

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

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

IN THE MATTER OF THE PLAN OF
ARRANGEMENT WITH RESPECT TO:

**MONTREAL, MAINE & ATLANTIC CANADA CO.
(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE)**, a legal person duly incorporated under the
laws of the province of Nova Scotia, having a place
of business at 1, Place Ville Marie, 37th Floor,
Montreal, Quebec H3B 3P4 (at the offices of its
attorney ("fondé de pouvoir"))

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

**THIRD REPORT OF THE MONITOR
ON THE STATE OF PETITIONER'S FINANCIAL AFFAIRS
October 4, 2013**

INTRODUCTION

1. On August 6, 2013, Montreal, Maine & Atlantic Canada Co. (hereafter in this Report "MM&A" or "Petitioner") filed with the Quebec Superior Court a Motion for the Issuance of an Initial Order ("Motion") 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. ("Richter") as Monitor (the "Monitor").

2. On August 21, 2013, the Petitioner filed a Motion to Amend the Initial Order and Seek a Charge and Security on the Property of Petitioner to Secure Funds for Self-Insured Obligations ("Charge and Security Motion"). The Monitor filed its First Report in respect of the Charge and Security Motion. On August 23, 2013, the Court granted an order amending the Initial Order to include the Self-Insured Obligation Charge.
3. On September 3, 2013, the Petitioner filed a Motion for an Order Extending the Stay Period and to Approve a Cross-Border Insolvency Protocol ("First Extension Motion"). The First Extension Motion requested an extension of the stay of proceedings until October 9, 2013, in order to allow the Petitioner to continue its operations while it sought to implement the various steps of its restructuring proceedings including a claims process and a sale process. The Monitor filed its Second Report on September 3, 2013 in support of the First Extension Motion. On September 4, 2013, the Court extended the stay of proceedings until October 9, 2013 and approved the cross-border insolvency protocol.
4. On October 4, 2013, the Petitioner filed a Motion for a Second Order Extending the Stay Period ("Second Extension Motion") requesting an extension of the stay of proceedings to January 28, 2014 in order to allow the Petitioner to continue its operations while it continues to implement the various steps of its restructuring proceedings including a claims process and a sale process.
5. The hearing date of the Second Extension Motion is October 9, 2013 ("the October 9 Hearing").
6. All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
7. The purpose of this Third Report of the Monitor is to inform the Court on the following subjects:
 - General Corporate Information and Purpose of CCAA filing;
 - Canadian Transportation Agency ("CTA");
 - Railway Cars Located at Farnham, Quebec;
 - Financial Position;
 - Cash Flow Projections and Financing;
 - Increase in Administration Charge;
 - Sale Process / Investment Banker;
 - Claims Process;
 - Insurance;
 - MM&A Clients;

- Chapter 11 Proceedings;
 - Activities of the Monitor;
 - Recommendations of the Monitor with respect to the Request for an Extension of the Stay of Proceedings to January 28, 2014, the Increase of the Administration Charge and the Approval of Engagement of an Investment Banker.
8. We inform the Court that the Monitor has not conducted an audit or investigation of the information which has been provided to it by the Petitioner and that accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this Report. The information contained herein is based on a review of unaudited financial information provided to the Monitor by the Petitioner's management as well as discussions with the Petitioner's management and employees.

GENERAL CORPORATE INFORMATION AND PURPOSE OF CCAA FILING

9. As noted in the Monitor's First Report, the Petitioner operates a shortline freight railroad company in the Province of Quebec. It is a wholly owned subsidiary of Montreal, Maine & Atlantic Railway Ltd. ("MM&AR") which operates a shortline railroad in the States of Vermont and Maine (MM&A and MM&AR are hereinafter collectively referred to as the "Companies"). Together, the Companies operate 510 route miles and service customers in Canada and the United States. An affiliated company, LMS Acquisition Corp. ("LMS") located in Hermon, Maine, operates a 130,000 square foot warehouse offering warehousing and lumber distribution.
10. As also noted in the Monitor's First Report, the purpose of the CCAA proceedings is to:
- Continue the operations of the railway to the fullest extent possible in order to service the many customers and municipalities located along its route who are dependent on the railway for the operations of their business;
 - Set up a sale process, in order to achieve a going-concern sale of the assets of MM&A and MM&AR;
 - Provide continued employment for the experienced work force still employed by the Petitioner which will also serve to enhance the going-concern value of the Petitioner's business and hopefully ensure continued employment for that work force after a sale;
 - Set up a claims process, to avoid a multiplicity of individual legal recourses and deal efficiently with the claims of all stakeholders including the families of the victims and all holders of claims resulting from the derailment;

- Facilitate the negotiation with its various insurers and other third parties in order to maximize proceeds available for distribution and ensure the proper distribution of such indemnities and other proceeds pursuant to the claims process.

CANADIAN TRANSPORTATION AGENCY (“CTA”)

11. On August 13, 2013, the CTA issued Order No. 2013-R-266 suspending the Petitioner's Certificate of Fitness effective August 20, 2013 because of its inability to maintain an aggregate of \$50 million of insurance coverage and demonstrate an ability to fund the \$250,000 self-insured portion of the liability insurance.
12. CTA reconsidered its position based on supplemental information provided by the Petitioner and the Court granting a \$250,000 charge on the assets of the Petitioner in order to secure the payment of the \$250,000 self-insured portion of the liability insurance. As a result, CTA extended the date of the effect of the suspension of the Petitioner's Certificate of Fitness to October 1, 2013.
13. On September 20, 2013, the Petitioner submitted an application to the CTA requesting an extension of its Certificate of Fitness until January 15, 2014 to enable the Petitioner to continue to operate and thereby service its many customers who are dependent on continued access to the railroad to both receive raw materials and deliver finished goods.
14. On September 26, 2013, the CTA issued letter LET-R-107-2013 (annexed as Exhibit “R-2 to the Second Extension Motion) whereby it extends the date of effect of the suspension of the Certificate of Fitness to October 18, 2013.
15. The CTA stated that it will be seeking additional information from the Petitioner in respect of its request to continue operating to January 15, 2014 and noted that in order to extend the Certificate of Fitness to January 15, 2014, the stay extension to be discussed at the October 9 Hearing would need to be granted to a date beyond January 15, 2014. The Petitioner has informed us that it has provided CTA with the requested information on October 4, 2013.

RAILWAY CARS LOCATED AT FARNHAM, QUEBEC

16. We have been advised by the Petitioner that 93 tank cars labeled as containing petroleum crude oil are currently located in Farnham, Quebec. Following our inquiries, we were told by the Petitioner that Transport Canada has ordered that these cars not be moved until their contents have been properly and accurately identified, documented, labeled and classified and only then be transported in accordance with the safety requirements for the type and class of product contained in the tank cars.

17. The Petitioner has informed the Monitor that it has had numerous discussions and communications with World Fuel Services Corp. ("WFSC"), the party that was shipping the contents of the tank cars, and Irving Oil Limited ("Irving"), the direct or indirect purchaser of such tank cars in order to obtain a revised bill of lading and satisfy the Transport Canada order and allow the tank cars to be moved. The Petitioner has also informed the Monitor that despite its efforts, neither WFSC nor Irving have provided the required documents.
18. The Petitioner informs the Monitor that it will be sending a demand letter to both WFSC and Irving advising that absent receipt of the necessary revised bill of lading within a week, it will seek court permission to declare the tank cars abandoned and proceed to the sale of the product to interested parties and will retain the proceeds for the benefit of the Petitioner's estate.

FINANCIAL POSITION

19. In conjunction with the filing of the First Extension Motion on September 3, 2013, the Petitioner submitted weekly cash flow projections covering the period from August 26, 2013, to October 11, 2013 ("Budget"), a copy of which was attached as Exhibit "R-6" to the First Extension Motion.
20. As of September 27, 2013, the consolidated cash balances of the Companies amounted to US\$0.6 million as compared to the projected consolidated balance of US\$0.1 million. The US\$0.5 million positive variance is primarily attributable to the following:
 - US\$0.2 million positive cash receipts variance resulting from the higher than forecasted collection of accounts receivable (certain of which had been held back by various customers following the derailment), the return of a pre-filing deposit (\$0.1 million) partially offset by non-freight revenue shortfalls;
 - US\$0.3 million favorable cash disbursements variance attributed to lower than forecasted wages and other operating costs, a portion of which is timing related and will reverse in future periods.
21. For additional details, we refer you to Exhibit "1" attached hereto, entitled Comparative Cash Flow for the period August 26, 2013 to September 27, 2013.

CASH FLOW PROJECTIONS AND FINANCING

22. Included hereto as Exhibit "2" are updated projections for MM&A ("MM&A Projections") as well as the combined projections with MM&AR ("Combined Projections") for the period September 30, 2013 to January 31, 2014 ("Period").

23. The MM&A Projections and the Combined Projections have been prepared by management and the Chapter 11 Trustee based on information and assumptions as of the week ended September 27, 2013. The MM&A Projections and the Combined Projections have been prepared using probable assumptions supported by and consistent with the plans of the Companies for the Period, considering the economic conditions that are considered the most probable by management. Since the MM&A Projections and the Combined 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.
24. The basic assumptions underlying the MM&A Projections and the Combined Projections are that both companies will continue with their current level of railway operations, pending an eventual sale of assets.
25. The Combined Projections reflect the following:
- US\$2.7 million of receipts which include the collection of freight, switching, storage and equipment rental revenue. Also included in the receipts is \$0.3 million representing contractual settlements with customers regarding outstanding accounts receivable balances. As the majority of billings are issued by MM&AR on behalf of both companies, the MM&A Projections reflect that receipts or funding to cover projected disbursements during the Period will be provided by MM&AR, which is consistent with historical practices;
 - US\$5.8 million of cash disbursements consisting of the following:

| Montreal, Maine & Atlantic Railway Ltd and Montreal Maine & Atlantic Canada Co | | | |
|---|-----------------|------------------|-----------------|
| Summary of Disbursements | | | |
| For the period Sept. 30, 2013 to Jan. 31, 2014 | | | |
| (in thousands) | MM&A | MM&AR | Total |
| Transport Revenue offsets | \$ - | \$ 86 | \$ 86 |
| Payroll & Benefits | 1,208 | 2,156 | 3,363 |
| Material & Supplies | 418 | 469 | 887 |
| Freight Car & Locomotive Expense | 36 | 74 | 110 |
| Other operating costs | 501 | 878 | 1,378 |
| Restructuring costs | - | 23 | 23 |
| Total Disbursements | \$ 2,163 | \$ 3,684 | \$ 5,847 |

- Transport revenue offsets: consisting of payments to various railroads for services provided post-petition;
- Payroll and benefits: based on forecasted staffing levels in both Canada and the US as well as overtime required for certain track repairs in Canada during the Period. At present, there are 31 active employees in Canada which is projected to increase to 38 during the

Period. In addition, this amount includes the payment of post-filing employee benefits programs as well as \$50K in respect of accrued vacation pay owing to employees laid off prior to the CCAA filing;

- Materials and supplies: consists primarily of estimated costs related to the maintenance and servicing of the railroad tracks as well as fuel purchases;
- Other operating costs: provision for rent, utilities, insurance, interest and other bank charges, track testing and employee expenses during the Period;
- Restructuring costs: consisting of estimated deposits to secure post-filing services from various service providers. No provision for professional fees in either Canada or the US have been included during the Period.

26. The Combined Projections reflect that the Companies will have sufficient cash to operate during the Period, pending the receipt of additional financing (as noted below).
27. The Monitor has been advised that MM&AR's operating lender has consented to the continued use of cash collateral through October 11, 2013.
28. The Chapter 11 Trustee and the Monitor have been exploring various avenues in an attempt to seek additional financing for the Companies during the Period and beyond to support the operations through to an eventual sale. On October 2, 2013, the Chapter 11 Trustee received a commitment letter from Camden National Bank ("Camden") approving a commercial line of credit loan to MM&AR.
29. On October 4, the Chapter 11 Trustee filed a motion to obtain \$3 million of Debtor In Possession ("DIP") financing in the form of a line of credit from Camden that will be secured on collateral of MM&AR located in the United States.
30. The DIP financing is available through August 30, 2014 and is repayable on demand with a fixed interest rate of 5%. The term sheet indicates that the loan proceeds will be used for the working capital needs of MM&AR until the assets of MM&AR are sold.
31. The DIP financing will be used to support the operations of both MM&AR and the Petitioner, although it will not be sufficient to permit any capital expenditures for necessary track repairs nor for payments to its Professionals (as defined below).

INCREASE IN ADMINISTRATION CHARGE

32. Upon the filing of the Motion, the Petitioner requested a \$1.5 million Administration Charge to secure the payment of the fees and expenses of Petitioner's Counsel, the Monitor and its counsel

(the "Professionals"). The Initial Order limited the Administration Charge to \$0.5 million but with the right to apply for an increase of the Administration Charge, at a later date.

33. Since the commencement of the proceedings, the Professionals have assisted the Petitioner on a wide range of matters with a view to stabilizing and ensuring the continuity of the operations while preparing for a going concern sale of the assets.
34. The Professionals have provided and continue to provide continuous support and guidance to the Petitioner in respect of the following:
 - Management of day to day operating issues including but not limited to negotiations with suppliers and deposits requested, collection efforts in respect of outstanding accounts receivable, bonding matters, employee matters including union grievances;
 - Preparation and review of cash flow models and underlying assumptions based on current trending. Monitoring of results on a daily and weekly basis including review and discussion of actual results vs. budget and reporting thereon;
 - Negotiation and implementation of a cross border protocol to ensure the efficient coordination of restructuring efforts for both MM&A and MM&AR;
 - Assistance and guidance in dealing with matters relating to the CTA in particular in respect of the extension on multiple occasions of the Certificate of Fitness, and with respect to lifting embargos imposed by CN Rail and CP Rail;
 - Filing of various motions and Monitor reports in support of extension requests, amendment to the Initial Order to provide for an insurance charge as required by the CTA;
 - Meeting and communications with clients of the Petitioner and regional economic development agencies ("CLD") to respond to provide updates with respect to the restructuring process and respond to their information requests;
 - Discussions and negotiations with various insurers in respect of policy coverage, attempts to collect on property and business interruption coverage as well as respond to motions filed to lift the stay of proceedings in both the CCAA and Chapter 11 proceedings;
 - Meetings, communications and negotiations with various Provincial government agencies in respect of a wide variety of matters including environmental, claims, etc.
 - Communication with interested parties in respect of potential financing and acquisition of assets;
 - Assessment with regard to various issues relating to the sale process and claims process.

35. The Professionals have worked closely with Mr. Robert Keach, the Chapter 11 Trustee of MM&AR to ensure an effective, efficient and coordinated approach to dealing with matters affecting both estates including day to day operations, monitoring, financing, dealing with insurance matters, bonds, a sale process (as discussed below) and other issues.
36. As a result of the tight liquidity facing the Petitioner and MM&AR, the Professionals have not requested nor has it been possible for the Petitioner to make any payments to the Professionals, thereby preserving cash flow to enable the continued operations to service the Petitioner's many clients and enable the continued payment of the Petitioner's employees.
37. As of September 20, 2013, the total unpaid fees and disbursements of the Professionals (net of pre-filing retainers) approximates \$1,045,000, thereby exceeding the existing Administration Charge by approximately \$545,000.
38. Consequently, on October 4, 2013, the Petitioner and the Monitor jointly submitted a request to the Court requesting an increase in the Administration Charge to \$2.5 million in respect of the Professionals.
39. As noted above, while the Chapter 11 Trustee has filed a motion seeking approval to enter into a DIP financing agreement, said financing will not be sufficient to pay the Professionals. Indeed, neither the Chapter 11 Trustee nor his professionals ("Chapter 11 Professionals") are being paid at the present time. Instead, the Trustee has reached an agreement with the Federal Railroad Administration ("FRA") whereby the Chapter 11 Professionals will be entitled to keep up to US\$5 million out of the proceeds of sale of MM&AR's assets (over which the FRA holds security) in respect of their fees and expenses. Essentially, the Administration Charge has the same impact, save and except it will come out of the proceeds of sale of the Petitioner's assets, over which the FRA also appears to hold security.
40. Absent an increase in the Administration Charge, the Petitioner lacks the means to pay the Professionals who are essential to the CCAA process. A failure to continue the CCAA will have serious and negative consequences on the efforts to maximize value for all creditors.

SALE PROCESS / INVESTMENT BANKER

41. Since the commencement of the restructuring proceedings, numerous interested parties have contacted both the Monitor and the Chapter 11 Trustee to express an interest in the acquisition of

the assets of the Companies. Various confidentiality agreements have already been executed with certain of those interested parties.

42. In order to ensure a proper and thorough sale process, the Petitioner, with the Monitor's approval, and the Chapter 11 Trustee have reached an agreement to jointly engage an investment banker to conduct a sale of the assets of the Companies. Following a review of numerous proposals submitted to the Chapter 11 Trustee, the Monitor and the Chapter 11 Trustee are in agreement to select the Gordian Group ("Gordian") to act as investment banker for the sale of the assets of the Companies.
43. The Monitor and the Chapter 11 Trustee, in consultation with the primary secured lender of the Companies as well as the Quebec government (the largest unsecured creditor), have determined that the sale of the Companies' assets will be on a going-concern basis only, this to ensure the continued service to clients in Quebec, Maine and Vermont.
44. While Gordian is being engaged by the Chapter 11 Trustee and the Petitioner, the Monitor will participate fully in deciding all aspects of the sale process. Gordian will be paid a commission of 1.7% of the sale proceeds only upon conclusion of a successful sale.
45. The Monitor and the Chapter 11 Trustee have agreed on an expedited sale process as follows:
 - By October 31, 2013 – deadline to receive expressions of interest from potential bidders;
 - By November 15, 2013 – A lead bidder or "stalking horse" will be selected and approval of bid procedures by the Courts will be obtained. The stalking horse bid will serve as the floor price against which other interested parties may bid. Interested parties will be given the opportunity to bid on specific assets, i.e., for the Canadian or US assets without being required to bid on all of the Companies' assets;
 - By December 13, 2013 – conduct an auction for all qualified bidders;
 - By December 16, 2013 – hearing to obtain court approval of the winning bidder in both the CCAA and Chapter 11 courts. Closing to follow shortly thereafter, subject to any regulatory issues.

CLAIMS PROCESS

46. The Monitor is working with the Chapter 11 Trustee on a claims process and intends to have a formal process presented to the Court for approval no later than November 30, 2013.

47. While details of the claims process are still under consideration, the following elements are being considered:

- Framework for the valuation and adjudication of the claims to be filed;
- Development of a claim form to facilitate the filing of claims which would number in the thousands;
- Establishment of information sessions to assist claimants;
- Establishment of a claims bar date;
- Approval of the claims process by both courts.

INSURANCE

48. To date, no agreement has been reached with Travelers Property Casualty Company of America ("Travelers") in respect of the payment of insurance for property damage and business interruption. While Travelers has made an initial payment of \$250,000 to the Petitioner in respect of the costs associated with the repair of the damaged track, they also filed a motion in both the CCAA and Chapter 11 proceedings to lift the stay of proceedings to enable them to seek a declaratory judgment in the State of Maine District Court as to the applicability of its coverage.

49. This Motion was opposed by the Petitioner, the Monitor and the Chapter 11 Trustee. A joint hearing was held on October 1, 2013 with a further hearing in the US Court scheduled for October 9, 2013. The total value of coverage under the policy is \$7.5 million.

MM&A CLIENTS

50. The continued uncertainty surrounding the possible expiration of the stay of extension and the extension of the certificate of fitness has caused considerable uncertainty among the Petitioner's customers. The Monitor has been in contact with local CLD's who have indicated these concerns. In this respect, they have communicated with MM&A customers in their regions who have provided letters stating that the stoppage of railway services would have significant financial consequences and would result in job losses in the regions and the closure of various companies.

51. The statistics provided by the CLD's reflect that of the 48 businesses who responded to the CLD survey, employ approximately 4,000 persons. Further, these customers have projects under development which would result in the creation of an additional 700 jobs and an investment of \$20 million, which projects are unlikely to proceed in the event of a shutdown of railway services.

52. The statistics and copies of letters from 33 customers are attached as Exhibits R-5 and R-6 to the Second Extension Motion.

CHAPTER 11 PROCEEDINGS

53. As noted above, on August 7, 2013, MM&AR commenced proceedings under Chapter 11 of the U.S. Bankruptcy Code ("Code") in the United States Bankruptcy Court for the District of Maine ("US Court").
54. On August 21, 2013, the U.S. Trustee appointed Robert J. Keach, attorney, to be Chapter 11 Trustee of MM&AR who has assumed day to day control of the operations of MM&AR.
55. The Monitor is continuing to post the various relevant motions and orders in respect of MM&AR's Chapter 11 proceedings to its website to permit all stakeholders to follow these proceedings. Recent motions and orders issued to date by the US Court include the following:
- Use of cash collateral and granting of adequate protection (through October 11, 2013);
 - Settlement agreements in respect of various accounts receivable balances;
 - Formation of Creditors' Committee;
 - Approval for rejection of certain leases;
 - Filing of the First Report of the Chapter 11 Trustee;
 - Adoption of a Cross-Border Insolvency Protocol.

ACTIVITIES OF THE MONITOR

56. The Monitor's activities have included the following:
- Daily and weekly monitoring of the Petitioner's operations which has included continuous contact with the Chapter 11 Trustee and his professionals, Petitioner's management and legal counsel all with a view to keeping apprised of material developments and to seek input with respect to the restructuring process;
 - The Monitor has been in regular contact with the Quebec Government, MM&A clients and local CLD's;
 - Determination of the terms of engagement of an investment banker to carry out a going concern sales process for the assets of the Companies;

- The Monitor is continuing to respond to queries from suppliers, creditors and other interested parties including potential sources of DIP financing;
- The Monitor reviewed the Petitioner's financial affairs and results for the period August 26, 2013 to September 27, 2013;
- The Monitor reviewed the Petitioner's weekly cash flow projections attached to this Report;
- Placing on its website copies of all Court materials filed in the CCAA and Chapter 11 Proceedings;
- The Monitor has prepared and filed:
 - On August 21, 2013, the First Report of the Monitor on the State of the Petitioner's Financial Affairs;
 - On September 3, 2013, the Second Report of the Monitor on the State of the Petitioner's Financial Affairs.
- The Monitor has prepared and filed this Third Report;
- Other administrative and statutory matters relating to the Monitor's appointment.

RECOMMENDATIONS OF THE MONITOR WITH RESPECT TO THE REQUEST FOR AN EXTENSION, INCREASE OF THE ADMINISTRATION CHARGE AND APPROVAL OF ENGAGEMENT OF AN INVESTMENT BANKER

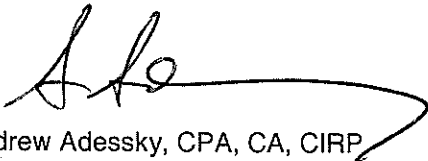
57. At the present time, it is premature for the Petitioner to devise a Plan of Arrangement and present same to its creditors. The Petitioner is seeking an extension in order to continue its operations through to the eventual sale of its assets and the formulation of a Plan of Arrangement.
58. The Petitioner has been paying for goods and services received subsequent to the date of filing the CCAA as they become due, except for professional fees.
59. The Petitioner is acting in good faith, with due diligence and has been cooperating with all stakeholders involved in this process, including but not limited to the Monitor, the various governmental agencies including the CTA, the Chapter 11 Trustee and its creditors.
60. The Monitor is supporting the extension of the Initial Order until January 28, 2014, for the above noted reasons and to reassure clients that there will be service in the foreseeable future which will enhance the going-concern value of the business and aid in the sale to a new operator.
61. As required, the Monitor will provide a further report to the Court with respect to the cash flow of the Companies.

62. The Court should grant this extension request, the request to increase the Administration Charge and approve the engagement of an investment banker for the following reasons:

- Since the commencement of the CCAA proceedings, the Petitioner has and continues to act in good faith and with diligence;
- The Petitioner needs additional time in order to proceed with the sale process to maximize the value of its assets and sell the company on a going concern basis which is in the best interests of all of its stakeholders, employees and customers;
- Additional time is needed to develop and implement a claims process to ensure a fair and methodical treatment of all claims;
- Absent approval of an increase in the Administration Charge, the Petitioner will be deprived of the ability to operate under the CCAA and will likely be forced to abandon the CCAA proceedings which will be to the detriment of all stakeholders, including, most importantly, the holders of Derailment Claims;
- The Petitioner has not prejudiced its creditors as it is paying post-filing liabilities incurred since the date of filing as they become due, except for the fees of the Professionals, and the Cash Flow Projections indicate that it will continue to do so;
- Richter will continue to monitor the operations of the Petitioner and inform the Court and all stakeholders of material events as required;
- The extension will not cause any prejudice to the various stakeholders.

Respectfully submitted at Montreal, this 4th day of October, 2013.

Richter Advisory Group Inc.
Monitor



Andrew Adessky, CPA, CA, CIRP

Exhibit 1

| Montréal, Maine & Atlantic Railway Ltd./Montreal Maine & Atlantic Canada Co. | | | |
|---|-----------------------|-----------------------|-----------------------|
| Comparative Cash Flow | | | |
| For the period August 26, 2013 to September 27, 2013 | | | |
| (in USD) | Forecast | Actual | Variance |
| | Aug 26-Sept 27 | Aug 26-Sept 27 | Aug 26-Sept 27 |
| <u>MMA Cash Receipts:</u> | | | |
| Deposits & Wire Transfers | 785,961 | 1,001,980 | 216,019 |
| ISS | (27,416) | (27,431) | (15) |
| Pre-filing deposit | - | 90,500 | 90,500 |
| Other items | 175,000 | 111,647 | (63,353) |
| Travelers insurance | 250,000 | 240,706 | (9,294) |
| Total | 1,183,545 | 1,417,402 | 233,857 |
| <u>MMA Disbursements:</u> | | | |
| Payroll & Related Taxes | 852,649 | 725,970 | 126,679 |
| Materials and supplies | 102,629 | 102,077 | 552 |
| Freight car and locomotive | 15,000 | 512 | 14,488 |
| Restructuring costs | 45,000 | 11,780 | 33,220 |
| Other costs | 215,885 | 213,368 | 2,517 |
| Transport revenue offsets | 74,600 | - | 74,600 |
| Total | 1,305,763 | 1,053,707 | 252,056 |
| | | | |
| Net Cash Flow | (122,218) | 363,695 | 485,913 |
| Opening Cash Balance - MMA | 217,098 | 217,098 | - |
| Closing Cash Balance - MMA | 94,880 | 580,793 | 485,913 |

Exhibit 2

Montreal, Maine & Atlantic Railway and Montreal,
Maine & Atlantic Canada Co.

Footnote

| | Forecast W/E 13/12/2013 | Forecast W/E 20/12/2013 | Forecast W/E 27/12/2013 | Forecast W/E 03/01/2014 | Forecast W/E 10/01/2014 | Forecast W/E 17/01/2014 | Forecast W/E 24/01/2014 | Forecast W/E 31/01/2014 | Forecast Total |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|
| Receipts: | | | | | | | | | |
| Transportation Revenue | | | | | | | | | |
| 1 Freight Revenue and Zone Switching | \$ 130,000 | \$ 130,000 | \$ 120,000 | \$ 100,000 | \$ 200,000 | \$ 160,000 | \$ 160,000 | \$ 160,000 | \$ 1,908,559 |
| 2 ISS Settlement | | | | 150,000 | | | | | 376,484 |
| 3 Customer Settlements | | | | | | | | | 275,000 |
| Sub Total - Transportation Revenue | 130,000 | 130,000 | 120,000 | 250,000 | 200,000 | 160,000 | 160,000 | 160,000 | 2,560,053 |
| Other Operating Revenue | | | | | | | | | |
| 4 Railcar Storage | | | | | | | | | - |
| Contract Shop & Car Repairs | | | 20,000 | | | | | 20,000 | 56,000 |
| 5 Equipment Rental | | | | | | | | | 55,500 |
| Car Hire Revenue (Payable) | | | | | | | | | - |
| Sub Total - Other Operating Revenue | - | - | 20,000 | - | - | - | - | 20,000 | 111,500 |
| Non-Operating Revenue | | | | | | | | | |
| Private & Govt Re-imbursments | | | | | | | | | - |
| Travelers - Ins Settlement | | | | | | | | | - |
| Sub Total - Non-Operating Revenue | - | - | - | - | - | - | - | - | - |
| Total Cash Receipts | 130,000 | 130,000 | 140,000 | 250,000 | 200,000 | 160,000 | 160,000 | 180,000 | 2,671,553 |
| Disbursements: | | | | | | | | | |
| Transportation Revenue Offsets | | | | | | | | | |
| 6 NBSR, MNR, SLQ, CN | - | - | - | - | - | - | - | - | 85,623 |
| Sub Total - Transportation Revenue Offsets | - | - | - | - | - | - | - | - | 85,623 |
| Payroll & Related | | | | | | | | | |
| 7 Salaries, Wages & Commissions US | 194,599 | | 194,599 | | | 194,599 | | 194,599 | 1,583,108 |
| Employee Benefits & Claims - US | 31,500 | 31,500 | 31,500 | | | 31,500 | | 31,500 | 472,500 |
| Salaries, Wages & Commissions CDN | 98,501 | | 98,501 | | 98,501 | | 98,501 | | 936,035 |
| Group Health, pension and union dues- CDN | 14,400 | | 14,400 | 25,000 | 14,400 | | 14,400 | | 221,600 |
| 8 Aetna Past Dues | | | | | | | | | 100,000 |
| 9 Vacation pay arrears - CDN | | | | | | | | | 50,000 |
| Sub Total - Payroll & Related | 339,000 | 31,500 | 339,000 | 25,000 | 112,901 | 226,099 | 112,901 | 226,099 | 3,363,243 |
| Materials & Supplies | | | | | | | | | |
| Diesel Fuel | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 529,200 |
| Material/Repair Costs US | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 183,000 |
| Material/Repair Costs CDN | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 175,000 |
| Sub Total - Material & Supplies | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 | 887,200 |
| Freight Car & Locomotive Expense | | | | | | | | | |
| Leases - Car | | | | 10,000 | | | | | 50,000 |
| Leases - Locomotive | | | | 15,000 | | | | | 60,000 |
| Car Repair Net | | | | | | | | | - |
| Sub Total - Freight Car & Locomotive | - | - | - | 25,000 | - | - | - | - | 110,000 |
| Other Operating Costs | | | | | | | | | |
| Rent | | | | 20,000 | | | | | 80,000 |
| Electricity | | | | 9,000 | | | | | 36,000 |
| Heat at Derby maintenance facility | 5,400 | 5,400 | 5,400 | 5,400 | 5,400 | 5,400 | 5,400 | 5,400 | 62,100 |
| Utility Deposits | | | | | | | | | 22,500 |
| Insurance Payments | 43,500 | | | 29,906 | 43,500 | | | | 293,624 |
| 10 Bank Chges /Interest Exp/Points | | | 1,000 | | 11,534 | | | 1,000 | 23,640 |
| 2% Points for New Financing | | | | | | | | | 60,000 |
| Rail Testing | | | | | | | | | 88,000 |
| Brush Cutting in Canada | | | | | | | | | 70,000 |
| Favorable Purchase Option for 14 CK cars | | | | | | | | | 70,063 |
| 11 Post-Petition A/P (9/13) | | | | | | | | | 110,000 |
| Phone, Internet, Radio, Other expenses | 25,000 | 25,000 | 25,000 | 36,500 | 25,000 | 25,000 | 25,000 | 25,000 | 484,899 |
| Sub Total - Rent, Heat & Utilities | 73,900 | 30,400 | 31,400 | 100,806 | 85,434 | 30,400 | 30,400 | 31,400 | 1,400,826 |
| Total Operating Disbursements | 457,900 | 106,900 | 415,400 | 195,806 | 243,335 | 301,499 | 188,301 | 302,499 | 5,846,892 |
| 12 Net Cash Inc(Dec) From Ops | (327,900) | 23,100 | (275,400) | 54,194 | (43,335) | (141,499) | (28,301) | (122,499) | (3,175,339) |
| SUMMARY | | | | | | | | | |
| Cash Beginning | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 580,793 |
| Net Weekly Cash Flow | (327,900) | 23,100 | (275,400) | 54,194 | (43,335) | (141,499) | (28,301) | (122,499) | (3,175,339) |
| Financing Advance(Paydowns) | 327,900 | (23,100) | 275,400 | (54,194) | 43,335 | 141,499 | 28,301 | 122,499 | 2,894,546 |
| 13 Cash Ending | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| Principal Bal New Financing | 2,032,905 | 2,360,805 | 2,337,705 | 2,613,105 | 2,558,911 | 2,602,247 | 2,743,746 | 2,772,047 | |
| Net Weekly Cash Advance(Paydown) | 327,900 | (23,100) | 275,400 | (54,194) | 43,335 | 141,499 | 28,301 | 122,499 | |
| End of Period Principal Balance | 2,360,805 | 2,337,705 | 2,613,105 | 2,558,911 | 2,602,247 | 2,743,746 | 2,772,047 | 2,894,546 | |

Montréal, Maine & Atlantic Canada Co.
For the period September 30, 2013 to January 31, 2014

| Week Ending: | Forecast 04/10/2013 | Forecast 11/10/2013 | Forecast 18/10/2013 | Forecast 25/10/2013 | Forecast 01/11/2013 | Forecast 08/11/2013 | Forecast 15/11/2013 | Forecast 22/11/2013 | Forecast 29/11/2013 | Forecast 06/12/2013 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Cash Receipts: | | | | | | | | | | |
| Intercompany Montreal, Maine & Atlantic Railway, Ltd. ¹ | - | - | 111,982 | 173,990 | 306,117 | 35,990 | 168,591 | 35,990 | 168,591 | 101,046 |
| Deposits & Wire Transfers | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | 111,982 | 173,990 | 306,117 | 35,990 | 168,591 | 35,990 | 168,591 | 101,046 |
| Disbursements: | | | | | | | | | | |
| Transport revenue offsets | - | - | - | - | - | - | - | - | - | - |
| Payroll and benefits | 115,400 | - | 117,826 | - | 157,601 | - | 132,601 | - | 132,601 | 25,000 |
| Vacation pay arrears | - | - | - | 50,000 | - | - | - | - | - | - |
| Materials and supplies | 25,000 | - | 46,592 | 24,490 | 24,490 | 24,490 | 24,490 | 24,490 | 24,490 | 21,100 |
| Freight car and locomotive expense | 11,550 | - | - | - | 8,250 | - | - | - | - | 8,250 |
| Other operating costs | 50,330 | 7,590 | 7,590 | 99,500 | 115,776 | 11,500 | 11,500 | 11,500 | 11,500 | 46,696 |
| Restructuring costs | - | - | - | - | - | - | - | - | - | - |
| Total | 202,280 | 7,590 | 172,008 | 173,990 | 306,117 | 35,990 | 168,591 | 35,990 | 168,591 | 101,046 |
| Net Cash Flow (Use) - Operations | (202,280) | (7,590) | (60,026) | - | - | - | - | - | - | - |
| Opening Cash Balance | 307,396 | 105,116 | 97,526 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 |
| Closing Cash Balance ¹ | \$ 105,116 | \$ 97,526 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 |

¹ For the purposes of this cash flow, cash receipts are assumed to be equal to projected disbursements. The ending bank balance will fluctuate on a daily basis

depending on the actual deposits in the Canadian account and actual disbursements required on a daily basis.

Montréal, Maine & Atlantic Canada Co.
For the period September 30, 2013 to January 31, 2014

| Week Ending: | Forecast 13/12/2013 | Forecast 20/12/2013 | Forecast 27/12/2013 | Forecast 03/01/2014 | Forecast 10/01/2014 | Forecast 17/01/2014 | Forecast 24/01/2014 | Forecast 31/01/2014 | Total |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------|
| Cash Receipts: | | | | | | | | | |
| Intercompany Montreal, Maine & Atlantic Railway, Ltd. ¹ | 145,501 | 32,600 | 145,501 | 101,046 | 145,501 | 32,600 | 145,501 | 32,600 | 1,883,149 |
| Deposits & Wire Transfers | - | - | - | - | - | - | - | - | - |
| Total | 145,501 | 32,600 | 145,501 | 101,046 | 145,501 | 32,600 | 145,501 | 32,600 | 1,883,149 |
| Disbursements: | | | | | | | | | |
| Transport revenue offsets | - | - | - | - | - | - | - | - | - |
| Payroll and benefits | 112,901 | - | 112,901 | 25,000 | 112,901 | - | 112,901 | - | 1,157,635 |
| Vacation pay arrears | - | - | - | - | - | - | - | - | 50,000 |
| Materials and supplies | 21,100 | 21,100 | 21,100 | 21,100 | 21,100 | 21,100 | 21,100 | 21,100 | 408,432 |
| Freight car and locomotive expense | - | - | - | 8,250 | - | - | - | - | 36,300 |
| Other operating costs | 11,500 | 11,500 | 11,500 | 46,696 | 11,500 | 11,500 | 11,500 | 11,500 | 500,678 |
| Restructuring costs | - | - | - | - | - | - | - | - | - |
| Total | 145,501 | 32,600 | 145,501 | 101,046 | 145,501 | 32,600 | 145,501 | 32,600 | 2,153,044 |
| Net Cash Flow (Use) - Operations | - | - | - | - | - | - | - | - | (269,896) |
| Opening Cash Balance | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 37,500 | 307,396 |
| Closing Cash Balance ¹ | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 | \$ 37,500 |

¹ For the purposes of this cash flow, cash receipts are assumed to be equal to projected disbursements. The ending bank balance will fluctuate on a daily basis

depending on the actual deposits in the Canadian account and actual disbursements required on a daily basis.