

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF ST-FRANÇOIS
N°: 450-11-000167-134

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
C. C-36, as amended)

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

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

PETITIONER

and

RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.);

MONITOR

MOTION FOR A SEVENTH ORDER EXTENDING THE STAY PERIOD
(Sections 9 and 11 *et seq.* of the *Companies' Creditors Arrangement Act*,
R.S.C. 1985, c. C-36 ("CCAA"))

TO THE HONORABLE JUSTICE GAÉTAN DUMAS OF THE SUPERIOR COURT, SITTING IN
THE COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF
SAINT-FRANÇOIS, THE PETITIONER RESPECTFULLY SUBMITS THE FOLLOWING:

I. INTRODUCTION

1. On August 8, 2013, the Superior Court, Commercial Division, in and for the district of Montreal, issued an order (as amended on August 23, 2013, the "**Initial Order**") extending the protection of the *Companies' Creditors Arrangement Act* ("**CCAA**") to the Montreal Maine & Atlantic Canada Co. (the "**Petitioner**" or "**MM&A**") pursuant to section 11.02 of the CCAA;
2. Pursuant to the Initial Order, Richter Advisory Group Inc. (Richter Groupe Conseil Inc.) was appointed as monitor of the Petitioner (the "**Monitor**") and a stay of proceedings (the "**Stay of Proceedings**") was ordered until and including September 6, 2013 (the "**Stay Period**");

3. In addition to protecting the Petitioner, the Stay of Proceedings issued by this Court also extends to *inter alia* the members of the Petitioner's corporate group (the Petitioner and the other members of its corporate group collectively referred to as the "**Petitioner's Corporate Group**") listed in Schedule "A" thereto and to the persons listed in Schedule "B" thereto (collectively, the "**Non-Petitioner Defendants**"), Schedules A and B being attached to the present Motion. As appears from Schedules "A" and "B", the members of the Petitioner's Corporate Group and the Non-Petitioner Defendants include, *inter alia*, Montreal, Maine & Atlantic Railway Ltd ("**MM&AR**"), (the Petitioner's parent company), as well as their liability insurer, XL Insurance Company Ltd. (the "**Liability Insurer**" or "**XL**");
4. In addition to filing under the CCAA, MM&AR filed Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court, District of Maine (the "**Chapter 11 Case**");
5. On August 21, 2013, the United States trustee appointed Robert J. Keach to serve as trustee in the Chapter 11 Case (the "**Chapter 11 Trustee**");
6. The Stay Period has been extended by this Court on six previous occasions with the most recent extension having been granted on March 12, 2014 (the "**Sixth Extension Order**"), the whole as appears from the Court Record;

II. ORDER SOUGHT

7. The Petitioner hereby seeks an extension of the Stay Period in respect of *inter alia* the Petitioner, the other members of the Petitioner's Corporate Group and the Non-Petitioner Defendants until June 30, 2014 for the reasons explained above and hereinafter;

III. GROUND FOR THIS MOTION

8. Since the issuance of the Sixth Extension Order, the Petitioner has acted and continues to act in good faith and with due diligence as set forth hereinafter;
9. The Petitioner has made and continues to make significant efforts to maintain the stability of its business pending the sale of its assets to Railroad Acquisitions Holdings LLC ("**RAH**") (the "**Sale**") and address the concerns of all of its stakeholders including, *inter alia*, the following:
 - i) **Sale process**
10. The Sale is expected to close by no later than May 15, 2014;
11. The certificate of fitness No. 02004-3 issued in favour of the Petitioner and MM&AR under the Canada Transportation Act (the "**Certificate of Fitness**") will remain in effect until June 1, 2014, meaning that no further extensions should be required;
12. The liability insurance coverage provided by XL shall expire on May 30, 2014, meaning that no further extensions should be required;

ii) Cash flow and interim financing

13. The \$4.8 million of Debtor In Possession ("**DIP**") financing, provided in the form of a line of credit from Camden National Bank ("**Camden**") is being used to support the operations of both MM&AR and the Petitioner and is expected to be exhausted by the end of April 2014;
14. As appears from the statement of Petitioner's projected cash flow filed with the Monitor's Ninth Report, additional funding of the Petitioner's operations will be required in the week of May 12, 2014 in the event that the Sale has yet to close;
15. In light of the fact that the Sale is not expected to close by the end of April 2014 (as previously contemplated), the Chapter 11 Trustee is engaged in discussions with RAH regarding any additional funding that may be required for the period commencing on May 12, 2014;

iii) Developments with respect to Property / Business Interruption Insurance Policy

16. On December 19, 2013, the Court entered an Order approving a compromise and settlement with Travelers Property and Casualty Company of America ("**Travelers**"), the whole as appears from the Court record. A similar order was entered in the Chapter 11 Case on December 24, 2013 (the "**Travelers Settlement**");
17. Pursuant to the Travelers Settlement, an amount of US\$3,800,000 ("**Settlement Payment**") has been paid to MM&A and MM&AR as a full and final settlement, allocated as follows:
 - a) US\$2,470,000 or 65% has been paid to the Monitor in respect of amounts due to MM&A;
 - b) US\$1,330,000 or 35% has been paid to the Chapter 11 Trustee in respect of amounts due to MM&AR;
18. As a result of a contestation filed by Wheeling & Lake Erie Railway Company ("**Wheeling**") in respect of the allocation of the Settlement Payment between MM&A and MM&AR, the disbursement of the Settlement Payment was delayed;
19. On April 15, 2014, a judgment was rendered in the Chapter 11 Case confirming that Wheeling did not properly perfect a security interest in the Travelers Settlement and that the Petitioner and MM&AR are entitled to receive the Settlement Payment. Said judgment also states that there is thus no need to address Wheeling's contestation of the allocation of the Settlement Payment;
20. The Monitor continues to hold the portion of the Settlement Payment allocated to the Petitioner in trust. The Petitioner and the Monitor intend, in the near future, to request an order of this Court permitting them to pay accrued professional fees owing to the Professionals (as defined in the Monitor's Ninth Report) that are secured by the Administration Charge (as defined in the Monitor's Ninth Report);

iv) Discussions with XL and other third parties

21. Discussions have continued with XL and other insured parties and parties in interest with respect to a settlement allowing the payment of the indemnity owed under the XL insurance policy and additional contributions;
22. These discussions are already well underway and the Petitioner is confident that an agreement can be reached over the course of the following weeks;
23. In addition, serious discussions are underway with various potentially liable third parties in hopes of reaching a global resolution of this matter that may eventually be presented to creditors in the form of a plan of arrangement;
24. These discussions will continue over the course of the extension period sought and shall remain highly confidential for the time being;

v) Claims process

25. On March 31, 2014, the Court rendered a judgment granting the Petitioner's *Motion for an order approving a process to solicit claims and for the establishment of a claims bar date*;
26. A Claims Procedure Order was subsequently issued on April 4, 2014 and the Claims Bar Date (as defined therein) was set for June 13, 2014;
27. As appears from the Monitor's Ninth Report, the claims process is presently underway;
28. An extension of the Stay Period to June 30, 2014 would thus allow the interested parties and the Court to gain preliminary information regarding the breadth of claims;

vi) The Monitor

29. Since the Sixth Extension Order, the Petitioner has continued to cooperate and work diligently with the Monitor in order to provide the latter with all necessary information to prepare reports and fulfill its role and obligations and has kept the Monitor apprised of all developments.

IV. CONCLUSION

30. As indicated above, the Petitioner, the Monitor and the Chapter 11 Trustee continue to work diligently to complete the Sale and believe that this will be done by May 15, 2014;
31. A statement of Petitioner's projected cash flow prepared by Petitioner for the period beginning April 21, 2014 and ending June 30, 2014, is filed with the Monitor's Ninth Report;

32. Said cash flow statement was prepared based on the following key assumptions (1) that the Petitioner will continue to pay ordinary course obligations, including obligations to employees; (2) that all of the Petitioner's suppliers will wish to operate on a "cash on delivery" basis going forward; (3) that MM&AR will be allowed, throughout the Chapter 11 Case, to continue to fund Petitioner's expenses; (4) that the Petitioner will, if necessary, secure the additional funding required to maintain its operations as of May 12, 2014; and (5) that the Sale will close by May 15, 2014;
33. As appears from the cash flow forecast and based on the assumptions set out above, the Petitioner is of the view that no creditor will suffer any undue prejudice by the extension of the Stay Period;
34. The Petitioner is of the view that extending the Stay Period to June 30, 2014 is appropriate in the present circumstances;
35. As appears from the above, the Petitioner has acted and continues to act in good faith and with the utmost diligence;
36. The Monitor has indicated to the Petitioner that it supports the present request for an extension of the Stay Period;
37. The Petitioner respectfully requests that this Honourable Court extend the Stay Period to June 30, 2014;
38. The Petitioner respectfully submits that the notices given of the presentation of the present Motion are proper and sufficient;
39. The present Motion is well founded in fact and in law;

FOR THESE REASONS, MAY IT PLEASE THIS HONOURABLE COURT TO :

GRANT the present *Motion for a Seventh Order Extending the Stay Period* (the "**Motion**");

DECLARE that the notices given of the presentation of the Motion are adequate and sufficient;

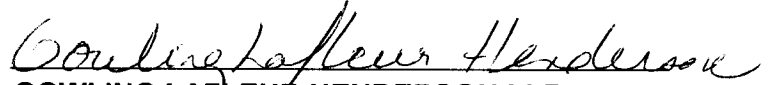
ORDER that the Stay Period, as defined in the Initial Order, be extended by this Court up to and including June 30, 2014 the whole subject to all the other terms of the Initial Order;

DECLARE that the Initial Order, as amended on August 23, 2013, September 4, 2013, October 9, 2013, January 23, 2014, February 11, 2014, February 25, 2014 and March 12, 2014 (amendment of the Stay Period) shall remain otherwise unchanged;

ORDER the provisional execution of the order notwithstanding any appeal, without the necessity of furnishing any security.

THE WHOLE without costs, save and except in the event of contestation.

MONTREAL, April 25, 2014

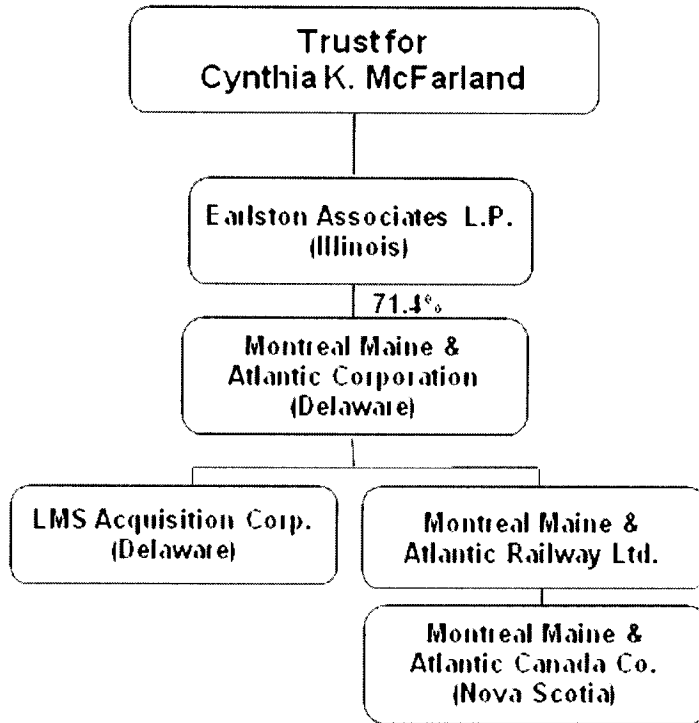
A handwritten signature in cursive script, reading "Gowling Lafleur Henderson".

GOWLING LAFLEUR HENDERSON LLP

Attorneys for Petitioner

SCHEDULE « A »

MONTREAL, MAINE & ATLANTIC CORPORATE GROUP



SCHEDULE « B »

NON PETITIONNERS DEFENDANTS :

MONTREAL, MAINE & ATLANTIC CORPORATION
MONTREAL, MAINE & ATLANTIC RAILWAY LTD
EARLSTON ASSOCIATES L.P.
EDWARD BURKHARDT
ROBERT GRINDROD
GAYNOR RYAN
DONALD GARNER JR.
JOE McGONIGLE
THOMAS HARDING
XL INSURANCE COMPANY LIMITED
XL GROUP PLC

CANADA

COUR SUPÉRIEURE

(Chambre commerciale)

PROVINCE DE QUÉBEC
DISTRICT DE SAINT-FRANÇOIS
N°: 450-11-000167-134

*(Loi sur les arrangements avec les créanciers des
compagnies, L.R.C. C-36, telle qu'amendée)*

DANS L'AFFAIRE DU PLAN D'ARRANGEMENT
ET DE COMPROMIS DE:

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

Requérante

et

**RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.)**

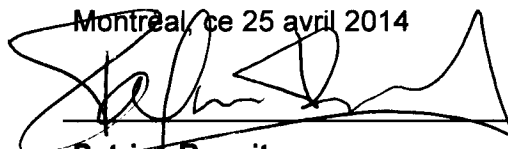
Contrôleur

ATTESTATION D'AUTHENTICITÉ
Selon l'art. 82.1 du C.p.c.

J'atteste que la copie de l'affidavit est conforme au facsimilé de cet acte reçu par
télécopieur:

Nature du document : Affidavit de Robert C. Grindrod
Numéro de Cour : 450-11-000167-134
Nom de l'expéditeur : Robert C. Grindrod
Numéro du télécopieur émetteur : 207-848-4232
Lieu de la transmission : Bangor, Maine
Date de la transmission : Le 25 avril 2014
Heure de transmission : 16h25

Montréal, ce 25 avril 2014



Patrice Benoit
GOWLING LAFLEUR HENDERSON SENCRL, SRL

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF SAINT-FRANÇOIS
N°: 450-11-000167-134

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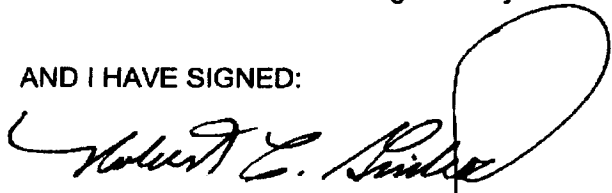
MONITOR

AFFIDAVIT OF ROBERT C. GRINDROD

I, the undersigned, Robert C. Grindrod, businessman, doing business at 15 Iron Road, Hermon, Maine, USA, 04401, solemnly declare as follows:

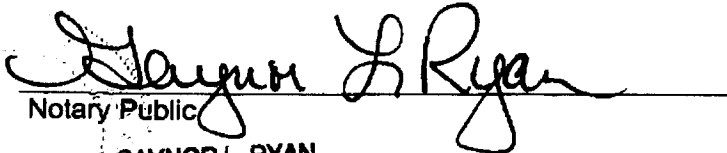
1. I am the President and Chief Executive Officer of Petitioner ;
2. All the facts alleged in the present *Motion for a Seventh Order Extending the Stay Period* are true.

AND I HAVE SIGNED:



ROBERT C. GRINDROD

SWORN TO before me in Bangor, Maine,
this 25 day of April 2014



Notary Public

GAYNOR L. RYAN
Notary Public, Maine
My Commission Expires May 4, 2015

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
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MONITOR

NOTICE OF PRESENTATION

TO: **SERVICE LIST**

TAKE NOTICE that the present *Motion for a Seventh order extending the stay period* will be presented for adjudication before the honourable Gaétan Dumas, j.s.c., *ex parte* and *in camera*, in and for the district of Saint-François, except in the event of contestation, in which case it shall be presented in **room 1** of the Sherbrooke Courthouse, located at 375, rue King Ouest, Sherbrooke, at 10:00 am on **April 29, 2014**.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, April 25, 2014


GOWLING LAFLEUR HENDERSON LLP
Attorneys for Petitioner

N° 450-11-000167-134

SUPERIOR COURT
PROVINCE OF QUEBEC
DISTRICT OF SAINT-FRANÇOIS

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C. C-36, as amended)

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COMPROMISE OR ARRANGEMENT OF:

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

Debtor-PETITIONNER

-and-
RICHTER ADVISORY GROUP INC.

MONITOR

BL0052

**MOTION FOR A SEVENTH ORDER
EXTENDING THE STAY PERIOD (SECTIONS
9 AND 11 ET SEQ. OF THE COMPANIES
CREDITORS ARRANGEMENT ACT, R.S.C.
1985, C. C-36)**

ORIGINAL

Me Patrice Benoit BL0052

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File No.: 02381115

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c/o 3511