing Term Sheet) + 1% per annum. The interest rate is based on the risk of the Interim Financing Facility and the uncertainty regarding the Debtors' operations.
 - Interest on the outstanding principal amount of the Interim Financing Facility will be paid monthly on the first business day of each month by being capitalized to the principal balance of the amounts then owing under the Interim Financing Facility, to form a part thereof, itself then incurring interest at the same rate.
- 6.6.4 Cost and expenses: using the Interim Financing Facility, the Borrower will pay all of the Interim Lenders' reasonable costs, including all legal fees, and disbursements, due diligence fees, any costs of realization or enforcement and all

consultants (financial and otherwise) costs on a full indemnity basis in each case in connection with or otherwise related to the Interim Financing Facility.

6.6.5 Use of funds:

- The Interim Lenders will be provided with an initial and, as required at any time by the Interim Lenders, and at least every month, updated financial projections covering a 6-month period, which must in all cases be satisfactory to the Interim Lenders in their sole and absolute discretion and approved by the Monitor (the "**Approved Financial Projections**"). Upon approval by the Interim Lenders of any updated financial projections, as approved by the Monitor, such financial projections shall be the Approved Financial Projections.
- The use of funds of the Interim Financing Facility shall be made in accordance with the Approved Financial Projections and managed by the Monitor through his trust accounts.
- The Interim Financing Facility will be essentially used to implement the proposed Restructuring Process and pay the Professionals and related expenses.

6.6.6 Security: Interim Lenders Charge of 20 million USD (or approximately 28 million CAD) on all the Debtors' assets, ranking in priority to all other charges and encumbrances, except for (i) the security held by Mazarin Inc. over the Debtor's assets (the "**Mazarin Security**"), and (ii) the Administration Charge.

6.6.7 Conditions precedent (among others):

- the Court will have issued the First Day Order and the Initial Order;
- the US Court will have issued the Emergency Order and the Recognition Order;
- the initial Approved Financial Projections will have been received in a form and substance satisfactory to the Interim Lenders.

6.6.8 Milestones (among others):

- Court shall have issue the Initial Order by May 16, 2025;
- US Court shall issue the Recognition Order by June 6, 2025;
- Approval of a sale and investment solicitation process by the Court under the CCAA Proceedings by July 11, 2025; and
- Approval of a claims process by the Court under CCAA Proceedings by July 11, 2025.

6.6.9 Maturity: all amounts owing to the Interim Lenders under the Interim Financing Facility will be due and payable on the earliest of the occurrence of any of the following:

- May 15, 2026;
- The implementation of a plan of compromise or arrangement within the CCAA Proceedings and recognized in the Chapter 15;
- The completion of the sale of all or substantially all of the assets of the Borrower in the aggregate (unless the Interim Lenders consent to such sale);

- The occurrence of an event of default (as defined in the Interim Financing Term Sheet in respect of which the Interim Lenders have elected in their sole and absolute discretion to accelerate all amounts owing and demand repayment;
- The date on which the Interim Lenders advise the Borrower that further advances are suspended as a result of the conditions precedent having not been met; and
- The date on which the stay of proceedings pursuant to the Initial Order expires without being extended or on which the CCAA Proceedings are terminated.

6.7 The Monitor is supportive of the proposed Interim Financing Facility and the Interim Lenders' Charge, as well as the way the advances thereunder should be made and is of the opinion that its terms are fair and reasonable in the circumstances given the following:

- The Debtors' business and finances will be adequately managed, with the assistance and under the supervision of the Monitor;
- The Interim Financing Facility will allow the Debtor to continue its operations and cover the necessary professional expenses to pursue the restructuring process under the CCAA Proceedings;
- The Interim Financing Facility will enable the Debtors to adequately and efficiently manage the asbestos-related litigation, and, in due course, to implement a claims process;
- Finally, the Interim Lenders Charge will not cause material prejudice to unsecured creditors and will improve the prospects of all unsecured creditors as a group, as it will enable the company to run an efficient claims process.

7. ADMINISTRATION CHARGE

7.1 The Debtor's legal advisors (Fasken Martineau DuMoulin LLP), the Co-Applicants and Interim Lenders' legal advisors in Canada (Stikeman Elliott LLP) and in the United States (Simpson Thacher Bartlett LLP), the Monitor (Raymond Chabot Inc.), the Monitor's legal advisors in Canada (McCarthy Tétrault LLP) and in the United States (Orrick Herrington & Sutcliffe LLP) (collectively, the "**Professionals**") will be essential to the Restructuring Process to be undertaken during these CCAA proceedings and the Chapter 15 Proceedings.

7.2 Thus, the establishment of a priority charge against the assets of the Debtor (the "**Administration Charge**") to secure the fees of the Professionals for work performed and to be performed in connection with the CCAA Proceedings and the Chapter 15 Proceedings is required.

7.3 The Professionals are important contributors to the success of the proposed Restructuring Process, and the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA Proceedings and the Chapter 15 Proceedings will be required to successfully undertake and complete the Restructuring Process.

7.4 Each of the beneficiaries of the Administration Charge will have distinct roles in the Debtor's restructuring and there will be no duplication.

- 7.5 Each of the Professionals has advised that they are prepared to provide or continue to provide professional services in connection with these CCAA Proceedings and the Chapter 15 Proceedings, provided that they are protected by a priority charge over the assets of the Debtor that ranks ahead of all other charges and encumbrances, except for the Mazarin Security (as defined below).
- 7.6 The Co-Applicants and the Debtor request the establishment of an Administration Charge in favour of the Professionals in an amount of \$1,500,000, to secure the professional fees incurred to date in connection with the CCAA Proceedings and the Chapter 15 Proceedings and those that are expected to be incurred in the context of the CCAA Proceedings and the Chapter 15 Proceedings. The Administration Charge threshold has been established based on the various Professionals' previous history and experience with restructurings of similar magnitude and complexity, as is similar in comparable cases.
- 7.7 In this context, the Monitor respectfully submits that the Administration Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted by the Court.

8. D&O CHARGE

- 8.1 The directors and officers of the Debtor (the "**D&O**") will be essential to the Restructuring Process to be undertaken during these CCAA Proceedings.
- 8.2 Thus, the establishment of a priority charge against the assets of the Debtor (the "**D&O Charge**") is required to indemnify the D&O in respect of all liabilities and obligations which may arise on or after the date of the First Day Order provided that the liability relates to his or her capacity as director and/or officer and is not attributable to gross negligence or willful misconduct on the part of the director or officer.
- 8.3 The D&O are important contributors to the success of the proposed Restructuring Process, and the expertise, knowledge, and continued participation of the proposed beneficiaries of the D&O Charge during these CCAA Proceedings will be required to successfully undertake and complete the Restructuring Process.
- 8.4 Each of the D&O has advised that they are prepared to provide or continue to act as a director or an officer, provided that they are protected by a priority charge over the assets of the Debtor that ranks ahead of all other charges and encumbrances, except for the Administration Charge and the Mazarin Security.
- 8.5 The Co-Applicants and the Debtor request the establishment of a D&O Charge in favour of the D&O in an amount of \$300,000. This amount has been established in consultation with the Monitor, taking into consideration potential directors' and officers' post-filing liabilities in connection with payroll, vacation pay and sales taxes, as is similar in comparable circumstances, based on the Monitor's experience. The D&O Charge was also established in function of the Debtor's available coverage under its D&O insurance policy, as well as any potential exclusions which may apply.
- 8.6 In this context, the Monitor respectfully submits that the D&O Charge sought is necessary and appropriate, as well as reasonable, under the circumstances and that, accordingly, it should be granted by the Court.

9. CONCLUSION AND RECOMMENDATIONS

- 9.1 Given the Pre-Filing Report, the First Report and the ARIO Application, the Monitor is of the opinion that it is in the interest of all of the Debtor's stakeholders that an Initial Order pursuant to the CCAA be issued in accordance with the relief sought in the ARIO Application.

SCHEDULE A

LIST OF ADDITIONAL CLAIMS INITIATED AGAINST ACL

Available upon request

SCHEDULE B

Available upon request

SCHEDULE C

Available upon request

SCHEDULE D

Available upon request

SCHEDULE E

PROJECTED CASH FLOW STATEMENT FOR THE 6-MONTH PERIOD ENDING OCTOBER 31, 2025

The Projections have been divided into three based on the use of funds:

- 1- **Operational Cash-Flow:** consists of mining site operations and administrative expenses, and were prepared on a consolidated basis as management manages cash on a consolidated basis (i.e., the Debtor and its wholly owned subsidiary, 3R Minéral Inc.).
- 2- **Asbestos-related Cash-Flow:** consists of asbestos-related receipts (from insurers and investment held in trust) and expenses. The Debtor has a separate and restricted bank account to manage these funds.
- 3- **CCAA Proceedings and Chapter 15 Proceedings Cash-Flow:** consists mainly of professional fees and disbursements in regards to the CCAA Proceedings and Chapter 15 Proceedings. These funds will be managed by the Monitor through his trust account.

The above Projections are presented on the next pages along with the main underlying assumptions of the Projections.

OPERATIONAL CASH-FLOW

<i>(In 000 of CA\$ - unaudited)</i>	May 2025	June 2025	July 2025	Aug. 2025	Sept. 2025	Oct. 2025	Total
Receipts							
Opening Accounts Receivable	106	106	106	-	-	-	317
Pension Plan Termination	-	-	-	350	-	-	350
Rental income	-	69	69	69	69	69	345
Demonstration Plant	-	80	129	-	57	57	324
Royalties	-	8	45	8	8	45	113
Easement agreement	-	-	-	-	-	496	496
Land sale	-	-	-	-	9	-	9
GST/QST refund (remittance)	6	5	17	5	6	(3)	35
Advance from Trust	250	-	-	-	-	-	250
	362	268	365	432	149	664	2 239
Disbursements							
Accounts Payables	(291)	-	-	-	-	-	(291)
Salaries and benefits	(102)	(121)	(107)	(107)	(121)	(107)	(666)
Maintenance	(15)	(15)	(86)	(40)	(40)	(115)	(312)
Property Taxes	(63)	(4)	(57)	(6)	(15)	(45)	(190)
Insurance	-	-	-	-	-	(194)	(194)
Electricity	(32)	(32)	(32)	(32)	(32)	(32)	(193)
Others expenses	(25)	(50)	(83)	(14)	(66)	(14)	(251)
Professional fees	(57)	(23)	(34)	(34)	(34)	(57)	(241)
Provision for unforeseen	(25)	(25)	(25)	(25)	(25)	(25)	(150)
	(611)	(269)	(425)	(259)	(334)	(590)	(2 488)
Monthly variation	(249)	(2)	(60)	173	(185)	74	(249)
Beginning Balance	467	218	216	157	330	144	467
Ending Balance	218	216	157	330	144	218	218

The main underlying assumptions of the Projections can be summarized as follows:

Receipts

- 1- Opening accounts receivable: Based on the accounts receivable ledger as of April 30, 2025, the projected receipts timing is based on management's experience and historical data.
- 2- Pension Plan Termination: ACL terminated its pension plan as of December 31, 2024. The receipt corresponds to the net asset surplus of \$398,700 based on a report prepared by AON plc dated February 20, 2025.
- 3- Rental income: These receipts primarily represent revenues from buildings and land rentals, based on the terms of existing lease agreements.
- 4- Demonstration Plant: These receipts represent the estimated revenues that management anticipates generating from a demonstration plant. Receipts from May to July 2025 are based on signed client contracts, while receipts from August to October 2025 are estimates based on management's experience and historical data.
- 5- Royalties: These receipts stem from agreements with two independent companies that pay royalties to ACL for utilizing a granite quarry and a mining site and are based on management's experience and historical data.
- 6- Easement agreement: based on an agreement that is currently under negotiation.
- 7- Land Sale: ACL possesses several parcels of land available for sale, which sale of land forms part of the ordinary course of its business. While the annual number of parcels sold is

unpredictable and varies, the Debtor has recently received a purchase offer for one parcel valued at \$8,900, which is currently under review and negotiation by management. ACL expects to finalize this transaction in the coming months. Other sale transactions on lands might occur in the following months and in the ordinary course of business, but none of these are reflected in the Projections.

- 8- Advance from Trust: ACL benefits from a trust that was created to maintain the corporate existence of the Debtor and its affiliates. Advances from that trust are based on the projected cash requirements. As of March 31, 2025, that trust held cash and investments with a fair value of \$5.3 million. Advances from the trust remain subject to approval by the trustee. The Monitor and its legal counsel are currently reviewing the trust agreements.

Disbursements

- 9- Accounts Payable: based on the Debtor's accounts payable and management's estimate of accrued invoices. These expenses will be paid to the extent authorized under applicable law.
- 10- Salaries and Benefits: based on the most recent payroll data and management assessment of necessary headcount. Salaries and social benefits are paid and remitted to the government weekly.
- 11- Maintenance: based on an asset maintenance forecast prepared by management and management's estimates and historical data.
- 12- Property Taxes: based on actual statements.
- 13- Insurance: based on the current insurance policy and its payment terms. The payment scheduled for October 2025 covers a 12-month period.
- 14- Electricity: based on historical data and management estimates.
- 15- Other expenses: include, among others, site operational expenses (surveillance, treatment, tests, etc.), directors' remuneration and other administration expenses.
- 16- Professional fees: consist of legal and accounting fees, other consulting fees, recruitment expenses and mining rights based on management's estimates and historical data. These fees exclude fees and expenses related to the CCAA Proceedings and Chapter 15 Proceedings.
- 17- Provision for unforeseen: general provision.

ASBESTOS-RELATED CASH-FLOW

<i>(In 000 of CA\$ - unaudited)</i>	May 2025	June 2025	July 2025	Aug. 2025	Sept. 2025	Oct. 2025	Total
Receipts							
Insurance reimbursements	-	-	-	332	-	403	735
	-	-	-	332	-	403	735
Disbursements							
Account Payables - US Legal fees	-	(436)	-	(530)	-	-	(967)
Asbestos-related claims settlement	-	-	-	-	-	-	-
	-	(436)	-	(530)	-	-	(967)
Monthly variation	-	(436)	-	(199)	-	403	(232)
Beginning Balance	1 191	1 191	755	755	556	556	1 191
Ending Balance	1 191	755	755	556	556	959	959

The main underlying assumptions of the Projections can be summarized as follows:

- 18- Insurance Reimbursements: based on management estimate and historical data, and consists of payments received from insurers for the reimbursement of U.S. legal counsel fees for asbestos-related litigations.
- 19- Accounts Payable - US Legal Fees: based on management estimate, and consists of U.S. legal counsel fees for asbestos-related litigations incurred prior to the initiation of these CCAA Proceedings. These expenses are under review and will be paid to the extent authorized by this Court.
- 20- Asbestos-related claims: no disbursements were forecasted for asbestos-related claims due to the stay of proceedings under the Initial Order. These claims will be addressed through a future claims process under the CCAA, as outlined in Section 3 of this report.

CCAA PROCEEDINGS AND CHAPTER 15 PROCEEDINGS CASH-FLOW

<i>(In 000 of CA\$ - unaudited)</i>	May 2025	June 2025	July 2025	Aug. 2025	Sept. 2025	Oct. 2025	Total
Receipts							
Interim Financing	10 762	-	-	2 380	2 380	2 380	17 902
	10 762	-	-	2 380	2 380	2 380	17 902
Disbursements							
Restructuring fees and expenses	(5 449)	(2 932)	(2 380)	(2 380)	(2 380)	(2 380)	(17 902)
	(5 449)	(2 932)	(2 380)	(2 380)	(2 380)	(2 380)	(17 902)
Monthly Variation	5 312	(2 932)	(2 380)	-	-	-	-
Beginning Balance	-	5 312	2 380	-	-	-	-
Ending Balance	5 312	2 380	-	-	-	-	-

The main underlying assumptions of the Projections can be summarized as follows:

- 21- Interim Financing: refer to section 6 – based on cash requirements and the terms of the Interim Financing Term Sheet. As mentioned in section 6 of this report, the Interim Financing Facility purpose is mainly to pay for professional fees associated with restructuring fees and expenses related to the CCAA Proceedings and the Chapter 15 Proceedings.
- 22- Restructuring fees and expenses consist of fees and expenses associated with the CCAA Proceedings and Chapter 15 Proceedings, and its contestations. It includes work in progress as of May 2, 2025, along with estimated fees and expenses projected through October 2025. The restructuring fees and expenses are mainly for the following professionals :
 - Raymond Chabot Inc.: the Monitor.
 - McCarthy Tétrault LLP: the Monitor’s Canadian legal counsel.
 - Orrick LLP: the Monitor’s U.S. legal counsel.
 - RC Benson Consulting inc.: the Chief restructuring officer.
 - Fasken Martineau DuMoulin LLP: the Debtor’s legal counsel.
 - Simpson Thacher & Barlett LLP: the Co-Applicants’ US legal counsel.
 - Stikeman Elliott LLP: the Co-Applicants’ Canadian legal counsel.
 - Kroll Restructuring Administration LLC: the Notification officer.