

CANADA
PROVINCE OF QUÉBEC
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 INC. (FORMERLY 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, Québec, H3A 0G6

Monitor

FORTY-SECOND REPORT OF THE MONITOR
June 9, 2026

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 Inc. (formerly 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 thirty-one times with the most recent extension having been granted to June 17, 2026.

3. We refer to the Monitor's prior reports for an overview of the CCAA proceedings and a summary of all motions filed and orders issued to date.
4. 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 June 8, 2015 (the "**Amended Plan**"). All amounts reflected in this report are stated in Canadian currency unless otherwise noted.
5. On June 9, 2026, the Petitioner filed a Motion for a Thirty-Second Order Extending the Stay Period and for Approval of Professional Fees ("**Thirty-Second Extension and Fee Motion**"). The Thirty-Second Extension and Fee Motion will be heard on June 12, 2026.
6. The purpose of this Forty-Second Report of the Monitor is to inform the Court on the following subjects:
 - a) Status of Distributions;
 - b) Settlement of the Dispute between the Province of Québec (the "**Province**") and the Federal Railway Administration (the "**FRA**")
 - c) Extension Request;
 - d) CP Document Order;
 - e) Interest Treatment and Final Distribution;
 - f) Chapter 11;
 - g) Approval of Professional Fees; and
 - h) Recommendations of the Monitor.

STATUS OF DISTRIBUTIONS

7. As of May 31, 2026, the Monitor holds approximately \$17.3 million, being the balance of the funds not yet distributed ("**Undistributed Funds**") and which are comprised primarily of interest earned (approximately \$11.9 million (the "**Interest**")) on the Funds for Distribution (as defined in the Amended Plan), various reserves and the remaining Administration Charge of the Canadian Professionals. As discussed below, the Monitor is now preparing to distribute the Undistributed Funds as the CCAA proceedings are essentially concluded.
8. A total of approximately \$29,000 of the distribution payments issued to date have i) not been released due to missing information, ii) been returned to the Monitor because some claimants have moved and not notified the Monitor of their new address or iii) not been cashed. The average amount of

those distribution payments is approximately \$1,000. In accordance with Section 8.8 of the Amended Plan, these unclaimed funds will be donated to charity.

SETTLEMENT OF THE DISPUTE BETWEEN THE PROVINCE AND FRA

9. We refer to our prior Reports (Sixth, Seventh, Eighth, Tenth, Eleventh and Thirteenth) with respect to the asset purchase agreement pursuant to which Central Maine & Québec Railway Canada Inc. (“**CMQ**”) acquired substantially all of the assets of MMAC and its U.S. subsidiary Montreal, Maine & Atlantic Railway Ltd. (“**MM&AR**”) for a purchase price of US\$14.2 million (the “**Purchase Price**”).
10. Following the completion of the transaction, two disputes arose between the FRA and the Province;
 - a) Each of the Province and the FRA claimed entitlement to the net proceeds of the Purchase Price, an amount of approximately US\$633K. As a result of the dispute, the Monitor retained these funds in a separate trust account which with accrued interest totals approximately US\$747K as of May 31, 2026 (the “**Net Proceeds**”).
 - b) In addition, the Province disputed the allocation of the Purchase Price between MMA and MM&AR. As a result, each of the Province and the FRA filed motions with the Canadian and US Courts respectively on this issue. No hearing has ever taken place on the dispute over the allocation of the Purchase Price.
11. The Monitor understands that the Province and the FRA are in settlement discussions whereby the Net Proceeds together with any accrued interest thereon should be distributed to the Province and to the FRA, in equal shares and that both parties will desist from their respective proceedings regarding the dispute over the allocation of the Purchase Price.

EXTENSION REQUEST

12. The Monitor had intended to complete the administration of the CCAA proceedings when it requested the Thirty-First Extension in December 2025. However, delays in resolving issues relating to the allocation of the Interest between the claimants as well as the issuance of tax receipts to recipients of the Interest (as more fully discussed below) prevented the final distribution to claimants to occur in the first half of 2026.
13. As a result, the Thirty-Second Extension and Fee Motion seeks a 6-month extension of the Stay Period to December 17, 2026, in order to provide time to (i) reach an agreement with the tax authorities with respect to the issuance of tax receipts, ii) proceed with the distribution of the Interest and Reserve Funds (as defined below) and (iii) complete the administration of the CCAA proceedings.

14. The Monitor has communicated with the major stakeholders (the Province, the Class Counsel and the US Legal Representatives, who together represent 99% of all claimants and 93% of the value of all claims) and they have all indicated their support and consent for the extension request.

CP DOCUMENT ORDER

15. We refer to the Twenty-Sixth Report of the Monitor dated June 8, 2017 for a summary of the CP Document Order. As of the date of this Report, the Monitor has provided monthly updates (for February 2017 to April 2026) to CP’s attorneys as well as to Class Counsel. CP’s attorneys have indicated that once the adversary proceedings, as further discussed below, are terminated, there will be no need for any further updates.

INTEREST TREATMENT AND FINAL DISTRIBUTION

Interest Allocation

16. As previously indicated, as of the date of this report there is approximately \$17.3 million of Undistributed Funds. The Undistributed Funds consist of the Interest, approximately \$11.9 million in interest earned on the Funds for Distribution since the effective date of the Amended Plan, as well as \$5.4 million (the “**Reserve Funds**”) previously held in reserve for various provisions that are no longer required.

17. The Reserve Funds will be distributed in accordance with the terms of the Amended Plan as outlined in the table below.

| <u>Category</u> | <u>Distribution of additional funds from the estimated reserve</u> |
|----------------------|--|
| Wrongful Death | \$ 1,431,652 |
| Moral Damages | 627,450 |
| Economic Damages | 338,073 |
| Subrogated Insurers | 228,371 |
| Province of Québec | 2,576,977 |
| Federal Government | - |
| City of Lac-Mégantic | 158,653 |
| | <u>\$ 5,361,176</u> |

18. In April 2026, after many months of discussion, the Province advised the Monitor that it takes the position that the allocation of the Interest between the claimants should be based on the entitlement to the principal on which the interest has accrued as opposed to the terms of the Amended Plan. The Province contends that the majority of the Interest has accrued on Funds for Distribution to which it is entitled. The Monitor’s agrees that while the majority of the Interest has accrued on Funds for Distribution that were paid to the Province, legally, the Interest should be allocated in accordance

with the terms of the Amended Plan. The table below reflects the differences in allocation under these two scenarios.

| As at May 31, 2026 | Scenario 1 : Pro rata distribution of total interest pursuant to section 4.2 of the Plan of Arrangement | Scenario 2 : Allocation of interest taking into account the distribution dates | Difference in interest allocation between Scenario 1 and Scenario 2 |
|---------------------------|--|---|--|
| Category | | | |
| Wrongful Death | \$ 3,185,937 | \$ 544,066 | \$ (2,641,872) |
| Moral Damages | 1,396,832 | 464,408 | (932,424) |
| Economic Damages | 721,977 | 240,019 | (481,959) |
| Subrogated Insurers | 508,208 | 168,995 | (339,213) |
| Province of Québec | 5,732,445 | 10,362,072 | 4,629,627 |
| Federal Government | - | - | - |
| City of Lac-Mégantic | 352,922 | 118,762 | (234,160) |
| | <u>\$ 11,898,321</u> | <u>\$ 11,898,321</u> | <u>\$ 0</u> |

19. As shown in in the table, Scenario 2 results in the Province receiving an additional \$4.6 million in interest (the “**Additional Interest**”) compared to the distribution under the Amended Plan. While the Province maintains it is entitled to the Additional Interest, it nonetheless intends to redistribute this amount such that all claimants will receive the same distribution as in Scenario 1.
20. While the Monitor is of the view that the accrued interest should be distributed in accordance with the Amended Plan, the Monitor consulted with both the US Legal Representatives and Class Counsel on this issue. Their position as communicated to the Monitor is as follows:
 - a) The US Legal Representatives advised that they will not take any formal position on how the Interest should be allocated and will defer to the Court on this matter. Further, the US Legal Representatives have advised the Monitor that they do not believe any professional fees should be charged on the distribution of any of the Interest to the claimants and have accordingly waived any rights, if any, to fees on interest distributed to claimants represented by them;
 - b) Class Counsel informed the Monitor that while they believe Interest should be distributed according to the terms of the Amended Plan, they will agree that there will be no professional fees due to them on the Additional Interest and will only receive professional fees on interest paid to claimants represented by them that is not claimed by the Province.
21. Following the position of the US Legal Representatives and Class Counsel, the Province has agreed that Scenario 1 can be followed for the distribution of interest provided that no professional fees will be deducted from the Additional Interest.

Tax Implications

22. As described in the Twenty-Ninth Report dated November 14, 2018 and subsequent reports, the Monitor is required by the fiscal authorities to issue provincial and federal tax slips to each claimant who will have received \$50 or more of interest earned on the Funds for Distribution.
23. Earlier in 2026, the Monitor initiated discussions with the fiscal authorities to determine how to accomplish the issuance of tax slips as the Monitor does not have the social insurance numbers for the claimants. Obtaining this information will be both costly and lengthy and reduce funds available for distribution. The Monitor also wished to explore other potential solutions which will be more efficient and easier to implement, including the waiving of the requirement to issue tax slips or allow the Monitor to remit an amount directly to the fiscal authorities directly on behalf of all victims.
24. The preliminary response from Revenu Québec has been that an alternate solution may exist whereby Revenu Québec can waive the issuance of tax slips by the Monitor, and instead oblige the Monitor to issue letters to all claimants setting out the amount of interest they are receiving along with the requirement that each claimant include the interest received when filing their next tax return. This solution is still being reviewed and the Monitor hopes to receive a final answer from Revenu Québec in the coming weeks. Once finalized it will seek a similar solution with the Canada Revenue Agency.

CHAPTER 11

25. As detailed in the Forty First Report dated December 11, 2025, the Carmack litigation was terminated and the only remaining litigation in the Chapter 11 was the Estate Representative's separate litigation against CP. The Estate Representative has advised that that the Adversary Proceeding in MMA's Chapter 11 before the US Court has been dismissed and is therefore terminated.

APPROVAL OF PROFESSIONAL FEES

26. The Thirty-Second Extension and Fee Motion also seeks approval for the payment of the Canadian Professional Fees incurred for the period of December 1, 2025 to May 31, 2026, which can be summarized as follows:

| Montreal, Maine & Atlantic Canada Co. | | | |
|--|----------------------|--------------------|---------------------|
| Administration Charge Summary | | | |
| As of May 31, 2026 | | | |
| | Fees / | | |
| | Disbursements | Sales Taxes | Total |
| Administration Charge ¹ | \$ 14,650,000 | \$ 2,170,000 | \$ 16,820,000 |
| Accrued Professional Fees as of November 30, 2025 | <u>(14,624,053)</u> | <u>(2,165,725)</u> | <u>(16,789,779)</u> |
| Balance of Administration Charge to implement the Plan | 25,947 | 4,275 | 30,221 |
| Richter | 56,134 | 8,406 | 64,540 |
| Woods | 60,374 | 9,041 | 69,415 |
| Gowing WLG | 11,383 | 1,705 | 13,087 |
| | <u>127,890</u> | <u>19,152</u> | <u>147,042</u> |
| Shortfall ² | \$ (101,943) | \$ (14,877) | \$ (116,820) |
| Funds used from Retainer ² | 101,943 | 14,877 | 116,820 |
| Balance owing | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| ¹ As per the Amended Plan of Compromise and Arrangement dated June 8, 2015, the Order dated March 3, 2017, the Order dated November 21, 2018 and the Order dated June 16, 2021. | | | |
| ² The Monitor and its counsel hold a \$150,000 retainer which will be applied to cover the shortfall in the administration charge. | | | |

27. As shown in the above table, the Administration Charge has been fully utilized. As noted in prior reports, the Monitor holds a retainer of \$150,000 (plus accrued interest) which has been partially applied to cover the shortfall in professional fees.

RECOMMENDATIONS OF THE MONITOR

A) Extension

28. The Monitor is of the opinion that the Court should grant the extension request to December 17, 2026, in order to enable the Monitor to make final distribution payments and the related tax treatment of the interest distributed to all claimants. The major stakeholders support this position.

B) Professional Fees

29. The Monitor supports the approval of the professional fees for the period of December 1, 2025 to May 31, 2026, which fees are fair and reasonable

Respectfully submitted at Montreal, this 9th day of June 2026.

Richter Inc. (formerly Richter Advisory Group Inc.)
Monitor

A handwritten signature in blue ink, appearing to read 'A. Adessky', with a stylized flourish at the end.

Andrew Adessky, CPA, MBA, CIRP, LIT