



Raymond Chabot inc.

Affiliated Company of
Raymond Chabot Grant
Thornton

LLP
National Bank Tower
600 De La Gauchetière Street West
Suite 2000
Montréal, Quebec H3B 4L8
Phone: 514-879-1385
Fax: 514-878-2100
www.raymondchabot.com

CANADA
DISTRICT OF QUEBEC
DIVISION: 01-MONTRÉAL
COURT NO.: 500-11-051741-169
OFFICE NO.: 122784-004

SUPERIOR COURT
Companies Creditors' Arrangement Act
(RSC 1985, ch.C-36)

IN THE MATTER OF THE ARRANGEMENT
OR COMPROMISE OF:

**CORPORATION MOUNT REAL/MOUNT
REAL CORPORATION, GESTION MRACS
LTÉE/GESTION MRACS LTD., REAL VEST
INVESTMENTS LTD. AND REAL ASSURANCE
ACCEPTANCE CORPORATION,**

Legal persons having carried on business primarily at
2500 Allard Street, Suite 2000, in the City of Montréal, in
the province of Quebec H4E 2L4.

Debtor Companies

-and-

RAYMOND CHABOT INC. (SR0163),

Legal person having a place of business in the National
Bank Tower, 600, rue De La Gauchetière Ouest, in the
City of Montréal, in the province of Quebec H3B 4L8.

Monitor

**REPORT TO THE CREDITORS ON THE PLAN OF COMPROMISE AND ARRANGEMENT
AND STATE OF THE DEBTOR COMPANIES' BUSINESS AND FINANCIAL AFFAIRS**

On December 1, 2016, the Superior Court rendered an Order regarding the filing of a Plan of compromise and Arrangement, the claims guide, voting and proxy forms, deadline for submitting claims, the meeting of creditors and the ratification date for the Plan of Arrangement, which Order has authorized the filing of the Plan of Compromise and Arrangement of the Debtor Companies (the "Plan of Arrangement").

This report of the Monitor presents the state of the Debtor Companies' business and financial affairs, the Plan of Arrangement, including the Monitor's recommendation to vote for the Plan of Arrangement, for the reasons set out in this report.

Dated in Montréal, on December 15, 2016.

RAYMOND CHABOT INC.

Monitor

Jean Gagnon, CPA, CA, CIRP, LIT

CORPORATION MOUNT REAL/MOUNT REAL CORPORATION, GESTION MRACS LTÉE/GESTION MRACS LTD., REAL VEST INVESTMENTS LTD. AND REAL ASSURANCE ACCEPTANCE CORPORATION

Report to the Creditors on the Plan of Arrangement and Compromise and State of the Debtor Companies' Business and Financial Affairs

2

1. INTRODUCTION

This report covers the following:

- Background (section 2);
- Monitor's activities (section 3);
- Plan of Arrangement summary (section 4);
- Conclusion and recommendations (section 5).

2. BACKGROUND

Raymond Chabot inc. was appointed provisional administrator of Mount Real Corporation ("MRC") on November 9, 2005 and Gestion MRACS Ltée/Gestion MRACS Ltd. ("MRACS"), Real Vest Investments Ltd. ("Real Vest") and Real Assurance Acceptance Corporation ("RAAC") on January 24, 2006 by the Quebec Minister of Finance to protect the investors on the recommendation of the Financial Markets Administrative Tribunal and following an inquiry by the *Autorité des marchés financiers* ("AMF") establishing that illegal acts had been committed by the directors, representatives and brokers of the corporations having issued or distributed promissory notes.

Petitions in bankruptcy were filed by the promissory note holders against MRACS, on November 22, 2005, MRC, on December 6, 2005, and Real Vest, on February 15, 2006. On February 24, 2006, MRC, MRACS and Real Vest announced they were unable to submit viable proposals and that they agreed to file bankruptcy. This terminated all petitions and on February 27, 2006, Superior Court Justice Jean-Yves Lalonde rendered a ruling.

In two identical decisions, the Court declared that MRC's and MRACS's proposals were deemed rejected by the creditors on the basis that MRC and MRACS were not acting or did not act in good faith and with due diligence in submitting their proposals.

In other identical decisions, the Court declared that MRACS and Real Vest were bankrupt and appointed Raymond Chabot inc. as Trustee.

Class action

On November 8, 2008, Ms. Andrée Ménard filed a petition for authorization to launch a class action suit against the respondents, Lino Matteo, Paul D'Andrea, Deloitte, BDO, SLF, B2B Trust and Penson. Ms. Ménard alleges that Matteo and D'Andres organized an extensive fraud which was made possible due to the negligence of the professionals and financial services organizations named.

The purpose of the class action is to indemnify investors in the group for losses incurred due to the respondents' acts.

On August 25, 2011, Quebec Superior Court Justice Jean-François Buffoni authorized the class action

CORPORATION MOUNT REAL/MOUNT REAL CORPORATION, GESTION MRACS LTÉE/GESTION MRACS LTD., REAL VEST INVESTMENTS LTD. AND REAL ASSURANCE ACCEPTANCE CORPORATION

Report to the Creditors on the Plan of Arrangement and Compromise and State of the Debtor Companies' Business and Financial Affairs

on behalf of the group of individuals who, on November 9, 2005 owned promissory notes issued by Mount Real Corporation, Gestion MRACS Ltd., Real Vest Investments Ltd. and Real Assurance Acceptance Corporation.

Following an out-of-court settlement conference under Quebec Superior Court Justice Louis Lacoursière, an out-of-court settlement was reached between Ms Ménard, acting on behalf of the holders of promissory notes issued by the Debtor Companies and the five corporate defendants, that is, three accounting firms and two securities custodians.

The settlement amount is approximately \$43M. This amount includes fees (20% plus taxes) of the class action counsels after the approval by the court. The settlement agreement, if approved, will terminate the class action against Deloitte, BDO, SLF, B2B Trust and Penson, who have settled without admission of responsibility for the fraud, other than Lino Matteo.

The settlement is governed by the *Companies Creditors' Arrangement Act* ("CCAA").

On December 1, 2016, Justice Jean-François Buffoni appointed Ms. Andrée Ménard, class action representative to represent the members in the proceedings under the CCAA and approved representation assignments to TJL and Belleau Lapointe.

On December 1, 2016, Justice Jean-François Buffoni also rendered an Order approving the filing of a Plan of Arrangement and the claim procedure and an Order appointing Raymond Chabot inc. as Monitor.

3. MONITOR'S ACTIVITIES

Since it was appointed, the Monitor essentially carried out the following duties:

- Publication of the initial Order and relevant information on its website (<https://www.raymondchabot.com/en/public-records/corporationmountreal/>);
- Numerous communications with creditors;
- Numerous communications and meetings with representatives of various parties.

4. PLAN OF ARRANGEMENT SUMMARY

The Plan of Arrangement stipulates that all creditors form a single class under the Plan of Arrangement, for the purposes of the vote. The Monitor recommends that creditors read the Plan of Arrangement posted on its website (<https://www.raymondchabot.com/en/public-records/corporationmountreal/>).

The Plan of Arrangement can be summarized as follows (in case of discrepancy, the Plan of Arrangement takes precedence over this summary):

- The members of the class action will receive a payment in the distribution of the net amount obtained under the class action. The Monitor will distribute the funds on a prorata basis according

**CORPORATION MOUNT REAL/MOUNT REAL CORPORATION, GESTION MRACS
LTÉE/GESTION MRACS LTD., REAL VEST INVESTMENTS LTD. AND REAL
ASSURANCE ACCEPTANCE CORPORATION**

Report to the Creditors on the Plan of Arrangement and Compromise and State of the Debtor
Companies' Business and Financial Affairs

4

to the creditors in the class action and the total claims. Claims have already been estimated to approximately \$68,637,468.13. Individual amounts are shown on the Monitor's website (<https://www.raymondchabot.com/dossiers-publics/corporationmountreal>);

- Creditors who are members of the class action will be entitled to receive a payment of their net capital invested in the promissory notes, that is, the amount of capital invested only, without the interest earned, less the payments they have received, if any. In fact, the interests paid in the fraud were fictitious. They were deducted from the sums invested by the other creditors. On the basis of the information currently available to us, the members of the group will receive approximately 50% of their net capital. This amount may vary depending on the amount of claims to be filed by members and the excluded creditors.
- The Plan of Arrangement excludes from the distribution under the class action any individual having been found guilty of fraud or who benefited from the fraud. Some of the excluded individuals may, however, contest their exclusion before the Superior Court by providing information on their investment and their knowledge of the activities of the debtor companies;
- Creditors whose initial investment was made through their registered retirement savings plan ("RRSP") who wish to maintain the amount in their RRSP must send form T2033 duly completed, to the Monitor;
- Another payment will be made to the bankrupts' creditors included in the Order. The Monitor will distribute the funds on a prorata basis according to the bankrupts' creditors having filed proofs of claim. Based on the proof of claim received, this estimated dividend will be less than 1% of the bankruptcy proof of claims ;
- Implementation of the Plan of Arrangement is subject to certain conditions, including:
 - Its approval by the creditors at the March 14, 2017 meeting;
 - Its ratification by the Court on March 28, 2017.

The total amount of claims does not take account of any rejections, in which case the total will be reduced.

5. CONCLUSION AND RECOMMENDATIONS

- Considering that implementation of the Plan of Arrangement will put a positive end to a very long legal battle and applies to all creditors, the creditors will be treated fairly with respect to the distributions to which they are entitled.

We consider that the Plan of Arrangement is beneficial for all creditors and we recommend that the creditors vote in favour of the Plan of Arrangement.