

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

**FOURTEENTH REPORT OF THE MONITOR
ON THE STATE OF PETITIONER'S FINANCIAL AFFAIRS
November 21, 2014**

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 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. The Monitor filed its Third Report on October 4, 2013 in support of the Second Extension Motion. On October 9, 2013, the Court extended the stay of proceedings until January 28, 2014.
5. On October 4, 2013, the Petitioner also filed a Motion to Increase the Amount of the Administration Charge, which increase was approved by the Court on October 9, 2013.
6. On December 13, 2013, the Petitioner filed a Motion for an Order Approving a Compromise and Settlement with Travelers Property Casualty Company of America (“Travelers Motion”), which compromise and settlement was approved by the Court on December 19, 2013 (“Travelers Settlement”).
7. On December 13, 2013, the Petitioner filed a Motion for an Order Approving a Process to Solicit Claims and for the Establishment of a Claims Bar Date (“Claims Motion”). At the request of the Petitioner and other interested parties, the Claims Motion was postponed and was scheduled to be heard on February 11, 2014 (“February 11, 2014 Hearing”). Following several postponements, the Claims Motion was heard on March 28, 2014 (“March 28, 2014 Hearing”).
8. On December 13, 2013, the Petitioner and the Monitor jointly filed a Motion to Increase the Amount of the Administration Charge. On December 19, 2013, the Court granted an increase in the Administration Charge.
9. On December 16, 2013, the Petitioner filed a Motion for an order (a) Approving Bid Procedures for the Sale of the Debtor’s Assets, (b) Approving a Stalking Horse Bid, (c) Approving a Break-Up Fee and Expense Reimbursement, (d) Scheduling an Auction, (e) Approving Procedures for the Assignment and Assumption of Certain Executory Contracts and Unexpired Leases and

- (f) Approving a Form of Notice of Sale ("Sale Motion"). The Sale Motion was approved by the Court on December 19, 2013.
10. On November 1, 2013, the Motion for an Order Appointing Yannick Gagné, Guy Ouellet, Serge Jacques and Louis-Serges Parent as the Representatives of the Class Described in Appendix "A" hereto ("Class Representatives Motion") was filed and was originally scheduled to be heard on December 19, 2013, but after several postponements, was heard at the March 28, 2014 Hearing.
 11. On December 17, 2013, the Chapter 11 Trustee filed a Contestation of the Class Representatives Motion.
 12. On January 17, 2014, the Petitioner filed a Motion for an Order Approving and Authorizing the Assignment of Contracts ("Contract Assignment Motion"). The Contract Assignment Motion was approved by the Court on January 23, 2014.
 13. On January 19, 2014, the Petitioner filed a Motion for the Issuance of (i) An Order Authorizing the Sale of the Assets of the Petitioner and of (ii) a Vesting Order ("Sale and Vesting Motion"). The Sale and Vesting Motion was approved by the Court on January 23, 2014.
 14. On January 20, 2014, the Petitioner filed a Motion for a Third Order Extending the Stay Period ("Third Extension Motion"). The Monitor filed its Fifth Report on January 22, 2014 in support of the Third Extension Motion. On January 23, 2014, the Court extended the stay of proceedings until February 11, 2014.
 15. On February 4, 2014, the Class Action Plaintiffs filed a Claims Cross-Motion of the Class Action Plaintiffs for an Order Approving a Process to Solicit Claims and for the Establishment of a Claims Bar Date followed by the filing on February 5, 2014 of the Class Action Plaintiffs Plan of Argument ("Claims Cross-Motion"). The Claims Cross-Motion which was scheduled to be heard at the February 11, 2014 Hearing was postponed and has been withdrawn.
 16. On February 5, 2014, Orford Express Inc. filed a Motion to Modify a Prior Order and to Obtain Various Declaratory Orders ("Orford Motion"). The Orford Motion which was scheduled to be heard on February 26, 2014, was postponed by the Court and was heard on March 21, 2014. On March 28, 2014, a judgment was issued denying the Orford Motion.
 17. On February 7, 2014, the Petitioner filed a Motion for a Fourth Order Extending the Stay Period to February 26, 2014 ("Fourth Extension Motion"). The Monitor filed its Sixth Report on February 10, 2014 in support of the Fourth Extension Motion. On February 11, 2014, the Court extended the stay of proceedings until February 26, 2014.

18. On February 7, 2014, the Monitor filed a Motion for Directions in respect of a Motion for Joint Status Conference filed on February 7, 2014 by the Official Committee of Victims in the Chapter 11 proceedings (“Directions Motion”). On February 12, 2014, the Court issued a letter notifying the service list of its intention to grant the Directions Motion and further issued an order on February 17, 2014 in support of a Joint Status Conference to be held in Bangor, Maine on February 26, 2014.
19. On February 7, 2014, the Chapter 11 Trustee filed two separate affidavits in connection with the Claims Motion and the Claims Cross-Motion.
20. On February 19, 2014, the Petitioner filed a Motion for a Fifth Order Extending the Stay Period to March 12, 2014 (“Fifth Extension Motion”). Pursuant to instructions from the Court, in the absence of any contestation and with the confirmed support of the largest creditor, the Province of Quebec (“Province”) as well as the largest secured creditor, the Federal Railroad Administration (“FRA”), no hearing was held. On February 25, 2014, the Court extended the stay of proceedings until March 12, 2014.
21. On March 10, 2014, the Petitioner filed a Motion for a Sixth Order Extending the Stay Period. On March 12, 2014, the Court extended the stay of proceedings to April 30, 2014 (“Sixth Extension Motion”).
22. On March 10, 2014, the Petitioner and the Monitor jointly filed a Motion to Increase the Amount of the Administration Charge. On March 14, 2014, the Court granted an increase in the Administration Charge.
23. On March 24, 2014, Orford filed a “*Requête Pour l’émission d’une ordonnance de sauvegarde*” (“Safeguard Motion”) which was to be presented at the March 28, 2014 Hearing. In light of the judgment on the Orford Motion, the Safeguard Motion is no longer applicable and will not be heard.
24. On March 25, 2014, the Petitioner amended its Claims Procedure Order in respect of the Claims Motion as well as amended the Representation Order in respect of the Class Representative Motion.
25. On March 26, 2014, the Petitioner and the Monitor jointly filed a Motion to Request a Supplemental Administration Charge (“Supplemental Administration Charge”). The Supplemental Administration Charge was postponed and will be heard at a later date.

26. The Claims Motion and the Class Representatives Motion were heard at the March 28, 2014 Hearing. On March 31, 2014, the Honourable Gaétan Dumas, J.S.C., issued his judgment granting the Claims Motion and the Class Representative Motion as amended. The orders granting these motions were signed on April 4, 2014.
27. On April 25, 2014, the Petitioner filed a Motion for a Seventh Order Extending the Stay Period to June 30, 2014 (“Seventh Extension Motion”). On April 29, 2014, the Court extended the stay of proceedings to June 30, 2014.
28. On May 8, 2014, the Petitioner filed a Motion for an Order Approving the Distribution of the Proceeds of Settlement with Travelers Property Casualty Company of America (“Distribution Motion”).
29. On May 8, 2014, the Petitioner filed a Motion for an Order Approving the Third Amendment to the Asset Purchase Agreement and the Sale of Certain Receivables (“Third Amendment Motion”). On May 9, 2014, the Court approved the Third Amendment Motion.
30. On June 6, 2014, the Petitioner filed an Amended Motion for an Order Approving the Distribution of the Proceeds of Settlement with Travelers Property Casualty Company of America (“Amended Distribution Motion”). The Amended Distribution Motion was heard in Court on June 11, 2014. On June 16, 2014, the Court approved the Petitioner’s motion (“Amended Distribution Order”).
31. On June 11, 2014, the Petitioner filed with the Court an Amended Claims Procedure Order (“Amended Claims Procedure Order”) with an extended Claims Bar Date to July 14, 2014 solely for the Wrongful Death Victims as defined in the aforementioned order. The Court granted the Amended Claims Procedure Order on June 13, 2014.
32. On June 26, 2014, the Petitioner filed a Motion for an Eighth Order Extending the Stay Period to September 30, 2014 (“Eighth Extension Motion”). On June 30, 2014, the Court extended the stay of proceedings to September 30, 2014.
33. On July 18, 2014, the Monitor filed the Twelfth Report to Court to provide a preliminary overview of the proofs of claim filed in the CCAA proceedings pursuant to the claims process approved by the Court.
34. On August 12, 2014, the Attorney General for the Province of Quebec (“Province”) filed two motions. One motion for the determination of the allocation of the purchase price of the Debtor’s assets in Canada (“*Requête du procureur général du Québec pour faire déterminer l’allocation du prix de vente des actifs de la Débitrice au Canada*”) and the second motion to request a joint hearing to consider the motion for the determination of the allocation of the purchase price

(“Requête du procureur général du Québec pour la tenue d’une audition commune sur la Requête pour Faire déterminer l’allocation du prix de vente”) (the “Allocation Hearing Motions”). On September 12, 2014, the Court approved the motion for a joint hearing. The actual date of the joint hearing remains to be determined.

35. On September 19, 2014, the Petitioner filed a Motion for a Ninth Order Extending the Stay Period to November 30, 2014 (“Ninth Extension Motion”). On September 24, 2014, the Court extended the stay of proceedings to November 24, 2014 (“Ninth Extension Order”).
36. On September 19, 2014, the Petitioner filed a Motion for an Order Approving the Partial Distribution of the Proceeds of the Sale of the Assets of Montreal, Maine & Atlantic Canada Co. (“Partial Distribution Motion”). On September 26, 2014 the Court approved the Partial Distribution Motion.
37. On November 20, 2014, the Petitioner filed a Motion for a Tenth Order Extending the Stay Period to January 12, 2015 (“Tenth Extension Motion”). The Tenth Extension Motion will be heard on November 24, 2014.
38. All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
39. The purpose of this Fourteenth Report of the Monitor is to inform the Court on the following subjects:
 - General Corporate Information and Purpose of CCAA filing;
 - Financial Position;
 - Plan of Arrangement/Plan Term Sheet;
 - Extension Request;
 - Chapter 11 Proceedings;
 - Activities of the Monitor;
 - Conclusion.
40. 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 and the Chapter 11 Trustee’s Financial Advisor as well as discussions with the Petitioner’s management and employees, the Chapter 11 Trustee and the Chapter 11 Trustee’s Financial Advisor.

GENERAL CORPORATE INFORMATION AND PURPOSE OF CCAA FILING

41. As noted in the Monitor's prior reports, the Petitioner operated 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 operated 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 operated approximately 500 route miles and serviced 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.
42. We refer to the Monitor's prior reports for a description of the purpose of the CCAA proceedings.

FINANCIAL POSITION

43. As noted in the Monitor's Thirteenth Report, the sale of assets for MM&AR was concluded on May 15, 2014 and the sale of MM&A's assets on June 30, 2014. Subsequent to the closing of the sale, only minimal balances are being collected by MM&A. MM&A continues to pay its post-filing obligations.
44. The following table summarizes the actual cash flow results of MM&A for the period September 15, 2014 to November 14, 2014:

Montreal Maine & Atlantic Canada Co.	
Actual Cash Flow Results	
For the period September 15, 2014 to November 14, 2014	
(in CAD)	Reported Sept 15-Nov 14
<u>MMA Cash Receipts:</u>	
Deposits	\$ 20,658
Total	20,658
<u>MMA Disbursements:</u>	
Materials and supplies	14,427
Other costs	13,447
Total	27,874
Net Cash Flow	(7,215)
Opening Cash Balance - MMA	168,754
Closing Cash Balance - MMA	\$ 161,539

45. As detailed in the Monitor's Thirteenth Report, based on the allocation by the purchaser, after the payment of the closing costs and the accrued and unpaid professional fees which were secured by the Administration Charge, a total of approximately US\$0.6 million is held in trust by the Monitor and is available for distribution in the CCAA ("Net Distribution Proceeds"). The Net Distribution Proceeds should be paid either to the FRA or to the Province of Quebec once their respective rights are determined. A joint hearing will be scheduled following the submission by the FRA and the Province of a proposed form of scheduling order.

PLAN OF ARRANGEMENT/PLAN TERM SHEET

46. Included in the Ninth Extension Motion was a document entitled "Term Sheet in Respect of the Plan of Compromise and Arrangement of Montreal, Maine and Atlantic Canada Co. ("Plan Term Sheet"). The purpose of the Plan Term Sheet is to summarize the elements of the Plan of Arrangement ("Plan").
47. As discussed in the Monitor's Thirteenth Report, certain key elements of the Plan Term Sheet can be summarized as follows:
- Payment of the Net Distribution Proceeds to either the FRA or the Province, as previously mentioned;
 - Remittance by XL (as defined in the Plan Term Sheet) of the proceeds of the \$25 million insurance policy as well as an additional \$5 million into a trust account to be administered by the Monitor (the "Indemnification Fund");
 - Remittance of additional amounts that could reach \$11.5 million to the Indemnification Fund by certain of the XL insured parties and related entities/insurers;
 - Remittances from remaining XL insured parties (and related entities/insurers) to the Indemnification Fund pursuant to agreements that may be reached prior to the filing of the Plan;
 - Remittances from potentially liable third parties ("Third Parties") to the Indemnification Fund, prior to the filing of the Plan;
 - All of the above-noted remittances to the Indemnification Fund would be made in exchange for full and final releases in the CCAA and Chapter 11 which would prohibit any litigation against these parties arising from the derailment and in the case of XL, would discharge any further obligations under the insurance policy.

48. Since the Ninth Extension Order, the Petitioner (through its counsel), the Chapter 11 Trustee and the Monitor have continued discussions with the Third Parties to determine if they are willing to contribute to the Indemnification Fund in exchange for complete releases from litigation arising from the derailment, the whole to allow for a more meaningful distribution to the derailment victims through a Plan.
49. As a result of the various negotiations, agreements in principle of approximately \$126 million have been reached to date (which amounts may increase by approximately \$37 million to \$163 million pending finalization of various ongoing discussions). The agreements in principle and all other agreements to be reached are of course subject to approval by the creditors and the Court. Included in the proposed settlement agreements, totaling approximately \$126 million, is one which remains subject to required in-house approval by the settling party.
50. In respect of the additional potential settlement amounts of \$37 million, these remain subject to further ongoing discussions with various parties including the Province and the Class Representatives.
51. In respect of those Third Parties who have not reached agreements in principle, discussions may continue but there is no certainty that further agreements will be reached and these Third Parties will be excluded from the Plan and resulting releases should they fail to submit satisfactory offers before the filing of said Plan.
52. The implementation of the Plan will be subject to (i) a Plan Sanction Order in the CCAA, (ii) recognition of the Plan Sanction Order in the United States pursuant to Chapter 15 of the US Bankruptcy Code, with the Monitor serving as Foreign Representative and/or (iii) an implementation of a plan in the Chapter 11.
53. In order to fund the ongoing administration of both the CCAA and the Chapter 11, a portion of the Indemnification Fund will be allocated to accrued and future professional fees. For clarity's sake, the full amount of the \$25 million from XL, if made available for distribution under the Plan, will be distributed to beneficiaries without any deduction.

EXTENSION REQUEST

54. The Tenth Extension Motion seeks an extension of the stay of proceedings through January 12, 2015 ("Extension Period") to enable the following:
 - Finalization of settlement agreements with Third Parties as well as continued negotiations with other Third Parties;

- Preparation of a Plan, to be filed on or about December 19, 2014, in respect of the distribution of the XL proceeds as well as other amounts to be paid into the Indemnification Fund as described in the Plan Term Sheet filed by MM&A.

CHAPTER 11 PROCEEDINGS

55. As previously reported, on August 7, 2013, MM&AR commenced proceedings under Chapter 11 of the U.S. Bankruptcy Code in the US Court.
56. On August 21, 2013, the U.S. Trustee appointed Robert J. Keach, attorney, to be the Chapter 11 Trustee of MM&AR and he has assumed day to day control of the operations of MM&AR.
57. The Monitor and its counsel continue to be in frequent contact with the Chapter 11 Trustee and his professionals to coordinate the efficient administration of both estates as well as settlement discussions with third parties that are more fully described elsewhere in this report.
58. As noted in the Monitor's Fourth Report, the United States Trustee appointed a Committee of Derailment Victims ("Official Committee of Victims") which consists of three creditors (who all allege to have claims arising from the Derailment) to assist the Chapter 11 Trustee. In addition, the Province and the City of Lac Mégantic have been added as ex-officio members to the Official Committee of Victims. The Official Committee of Victims has also engaged legal counsel.
59. The Chapter 11 Trustee, to date, has served motions on 13 companies, all of whom are named as defendants in various litigation to compel them to appear for Rule 2004 pre-litigation discovery examinations under the US Bankruptcy Code and to produce documents in connection therewith. Certain of the companies have filed objections to the Rule 2004 motions, which objections have now been resolved by agreement or by order of the US Court. The Chapter 11 Trustee has agreed to extend the deadline to respond to certain of the Rule 2004 orders in light of ongoing settlement discussions with many of these companies. The Chapter 11 Trustee also recently moved the US Court for leave to amend the complaint in a pending adversary proceeding against World Fuel Services, et al. to include counts against Irving Oil and Canadian Pacific arising out of the Derailment.
60. 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 filed with or issued to date by the US Court include the following:
 - Order granting the Chapter 11 Trustee's motion to extend the plan moratorium period;
 - Order establishing the deadline to file Administrative Claims;

- Motions seeking approval of second interim fee applications for various professionals including the Chapter 11 Trustee and Canadian and US counsel of the Chapter 11 Trustee;
- Order granting motion of Official Committee of Victims seeking modification of the committee appointment order to authorize the committee to fully participate in wrongful death proceedings pending before the Maine District Court.

ACTIVITIES OF THE MONITOR

61. The Monitor's activities have included the following:

- Continued frequent 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. In addition, the Monitor has kept apprised of the restructuring proceedings of MM&AR through the review of Chapter 11 motions and orders;
- Maintaining regular contact with representatives of the Province and other stakeholders in this restructuring process to seek their input and provide assistance in various areas;
- The Monitor has been in regular communication with the legal counsel of the Class Representatives;
- The Monitor has prepared various plan distribution scenarios in consultation with the counsel for MM&A, the Chapter 11 Trustee, the Province and legal counsel for the Class Representatives;
- The Monitor continues to respond to queries from creditors and other interested parties;
- The Monitor is responding to various creditors queries regarding proofs of claim filed;
- The Monitor has participated in numerous settlement discussions with Third Parties in connection with the funding of a plan of arrangement;
- The Monitor reviewed the Petitioner's financial affairs and results for the period September 15, 2014 to November 14, 2014;
- The Monitor continues to post copies of all Court materials filed in the CCAA and Chapter 11 Proceedings on its website;
- The Monitor has prepared and filed this Fourteenth Report;
- Other administrative and statutory matters relating to the Monitor's appointment.

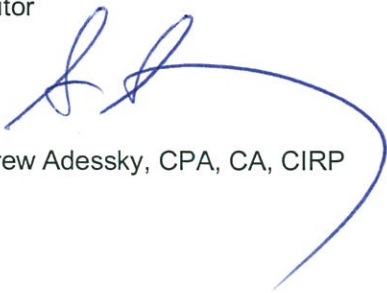
CONCLUSION

62. The Monitor is of the opinion that the Court should grant the extension request for the following reasons:

- Since the commencement of the CCAA proceedings, the Petitioner has and continues to act in good faith and with diligence;
- Further time is required for the formulation of the Plan to be submitted on or about December 19, 2014;
- Additional time is required to complete settlement agreements with various Third Parties to contribute to a Indemnification Fund in connection with a Plan;
- 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;
- A further extension of the stay has been discussed with the Province and the Class Representatives who have expressed their agreement with such an extension;
- The Monitor will continue to monitor the financial affairs of the Petitioner as it continues to wind up its operations and inform the Court and all stakeholders of the use of remaining funds on hand;
- The extension will not cause any prejudice to the various stakeholders.

Respectfully submitted at Montreal, this 21st day of November, 2014.

Richter Advisory Group Inc.
Monitor



Andrew Adessky, CPA, CA, CIRP