

CANADA
PROVINCE OF QUEBEC
DISTRICT OF ST-FRANÇOIS
No.: 450-11-000167-134

SUPERIOR COURT
(Commercial Division)
The Companies' Creditors Arrangement Act

IN THE MATTER OF THE PLAN OF
COMPROMISE AND ARRANGEMENT OF:

MONTREAL, MAINE & ATLANTIC CANADA CO.
(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE),

Petitioner

-and-

RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.) a duly incorporated legal
person having its principal place of business at
1981 McGill College, 12th Floor, in the city and
district of Montreal, Quebec, H3A 0G6

Monitor

TWENTY- FOURTH REPORT OF THE MONITOR
October 20, 2016

INTRODUCTION

1. On August 6, 2013, Montreal, Maine & Atlantic Canada Co. ("MMAC") filed a Motion for the Issuance of an Initial Order pursuant to Section 11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, C-36, as amended (the "CCAA"). On August 8, 2013, the Honourable Martin Castonguay, J.S.C., issued an initial order (the "Initial Order") which *inter alia* appointed Richter Advisory Group Inc. as the Monitor in these CCAA proceedings (the "Monitor"). An initial stay of proceedings was ordered until September 6, 2013 ("Stay Period").
2. The CCAA proceedings have since been supervised by the Honourable Gaétan Dumas, J.S.C. and the Stay Period has been extended fourteen times with the most recent extension having been granted to December 15, 2016.

3. We refer to the Monitor's prior reports for an overview of the CCAA proceedings and a summary of all motions issued and orders granted to date.
4. On October 20, 2016, the Petitioner filed a Motion for a Fifteenth Extension of the Stay Period and for the Approval of Professional Fees ("Fifteenth Extension Motion").
5. Capitalized terms not defined in this Report have the meaning ascribed thereto in the Monitor's previous reports or in MMAC's Plan of Compromise and Arrangement filed on March 31, 2015 and amended on June 8, 2015 (the "Amended Plan"). All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
6. The purpose of this Twenty-Fourth Report of the Monitor is to inform the Court on the following subjects:
 - Claims Review and Status of Distributions;
 - Extension Request;
 - Approval of Professional Fees;
 - Chapter 11;
 - Activities of the Monitor;
 - Recommendations of the Monitor.

CLAIMS REVIEW AND STATUS OF DISTRIBUTIONS

7. The status of the claims review and the payment of distributions under the Amended Plan is as follows:
 - **Wrongful Death Claims:** as reported in the Monitor's Twenty-Third Report dated August 31, 2016, all the projected distributions but one which related to a disputed claim had been paid by the WD Trustee and the WD Trustee was holding an amount of US\$1.6 million pending resolution of that disputed claim and the final payment of expenses incurred by the WD Trust. The Monitor has been advised that the disputed claim has now been resolved.
 - **Bodily Injury and Moral Damage Claims:** as reported in the Monitor's Twenty-Third Report, the Monitor has made interim distributions totalling 75% of Proven Claims in this category, as valued in accordance with Schedule F to the Amended Plan.

Further to multiple distributions to 4,324 claimants (see the Monitor's Twenty-Second Report), the Monitor received 457 contestations and has been working to resolve these disputes. To date, 297 of these disputes have been resolved or have been abandoned and based on

negotiations with Class Counsel (with respect to the claims of Class Members) and counsel to other claimants, the Monitor believes that a further 114 contestations are close to being resolved. The Monitor is still attempting to resolve the remaining 46 contestations. If these remaining contestations cannot be consensually resolved, the Monitor will refer them to the claims officer and possibly seek directions from this Court in order to proceed with certain claims as test cases.

Based on the status of the discussions concerning the resolution of the various contestations, the Monitor hopes to proceed with the payment of the balance of the distribution payable on account of Bodily Injury and Moral Damages, with respect to Proven Claims, before the end of 2016.

Property and Economic Damages Claims: A total of 1,807 claims were filed in the CCAA and the Chapter 11. Based on the terms of the Amended Plan and the review of the claims, the estimated distribution for each Proven Claim will be 56% of the accepted claim amount. As noted in the Monitor's Twenty-Third Report, the Monitor has determined that it can proceed with the payment of interim distributions which will total 50% of the estimated total distribution to claimants holding Proven Claims.

As of the date of this Report, the status of the review of the Property and Economic Damages Claims is as follows:

- 831 claims have been accepted as filed, or as amended, and the Monitor has issued an interim distribution of 50% of the estimated total distribution for each of these Proven Claims;
- A further 612 claims have received notices of partial disallowance and interim distributions on these claims will be issued in the week of October 31, 2016, unless these claims are contested;
- Of the remaining 364 claims, the Monitor expects to issue notices of total or partial disallowance with respect to the majority of these claims by the end of November 2016. As certain claimants are still negotiating compensation under various Provincial aid programs which the Monitor understands expire at the end of March 2017, the final review and evaluation of these claims may not be completed until after March 31, 2017.

It is important to note that the total amount originally claimed, or as amended, in the Property and Economic Damages Claims category amounted to approximately \$196 million. Pursuant to our review and analysis of those claims, it appears that this total will be reduced to under \$40 million. Should this be the case, this would entail, under the terms of section 4.2 of the Amended Plan, a redistribution of a portion of the Settlement Fund to other categories of claimants.

The timing of the payment of further interim distributions and the potential reallocation of Settlement Funds to other categories of claimants will be dependent upon the resolution of contestations that may be received in respect of notices of disallowance. The Monitor will provide a further update to the creditors and the Court once the scope of contestations of Property and Economic Damage Claims is more fully known.

EXTENSION REQUEST

8. The Fifteenth Extension Motion seeks an extension of the Stay Period to June 30, 2017 to allow for the ongoing review and adjudication of claims as more fully discussed in this report and the distribution of the remaining Settlement Funds to claimants.

APPROVAL OF PROFESSIONAL FEES

9. The Fifteenth Extension Motion also seeks approval for the payment of the Canadian Professional Fees incurred for the period of March 1, 2016 to September 30, 2016 which can be summarized as follows:

Montreal, Maine & Atlantic Canada Co. Administration Charge Summary As of September 30, 2016			
	Fees /		Total
	Disbursements	Sales Taxes	
Administration Charge ¹	\$ 12,000,000	\$ 1,797,000	\$ 13,797,000
Payment of Accrued Professional Fees to February 29, 2016	(9,633,319)	(1,418,790)	(11,052,109)
	2,366,681	378,210	\$ 2,744,891
<u>Accrued Fees and Disbursements (March 1, 2016 to Sept. 30, 2016)</u>			
Richter	1,133,672	169,767	1,303,439
Woods	241,467	36,160	277,627
Gowlings	61,981	9,282	71,263
Claims Officer ²	11,979	1,794	13,773
	1,449,099	217,003	1,666,102
Balance of Administration Charge to complete the CCAA ²	\$ 917,582	\$ 161,207	\$ 1,078,789

¹ As per the Amended Plan of Compromise and Arrangement dated June 8, 2015.

² Me. André Rochon is acting as the Claims Officer.

³ In addition, the Monitor and its counsel still retain a \$150,000 retainer which will be applied to their final invoices.

10. After the payment of the fees incurred as of September 30, 2016 approximately \$1.1 million (plus a pre-filing retainer of \$150,000) will remain to cover the costs (including taxes) of the remaining work to be performed by the Canadian Professionals (including the Claims Officer) to complete the claims process and the administration of the CCAA. The majority of the remaining work for the Canadian Professionals (which was previously set out in our Twenty-First and Twenty-Third Reports to Court) can be summarized as follows:
- Finalize claims analysis (as noted above): communication and dealings with claimants and analysis of supporting documentation, in particular with respect to the claims included in the Property and Economic Damages category;
 - Claims objections: notification to claimants, discussions to consensually resolve disputes and where necessary, hearings with the Claims Officer;
 - Dividend distributions: creation of statements reflecting the further distribution to all creditors and responding to creditors inquiries regarding the distributions;
 - Reallocation of dividend: establish and distribute to all classes the amount that would emanate from the adjustment to the Property and Economic Damages category;
 - Chapter 11: dealing with outstanding issues and WD Trustee with regards to further distributions;
 - Communications and meetings with major stakeholders including the Province of Quebec, Class Counsel and US Legal Representatives;
 - Analysis of tax treatment of interest earned on Settlement Funds including communications with the Federal and Provincial Revenue Agencies regarding reporting requirements and potential issuance of relevant tax slips to individual claimants.
11. It is possible, depending on the number of contestations which will not be consensually resolved, and the tax reporting requirements relating to interest earned on the Settlement Funds, that the remaining Administration Charge of \$1.1 million (including taxes) will not be sufficient to secure the payment of all of the fees to be incurred to complete the claims process and the CCAA process. Consequently, a motion requesting an additional Administration Charge may be filed if it is determined that such will be the case.
12. The Estate Representative has advised the Monitor that the balance of the Administration Charge remaining for US Professionals will be approximately \$340,000 (USD\$260,000), which will be used to cover further fees of the US Professionals, including those that have accrued but are not yet the subject of a pending application.

CHAPTER 11

13. The Estate Representative has advised the Monitor that on September 28, 2016 the US Bankruptcy Court for the District of Maine (“US Court”) granted Canadian Pacific Railway Company’s (“CP”) Amended Motion to Dismiss the wrongful death claimants lawsuits against CP on the basis, *inter alia*, that the US Court had no jurisdiction with respect to that lawsuit. No appeal has yet been filed as at the date of the preparation of the Monitor’s Twenty-Fourth Report.

ACTIVITIES OF THE MONITOR

14. The Monitor’s activities have included the following:
 - The Monitor has devoted substantial resources to its ongoing review of all claims filed before the Bar Date as well as those claims admitted pursuant to the May 27, 2015 and November 26, 2015 Orders, including communicating with creditors and/or their representatives to obtain additional information required to review their claims;
 - The Monitor has proceeded to the payment of interim dividends to holders of Bodily Injury and Moral Damage Claims, has responded to numerous queries from creditors regarding the calculation of their distributions and is continuing its analysis of the many contestations filed in respect of these distributions;
 - The Monitor has proceeded to the payment of interim dividends to 831 holders of Property and Economic Damages Claims and has issued notices of partial disallowance to a further 612 holders of Property and Economic Damages Claims and has responded to numerous inquiries from creditors regarding the calculation of their Property and Economic Damages Claims;
 - The Monitor has continued to cooperate with the Estate Representative and his professionals and with Petitioner’s legal counsel to keep apprised of the Chapter 11 proceedings of MMAR;
 - The Monitor has maintained regular contact with the major stakeholders to seek their input and discuss various issues;
 - The Monitor continues to post copies of Court materials filed in the CCAA and Chapter 11 Proceedings on its website;
 - The Monitor has prepared and filed the Twenty-Third Report and this Twenty-Fourth Report;
 - Other administrative and statutory matters relating to the Monitor’s appointment.

RECOMMENDATIONS OF THE MONITOR

A) Extension of Stay Period

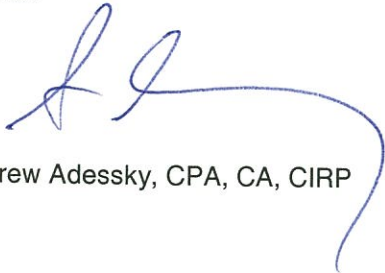
15. The Monitor is of the opinion that the Court should grant the extension request to at least June 30, 2017 in order to pursue the review of claims and the distribution of the Settlement Fund to the Creditors.

B) Professional Fees

16. The Monitor supports the approval of professional fees for the period of March 1, 2016 to September 30, 2016, which fees are fair and reasonable and are secured by the Administration Charge.

Respectfully submitted at Montreal, this 20th day of October, 2016.

Richter Advisory Group Inc.
Monitor

A handwritten signature in blue ink, appearing to read 'A. Adessky', with a long, sweeping underline that extends to the right.

Andrew Adessky, CPA, CA, CIRP