

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

In re:

MONTREAL MAINE & ATLANTIC  
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670

Chapter 11

**CHAPTER 11 TRUSTEE'S MOTION FOR INTERIM AND FINAL ORDERS  
(A) AUTHORIZING DEBTOR TO OBTAIN POST-PETITION FINANCING  
AND (B) GRANTING TO CAMDEN NATIONAL BANK  
POST-PETITION PRIORITY LIENS**

Robert J. Keach, the chapter 11 trustee (the "Trustee") appointed in the above-captioned chapter 11 bankruptcy case of Montreal Maine & Atlantic Railway, Ltd. (the "Debtor"), moves this Court, pursuant to the Bankruptcy Code sections and rules of procedure identified below (the "Motion"), for interim and final orders approving an increase in the availability under that certain line of credit agreement entered into by and between the Debtor and Camden National Bank (the "Lender") and approved by prior Order of this Court (the "Existing Loan") substantially upon the terms set forth in the Commitment Letter (the "Commitment Letter"), a copy of which is attached hereto as Exhibit A, and scheduling a hearing to consider approval of the Motion on a final basis. In support of this Motion, the Trustee states as follows:

**Summary of Loan Terms Pursuant to Bankruptcy Rule 4001(c)(1)(B)**

1. By this Motion, the Trustee seeks the authority to increase the availability under the Existing Loan on the terms set forth in the Commitment Letter and summarized below:
  - a. The financing contemplated by the Commitment Letter is structured as an increase in availability under the Existing Loan by up to **\$1.8 million**, resulting in total availability under the Existing Loan of a maximum of **\$4.8 million** (the Existing Loan, as modified by the relief

requested herein, hereinafter referred to as the "New Loan"). [Commitment Letter, ¶ 2].

- b. The commitment fee relating to the New Loan equals three (3) points on the amount of new availability arising under the financing (or \$54,000.00). One additional point will be added to the commitment fee in the event the New Loan is not paid in full by June 15, 2014 (or an additional \$18,000.00). [Commitment Letter, ¶ 8].
- c. Interest on the New Loan shall be 5.00% per annum, payable monthly and the default rate shall be 18.00% per annum. [Commitment Letter, ¶ 6].
- d. The proceeds of the New Loan shall be used (i) to pay interest, fees, and expenses owing to Lender, and (ii) to finance the ongoing operations and working capital needs of the Debtor and MMA Canada (as defined herein). The proceeds shall not be used for payment of prepetition debt, except prepetition debt required to be paid under the Bankruptcy Code or authorized to be paid by the Bankruptcy Court, provided, however, that such amounts of prepetition debt shall not exceed \$250,000.00 absent the Bank's written consent. The proceeds shall not be used to pay the costs of administration of the Debtor's chapter 11 case, other than ordinary and necessary costs of operating the Debtor's business, absent the Bank's written consent. [Commitment Letter, ¶ 3].
- e. The maturity date of the New Loan shall be August 30, 2014 (the "Maturity Date"). [Commitment Letter, ¶ 5].
- f. The New Loan shall be secured by a first priority mortgage and security interest on the U.S. Real Property and U.S. Personal Property (as defined herein) which is the same collateral that currently secures the Existing Loan and constitutes the collateral located in the United States that was pledged to the Federal Railroad Administration (the "FRA") in relation to a prepetition financing between the Debtor and the FRA (any and all collateral pledged to Lender in relation to the Existing Loan hereinafter referred to as the "Loan Collateral"). [Commitment Letter, ¶ 4].
- g. In the event that the New Loan is not paid in full on or before the Maturity Date, the Trustee shall, and shall be authorized by the final order approving the New Loan to, liquidate, under section 1174 of the Bankruptcy Code, the Loan Collateral or such portion thereof as is required to pay the New Loan in full.

- h. Closing of the New Loan is contingent on certain conditions being satisfied, including, but not limited to: (i) entry of interim and final orders by this Court approving the New Loan; (ii) entry of an order by the Court, or entry into debt subordination agreements with all necessary creditors, subordinating the interests of those creditors to the interests of Lender in relation to the Loan Collateral; and (iii) preparation of loan documents as specified in the Commitment Letter. [Commitment Letter, ¶ 14].
- i. The Debtor shall indemnify Lender from and against any loss to Lender as a result of past, present, or future transportation of hazardous or toxic materials, or disposal of such materials and/or noncompliance with environmental laws or orders. [Commitment Letter, ¶ 17].
- j. Upon the occurrence and during the continuance of any default on the New Loan, and following ten (10) business days' notice to the Debtor of such default, Lender shall, and shall be authorized by the final order approving the New Loan to, receive relief from the automatic stay. [Commitment Letter, ¶ 12].
- k. The terms of the New Loan do not contain any of the provisions described in Bankruptcy Rule 4001(c)(1)(B)(ii), (iii), (v), (vi), (vii), (viii), (x) or (xi).
- l. In accordance with Local Rule 4001-2(d), notice is hereby given that the Additional Loan contains the following terms and conditions:**
  - i. A release of claims or waiver of defenses by the Debtor. [Commitment Letter, ¶¶ 12, 22, 23].**
  - ii. A post-petition lien to secure a claim of a secured creditor. [Commitment Letter, ¶ 4].**
  - iii. A provision granting a creditor relief from the automatic stay without further order or hearing upon the breach of the post-petition financing agreement. [Commitment Letter, ¶ 12].**

**The Trustee requests that the Court approve these terms and conditions which vary from the requirements of Local Rule 4001-2(c). The terms and conditions of the New Loan do not contain any of the provisions described in Local Rule 4001-2(c)(1) or (4).**

2. As discussed further below, the Trustee anticipates that the FRA and the Maine Department of Transportation (“MDOT”) will consent to the terms of the New Loan, and, specifically, the subordination of the FRA’s and MDOT’s interests in the Loan Collateral to permit Lender to have a first-priority interest in the Loan Collateral to secure all obligations arising under the New Loan.<sup>1</sup>

**Jurisdiction, Venue and Statutory Basis for Relief**

3. The United States District Court for the District of Maine (the “District Court”) has original, but not exclusive, jurisdiction over this proceeding pursuant to 28 U.S.C. § 1334(b). Pursuant to 28 U.S.C. § 157 and Rule 83.6 of the District Court’s local rules, the District Court has authority to refer and has referred this chapter 11 case to this Court.

4. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and this Court has constitutional authority to enter final judgment in this proceeding.

5. Venue over this chapter 11 case is proper in this district pursuant to 28 U.S.C. § 1408, and venue over this proceeding is proper in this district pursuant to 28 U.S.C. § 1409.

6. The relief sought in this Motion is predicated upon sections 105(a), 361, 362(f), and 364(d) of the Bankruptcy Code, Bankruptcy Rules of Procedure (the “Bankruptcy Rules”) 4001(a)(1), 4001(d)(1)(B), 9013 and 9014, and Local Rules of this Court (the “Local Rules”) 4001-1, 4001-2, 4001-3 (as applicable), 4001-4, 9013-1 and 9014-1.

**Background**

**A. General Background**

7. On August 7, 2013 (the “Petition Date”), the Debtor filed a voluntary petition for relief under 11 U.S.C. § 101 et seq. (the “Case” and together with the MMA Canada (defined

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<sup>1</sup> MDOT may have a security interest in all rail, related cross ties, and related track materials incorporated or installed in, attached to, or located on certain rail corridors owned by the Debtor and located in Maine.

below) case, the “Cases”). [D.I. 1]. The Debtor’s bankruptcy filing was precipitated by the train derailment in Lac-Mégantic, Québec on July 6, 2013 (the “Derailment”). The Derailment set off several massive explosions, destroyed part of downtown Lac-Mégantic, and is presumed to have killed 47 people. The Derailment also precipitated the filing by Montreal Maine & Atlantic Canada Co. (“MMA Canada”), MMA’s subsidiary, under Canada’s Companies’ Creditors Arrangement Act.

8. On August 21, 2013, the United States Trustee appointed the Trustee pursuant to 11 U.S.C. § 1163. [D.I. 64].

**B. Pre-Petition FRA Financing**

9. Prior to the Petition Date, the Debtor entered into a \$34,000,000.00 loan facility with the FRA, pursuant to that certain Loan and Security Agreement dated March 24, 2005 (as such agreement may have been amended, modified, renewed or extended from time to time, the “FRA Credit Facility”). The FRA Credit Facility was issued pursuant to Title V of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended, 45 U.S.C. § 821 et seq. The outstanding balance on the FRA Credit Facility, as of the Petition Date, was approximately \$28,000,000.00.

10. The Debtor’s obligations to the FRA under the FRA Credit Facility are secured by the following (all as more specifically described in the FRA Credit Facility):

- a. A first-priority mortgage on the real property owned by the Debtor in the United States, including the U.S. rail corridor consisting of approximately 220.73 miles of track located in Maine and an estimated 23.47 miles of track located in Vermont, as well as various land and buildings owned by the Debtor in fee simple (the “U.S. Real Property”);
- b. A first-priority security interest in certain personal property of the Debtor located in the United States, to the extent provided by the terms of the FRA Credit Facility (the “U.S. Personal Property”), including

all rail lines and related tracks and improvements located within the United States, all rail ties, bridges, and related assets;

- c. All of the Debtor's real property located in Québec, Canada;
- d. All of the Debtor's shares in MMA Canada;
- e. All of the real property owned by MMA Canada and located in Québec, Canada; and
- f. All of MMA Canada's personal property.

11. All mortgages and security agreements securing the FRA Credit Facility were timely and properly perfected by recordings in the United States and Canada.

**C. The Original Loan by the Lender, the Sale and the New Loan**

12. After the Petition Date, the Trustee began negotiations with Lender about providing post-petition financing needed to fund the Debtor's operating costs and working capital needs pending a sale of the Debtor's assets. As a result of these negotiations, the Debtor and the Lender, with the approval of this Court, entered into the Existing Loan, which, as noted above, is a line of credit in the maximum principal amount of up to \$3 million.

13. The Lender's willingness to enter into the Existing Loan was premised on the Lender obtaining a first-priority interest in the Loan Collateral, which interest was granted pursuant to the Order of this Court approving the Existing Loan.

14. Both prior to and after the approval of the terms of the Existing Loan, the Trustee (and the monitor in the MMA Canada proceedings) began the process of seeking buyers for the assets of the Debtor and MMA Canada. As a result of these efforts and after locating a stalking horse bidder, on December 12, 2013, the Trustee filed a motion to establish bid procedures for the sale (the "Sale") of substantially all of the Debtor's and MMA Canada's assets (the "Sale").

Assets”). On December 19, 2013, this Court approved the motion and bid procedures. [D.I. 535].

15. Pursuant to the bid procedures, on January 21, 2014, an auction was held in Portland, Maine, wherein Railroad Acquisition Holdings LLC (the “Purchaser”) was the highest bidder for the Sale Assets, and on January 24, 2014, the Court approved the sale of the Sale Assets to the Purchaser. [D.I. 594].

16. The Existing Loan will be fully drawn prior to the closing of the Sale and the Debtor and MMA Canada need adequate working capital to continue operating through the approval of the Sale. The proceeds of the New Loan will be used to fund these expenses and other operating expenses of the Debtor and MMA Canada.

#### **Relief Requested**

17. By this Motion, the Trustee seeks entry of an interim order: (a) approving the New Loan substantially upon the terms set forth herein, in the Commitment Letter, and in the related loan documents, which loan documents shall substantially reflect the terms of the Commitment Letter (collectively, the “Loan Documents”); (b) authorizing the Debtor to obtain new credit under the Loan Documents upon interim approval of this Motion in the initial amount of not more than **\$900,000.00**, resulting in **\$3.9 million** obtained in the aggregate, pending a final order of the Court approving the New Loan (see the interim budget attached hereto as **Exhibit B**); (c) granting Lender a priming, first-priority security interest in and lien upon the Loan Collateral to secure the obligations arising under the New Loan; (d) authorizing the Debtor to provide Lender with an assignment of leases and rents relating to the U.S. Real Property; (e) determining that, to the extent applicable, the requirements of section 364(d) have been satisfied; (f) finding that Lender acted in good faith in relation to the New Loan under section 364(e) of the

Bankruptcy Code; (g) modifying and vacating the automatic stay to the extent necessary to permit the Lender to perform any act authorized or permitted under or by virtue of the Loan Documents or Order of this Court; (h) waiving any stay of effectiveness of the order, including any stay otherwise applicable under sections 4001(a)(3) or 6004(h) of the Bankruptcy Code; and (i) scheduling a hearing to consider approval of the Motion on a final basis.

**Basis for Relief**

18. Pursuant to section 364(d) of the Bankruptcy Code, a debtor may only incur debt secured by a senior lien on property of the estate that is already subject to a lien if, after notice and a hearing, the debtor is able to show that: (a) the debtor was unable to obtain a loan under any other subsection of section 364; and (b) there is “adequate protection of the interest of the holder of the lien on the property of the estate on which such senior or equal lien is proposed to be granted.” 11 U.S.C. § 364(d)(1). Courts generally defer to a debtor or trustee’s business judgment in granting post-petition financing under section 364(d). See In re DB Capital Holdings, LLC, 454 B.R. 804, 822 (Bankr. D. Colo. 2011) (citing cases). The New Loan satisfies the requirements of section 364(d).

19. Relative to the requirement that the financing could not be obtained under any other subsection of section 364, in negotiating the Existing Loan, the Trustee approached potential lenders other than the Lender, including the Debtor’s existing lenders, in an attempt to obtain post-petition financing. At the time, in light of the number, and extent, of priority and general unsecured claimants in these Cases and in light of the lack of unencumbered collateral,<sup>2</sup> the Trustee ultimately was only able to obtain financing on a priming lien basis, and the Trustee was unable to obtain financing on more favorable, or expeditious, terms, than the Existing Loan.

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<sup>2</sup> Although the Debtor owns some assets that are not otherwise encumbered, such assets are insufficient to secure the financing necessary to reach the resolution of the Cases.



20. The financial condition of the Debtor and MMA Canada since the closing of the Existing Loan have changed little, and thus the necessity of priming lien financing remains. The Debtor discussed the additional financing needed with another potential lender, but in the end, the Trustee determined that the terms that the Lender was willing to provide for the New Loan were the most favorable. Additionally, the Trustee has determined that an extension of the Existing Loan through the Lender is more expeditious and cost-effective than engaging in the process of a new credit agreement with a new lender. Given these circumstances, it is the judgment of the Trustee that the New Loan satisfies the requirements of section 364(d)(1)(A). In other words, with respect to section 364(d)(1)(A), the Trustee has considered other potential sources of financing and has determined that the New Loan is the best source of financing at this point in the Cases.

21. In considering sources of post-petition financing, the debtor or trustee has “no duty to seek credit from every possible lender,” and this is particularly true in cases where “time is of the essence.” In re Snowshoe Co., 789 F.2d 1085, 1088 (4th Cir. 1986). Time is certainly of the essence here, as the Trustee has determined that, absent use of the proceeds of the New Loan, the Debtor could exhaust its cash reserves in the next week or two.

22. With respect to the requirement of adequate protection under section 364(d)(1)(B), the Trustee anticipates that the FRA and MDOT will consent to the terms of the New Loan, similar to the consent provided in relation to the Existing Loan. Consents by the FRA and MDOT would render moot the requirement to formally adequately protect the FRA and MDOT. These secured parties understand that in the absence of the New Loan, the Debtor and MMA Canada would not have the funds necessary to consummate the closing of the Sale and the Sale will maximize the value of the Sale Assets for the benefit of the FRA and MDOT (among

others) and will allow for the continued operation of the rail lines, which is in the public interest. In any event, even absent such consent, the interests of both the FRA and MDOT are adequately protected. Accordingly, the requirements of section 364(d)(1)(B) are satisfied.

23. Finally, in relation to the deference to the Trustee's business judgment requirement outlined above, the Trustee has determined that the New Loan is in the best interest of the estate and all creditors. The New Loan is essential to maximize the value of the distributions to creditors, including priority creditors, by ensuring that the Debtor is able to continue operating and to consummate the closing of the Sale, which will maximize the value of the Debtor's assets and its estate for the benefit of those creditors. Continuing to operate without a material adverse change to operations is also a condition to closing on the Sale and, absent use of the proceeds of the New Loan, the Debtor and MMA Canada would likely not be able to satisfy this condition. Additionally, the certainty in operations provided by the New Loan will provide comfort to customers concerning whether their product will reach its destination, rather than being stranded by a suspension of operations. Finally, financing of the operations of the Debtor and MMA Canada is a critical aspect to the extension of MMA Canada's certificate of fitness by the Canadian Transportation Agency, the current extension for which expires on April 1, 2014, and the extension of the stay period in the MMA Canada case, which expires on February 11, 2014. In both cases, the granting of such extensions will depend on the financial viability of MMA Canada. Thus, the New Loan is urgently needed to maximize the value of the estate and recoveries to creditors.

**Basis for Interim Approval**

24. Pursuant to Bankruptcy Rule 4001(c)(2), the Court may not commence a final hearing on the Motion less than 14 days from service of the Motion; however, the Court may

conduct a preliminary hearing before such 14-day period and authorize the Debtor to obtain credit “to the extent necessary to avoid immediate and irreparable harm to the estate” pending a final hearing. Fed. R. Bankr. P. 4001(c)(2). Likewise, pursuant to section 362(f) of the Bankruptcy Code and Local Rule 4001-1(b)(2), the Court may grant expedited relief from the automatic stay “as is necessary to prevent irreparable damage to the interest of an entity in property, if such interest will suffer such damage before there is an opportunity” for the otherwise applicable notice and hearing under section 362(d) or (e).

25. The interim authorization for the Debtor to obtain credit under the New Loan in the amount of approximately \$900,000.00 (the “Initial Amount”) is necessary prior to the final approval of the Motion to prevent immediate and irreparable harm to the Debtor, its estate, and the recoveries of creditors. As discussed above, without the credit provided by the New Loan, the Debtor could exhaust its cash reserves in the next couple of weeks (or less) and the Initial Amount will provide sufficient liquidity for the Debtor to continue operations and work towards the closing of the Sale. Therefore, sufficient cause exists to grant the Motion on an interim basis, expedite relief from the automatic stay, and schedule a hearing for final relief.

#### Notice

26. Notice of this Motion, the relief requested herein and the hearing on the Motion shall be served by the Trustee on (i) the United States Trustee; (ii) the Debtor’s counsel; (iii) counsel to MMA Canada; (iv) the Monitor in the Canadian insolvency proceedings of MMA Canada; (v) counsel to the Monitor; (vi) the non-insider holders of the twenty (20) largest unsecured claims against the Debtor or, if applicable, the lawyers representing such holders; (vii) applicable federal and state taxing authorities; (viii) the holders of secured claims against the Debtor or, if applicable, the lawyers representing such holders; (ix) counsel to the Official

Committee of Derailment Claimants; (x) Camden National Bank; (xi) the United States of America on behalf of the Federal Railroad Administration; (xii) the Maine Department of Transportation; (xiii) Wheeling & Lake Erie Railway Company; (xiv) Bangor Savings Bank; and (xv) others who have entered an appearance and requested service of papers in the Chapter 11 Case (collectively, the "Notice Parties"). Under the circumstances, the notice given by the Trustee of the Motion, the relief requested herein and the hearing thereon constitutes due and sufficient notice thereof and complies with Bankruptcy Rules 4001, 9013 and 9014 and Local Rules 4001-1, 4001-2, 4001-3 (to the extent applicable), 4001-4, 9013-1, and 9014-1, and no further notice is necessary or required.

### Conclusion

WHEREFORE, the Trustee requests that the Court enter an interim order: (a) approving the New Loan upon the terms set forth herein and in the Loan Documents; (b) authorizing the Debtor to obtain new credit under the Loan Documents upon interim approval of this Motion in the initial amount of not substantially more than \$900,000.00, resulting in \$3.9 million obtained in the aggregate, pending a final order of the Court approving the New Loan; (c) granting the Lender an increased priming, first-priority security interest in and lien upon the Loan Collateral in relation to the New Loan; (d) authorizing the Debtor to provide the Lender with an assignment of leases and rents relating to the U.S. Real Property; (e) determining that, to the extent applicable, the requirements of section 364(d) have been satisfied; (f) finding that Lender acted in good faith in relation to the New Loan under section 364(e) of the Bankruptcy Code; (g) modifying and vacating the automatic stay to the extent necessary to permit the Lender to perform any act authorized or permitted under or by virtue of the Loan Documents or order of this Court; (h) waiving any stay of effectiveness of the order, including any stay otherwise

applicable under sections 4001(a)(3) or 6004(h) of the Bankruptcy Code; and (i) scheduling a hearing to consider approval of the Motion on a final basis.

Dated: February 5, 2014

ROBERT J. KEACH,  
CHAPTER 11 TRUSTEE OF MONTREAL  
MAINE & ATLANTIC RAILWAY, LTD.

By his attorneys:

/s/ Sam Anderson  
Michael A. Fagone, Esq.  
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**Exhibit A**

**Commitment Letter**



February 5, 2014

\*  
Robert Keach, Esq.  
Trustee for Montreal, Maine & Atlantic, Ltd.  
Bernstein Shur  
100 Middle Street  
P.O. Box 9729  
Portland, ME 04104-5029

Dear Attorney Keach:

We are pleased to advise you that Camden National Bank ("Bank") has approved your request to increase your current commercial line of credit loan to you in your capacity as Trustee for Montreal, Maine & Atlantic, Ltd. ("Borrower") from Three Million and 00/100 Dollars (\$3,000,000.00) (the "Original Line" or "Original Loan") to Four Million Eight Hundred Thousand and 00/100 Dollars (\$4,800,000.00) (the "Line" or "Loan"). **This letter, when properly signed and accepted, is intended to constitute an agreement between Bank, which agrees to lend, and Borrower, which agrees to borrow, subject to the following terms and conditions and such additional terms and conditions as may be set forth in the definitive loan documents.** The terms and conditions of our approval are as follows:

1. **BORROWER:**

Borrower will be Montreal, Maine & Atlantic Ltd., a Delaware corporation.

2. **AMOUNT:**

The additional amount of the Line shall be One Million Eight Hundred Thousand and 00/100 Dollars (\$1,800,000) above and beyond the amount of the Original Line, for a total line of credit of Four Million Eight Hundred Thousand and 00/100 Dollars (\$4,800,000). Such amount may be borrowed, repaid and re-borrowed, subject to the outstanding limit of \$4,800,000.00.

3. **USE OF PROCEEDS:**

The Loan proceeds shall be used for working capital needs of Borrower. The Loan proceeds may not be used for any other purpose, including A) payments of pre-petition debt, except for amounts of pre-petition debt required to be paid under the Bankruptcy Code or authorized to be paid by order of the Bankruptcy Court, provided, however, that in no event shall such amounts of pre-petition debts exceed \$250,000.00 absent written consent of the Bank, or B) payment of the costs of administration of Borrower's pending Chapter 11 case, except for ordinary and necessary costs of operating the business of Borrower, without written consent of the Bank.

February 5, 2014  
Term Loan

2 Elm Street, Camden, Maine 04843 | 800.860.8821 | CamdenNational.com | Member FDIC



4. COLLATERAL:

All obligations of Borrower to Bank will be secured by the following (collectively, the "Collateral"):

- A. First mortgage on all assets located in the United States that currently secure a mortgage held by the Federal Railroad Administration, including the Direct Loan Financing Agreement under the Railroad Rehabilitation and Improvement Financing Program (RRIF). This agreement is predicated on the understanding that these assets include substantially all of the real estate located in the United States owned by Borrower (the "Real Estate"), including substantially all properties included in an appraisal dated July 23, 2010 performed by Main Line Rail Management, Inc.. The first priority of the mortgage shall be established by appropriate subordination agreements and by the terms of the Court Order (defined below), the sufficiency of which will be determined by the Bank in its sole discretion.
- B. An assignment of leases and rentals relating to the Real Estate.

The Loan will be cross-defaulted and cross-collateralized with any existing or future extensions of credit to Borrower by Bank or its affiliates.

Borrower hereby authorizes the Bank to file, in advance of closing, financing statements evidencing any security interests described above.

5. LOAN TERM:

The Line shall be payable on demand, with interest payable monthly. Subject to the continued favorable financial condition of Borrower (as determined in its sole discretion by Bank), this line of credit is available for Borrower's use through August 30, 2014 (the "Termination Date") or upon the date of the sale of all or a portion of the assets of Borrower, whichever comes first.

6. INTEREST RATE:

Except in the event that the Borrower shall default, the Loan shall bear interest at fixed rate of five percent (5.0%) per annum.

Overdue principal and (to the extent permitted by applicable law) interest on the Loan and all other amounts payable by Borrower to Bank shall bear interest payable on demand at an annual rate equal to eighteen percent (18.0%) per annum. In addition, Borrower shall pay to Bank a late charge equal to four percent (4%) of the total amount due to the Bank (including principal, interest, and other charges) for every month or fraction thereof during which any amount of principal and/or interest is not paid within ten days of the date when due or remains unpaid thereafter.

7. PAYMENTS OF PRINCIPAL AND INTEREST:

Borrower may prepay all or any portion of the Loan without penalty or premium therefor. Upon maturity or upon the sale of any part of the Collateral, or upon loss of priority for any reason, whichever occurs first, any and all principal, interest, and fees outstanding will be due in full.

8. COMMITMENT FEE:

A non-refundable Commitment Fee of Fifty Four Thousand and 00/100 Dollars (\$54,000.00) shall be paid by Borrower to Bank upon closing of the Loan and an additional non-refundable Commitment Fee of Forty-eight Thousand and 00/100 Dollars (\$48,000) (together, the "Commitment Fee") shall be paid by Borrower to Bank on June 15, 2014 if the Loan and all amounts due thereunder have not been paid off in full prior to that date.



9. CLOSING DATE:

The Loan shall be closed and all conditions shall be satisfied on a date and time mutually satisfactory to Bank and Borrower, but no later than February 11, 2013, which time is of the essence.

If closing does not occur on or before February 11, 2013, or as otherwise set forth in a writing approving by Bank an extension, Bank shall have no further obligations hereunder.

10. BANK'S COUNSEL:

Bank counsel for this transaction will be:

Kelly McDonald, Esq.  
Murray, Plumb & Murray  
P.O Box 9853  
75 Pearl Street  
Portland, ME 04101  
Telephone: 207-773-5651  
Email: kmcDonald@mpmlaw.com

11. EVENTS OF DEFAULT

In addition to all usual and customary events of default for loans of this type and size, an event of default shall also include: failure to pay interest, principal or fees when due; any representation or warranty found to be materially incorrect; breach of any affirmative, negative or financial covenant; Borrower denies or contests the validity or enforceability of any Loan Documents or obligations of Borrower in respect of the Loan, or the perfection or priority of any lien granted to the Bank; or any Loan Document ceases to be in full force or effect for any reason (other than a waiver or release by the Bank); any post-petition judgment in excess of an amount to be agreed or which would operate to divest Borrower of any material assets; Borrower being enjoined from conducting business; material damage to or loss of material assets other than as contemplated in a winding down of operations; the dismissal of the Chapter 11 Case; the grant of any lien which is pari passu with or senior to those of the Bank; any payment of pre-petition debt (other than as provided herein and other than payments as may be approved by the Court that are acceptable to the Bank); the Bankruptcy Court's entry of an order granting relief from the automatic stay to permit foreclosure of security interests in assets of the Borrower upon which the Bank holds an interest; an order terminating exclusivity having been entered; any reversal, revocation or modification without the consent of the Bank of any order of the Bankruptcy Court with respect to the Chapter 11 Case and affecting the Loan; or the failure of the Bank and the Borrower to agree on and enter into mutually acceptable Documentation with respect to the Loan on or before the date that the Loan closes.

12. REMEDIES

In addition to all customary remedies, as provided for in the documentation of the Loan, upon the occurrence and during the continuance of any default, and following the giving of ten (10) business days' notice to Borrower, the Bank shall have relief from the automatic stay and may foreclose on all or any portion of the Collateral and exercise any other remedies against the Collateral permitted by applicable nonbankruptcy law. Unless during such ten (10) business-day notice period, the Bankruptcy Court determines that a default has not occurred and/or is not continuing, the automatic stay as to the Bank shall be automatically terminated at the end of such notice period and without further notice or order and Borrower waives any right to seek a reinstatement of the stay under Section 105 or otherwise. The loan documentation will provide for a remedy or remedies satisfactory to the Bank in its sole discretion that will permit the Bank to exercise foreclosure remedies upon the event of default.

13. REPRESENTATIONS AND WARRANTIES:

Borrower hereby represents and warrants that: (i) there is no litigation or similar proceeding threatened or pending against Borrower which may materially affect the value of the Collateral or the ability of Borrower to perform its obligation hereunder, other than the currently pending bankruptcy of Borrower; (ii) there exists no event or circumstance which, with notice of lapse of time, or both, would constitute grounds for termination of this Commitment; (iii) the Borrower is fully authorized to execute this Commitment; (iv) Borrower has, or prior to closing will have, a valid fee simple interest in and to the Real Estate, free and clear of all liens, charges, claims, options and other encumbrances, subject only to such liens, charges, claims, options and encumbrances as are reflected in the title insurance policy accepted by Bank; (v) all federal and state tax assessments of fees imposed upon the Real Estate have either been paid or the Bank has been granted a mortgage or lien on the Real Estate in priority to any existing or potential tax liens; (vi) no consent, approval or other authorization is required with respect to this transaction from any person or under any document by which Borrower is obligated or bound, excepting authorization from the Bankruptcy Court in relation to this Loan; (vii) Borrower has all permits, licenses and approvals required in connection with the Real Estate; and (viii) the financial condition of the Borrower has not changed since the date of its loan application and all financial information provided is true and correct. Borrower shall update the above representations and warranties and furnish at closing such additional information, representations and warranties for it or any other relevant party as Bank may request in connection with the Loan. Borrower shall provide the Bank with reasonable access to its financial records and reasonably cooperate with the Bank in providing any financial record reasonably requested.

14. CLOSING CONDITIONS:

Prior to closing of the Loan, Bank shall receive at Borrower's expense such items as Bank may reasonably require in order to demonstrate feasibility of repayment of the Loan and in order to provide security for the Loan, including without limitation, the following items, all satisfactory in form and content to Bank and its counsel in their sole discretion:

- A. Court Order. A final order (the "Court Order") entered by the United States Bankruptcy Court for the District of Maine in form and substance acceptable to the Bank approving the Loan on the conditions set forth herein including, without limitation, the approval of adequate protection for the Bank for the amount of the unpaid balance of the Loan, including principal, interest, and other charges, including attorney's fees.
- B. Due Diligence. Satisfactory completion of the due diligence review of the assets and liabilities of Borrower.
- C. Value of Collateral. Bank may obtain a current report or industry expert to opine that the value and marketability of the Collateral are satisfactory to the Bank, in its sole discretion.
- D. Insurance. Borrower shall obtain and maintain such insurance as Bank may reasonably require, including:
  1. Flood insurance, if the property is located in any federally designated special hazard area;
  2. General Liability insurance;
  3. Workers' Compensation Insurance, as applicable;
  4. Hazard insurance on the Property, the Equipment and all other tangible assets of Borrower.

These insurance policies shall name Bank as loss payee. For purposes of insurance, Bank shall be named as Camden National Bank, its successors and/or assigns, PO Box 310, Camden, ME 04843. All insurance shall be in such amounts and form and shall be issued by such insurers as shall be approved by Bank and shall require written notice to Bank at least thirty (30) days prior to cancellation, nonrenewable, modification or expiration. Proof of such insurance coverage and payment of premiums shall be delivered prior to closing of the Loan.

- E. Documentation. A loan agreement, containing such representations, warranties, covenants, conditions and requirements as Bank may require, together with a promissory note, mortgage, assignment of leases and rentals, and such other agreements and documents as Bank may require to evidence and secure the Loan, all in form and content satisfactory to Bank and its counsel. Without limiting the foregoing, the Loan documents shall: (i) prohibit any sale, assignment, pledge, transfer, mortgage or other encumbrance, or any contract to do any of the foregoing, of all or any portion of the Property without the prior written consent of Bank, and (ii) prohibit any change in the ownership or management of Borrower or in the management of the Property without prior written consent of Bank. In addition, the Loan documents shall include an agreement by Borrower to indemnify and hold the Bank and its shareholders, directors, agents, officers, subsidiaries and affiliates harmless from and against any and all damages, losses, settlement payments, obligations, liabilities, claims, actions or causes of action, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party by reason of or resulting from the Loan, this Commitment Letter, the Documentation, the transactions contemplated hereby or any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any of such indemnified persons is a party thereto, except to the extent resulting from the gross negligence or willful misconduct of the indemnified party as finally determined by a final non-appealable order of a court of competent jurisdiction. Such indemnity would include indemnification for the Bank exercising discretionary rights granted under the Loan. In all such litigation, or the preparation therefor, the Bank shall be entitled to select its own counsel and, in addition to the foregoing indemnity, the Borrower agrees to pay promptly the reasonable fees and expenses of such counsel.
- F. Title Insurance. An ALTA mortgagee title insurance policy covering the real estate constituting the Collateral issued by a title insurance company acceptable to Bank in the amount of the Loan containing only such liens, encumbrances and exceptions as are approved by Bank and containing such endorsements as Bank may require. Standard exceptions relating to mechanic's liens, persons in possession, and survey matters shall be deleted. A commitment dated no more than five days prior shall be delivered to Bank prior to loan closing and the final policy shall be delivered to Bank within fifteen (15) days of closing. Borrower shall pay all costs related to the issuance of the title insurance commitment, policy, and endorsements.
- G. Opinions of Counsel. Opinions of counsel for Borrower addressing such legal issues concerning the Loan in relation to the organizational documents of Borrower, due authorization for the execution and delivery of the loan documents, and compliance with zoning, land use and environmental laws.
- H. Debt subordination. Bank shall have entered into debt subordination/standstill agreements with all necessary creditors on terms satisfactory to Bank or the Court Order shall provide for such subordination.
- I. Other Matters. Such other matters or items as Bank or its counsel may reasonably require including, without limitation, any conditions set forth herein. Bank will have the option of withholding Loan disbursements until all conditions of the Commitment Letter or special conditions which Bank counsel deems necessary have been complied with to Bank's satisfaction.

15. ADVANCES AND PAYMENTS:

Advances under the Line will be subject to a minimum advance of \$25,000.00 per request.

Accrued interest on the outstanding principal balance shall be payable monthly. Unless sooner demanded, the principal balance, together with all interest and other charges, will be due and payable in full on the Termination Date.

16. FINANCIAL COVENANTS

1. Financial Statements. Bank may require interim financial statements as Bank deems appropriate.
2. Negative Pledge. Borrower will not, during the term of the Loan, create, incur, assume or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, charge or encumbrance on any of its property, nor will it file, or permit to be filed, any financing statement naming it as a debtor, other than documents filed in Borrower's pending bankruptcy case.

17. ENVIRONMENTAL ISSUES:

Borrower shall be required to demonstrate prior to closing compliance with all environmental regulations and/or requirements of local, state or federal government. Evidence of said compliance in such form as Bank may request shall be submitted to Bank not less than five (5) business days prior to closing, including any Voluntary Response Action plans and related certifications, orders and/or letters of the Maine Department of Environmental Protection or any other regulatory authority. Bank reserves the right to disapprove the loan if Bank is not satisfied with evidence of compliance with environmental laws.

Borrower agrees to indemnify, defend, and hold Bank harmless from and against any loss to Bank as a result of past, present or future transportation of hazardous or toxic materials, or disposal of hazardous or toxic materials and/or noncompliance with environmental laws or orders of any environmental regulatory authority.

18. NONASSIGNABILITY; NO THIRD PARTY BENEFICIARY:

This Commitment is issued solely for the benefit of Borrower and only for the purposes described herein. This Commitment may not be assigned without permission of Bank, and no other person(s) or party(ies) shall be a beneficiary hereof or have any rights hereunder, and no rights are conferred by this Commitment upon any other person(s) or party(ies), whether or not their name may be used or otherwise identified in this Commitment.

19. BANK NOT A JOINT VENTURER:

Bank shall not be deemed to be a partner or joint venturer with Borrower or any other parties. Borrower will indemnify and hold Bank harmless from and against any and all liabilities, damages, claims, demands, costs, expenses and attorneys' fees resulting from such a construction of the relationship of the parties.

20. COSTS AND EXPENSES:

Borrower agrees to pay all of Bank's out-of-pocket costs relating to this transaction whether or not any disbursements are made under the Loan. Such costs include, but are not limited to, the fees and costs of Bank's attorneys, consultants, and appraisers, title insurance premiums and charges, recording fees and taxes, and all other reasonable expenses in connection with the preparation, closing and disbursement of the Loan.

21. GOVERNING LAW; INTERPRETATION:

This Commitment and loan documents to be delivered pursuant thereto shall be governed by the laws of the State of Maine without reference to the choice of law rules or conflicts of law rules of that state. The headings of sections and paragraphs in this Commitment are for convenience only and shall not be construed in any way to limit or define the content, scope, or intent of the provisions hereof. As used in this Commitment, the singular shall include the plural and masculine, feminine, and neuter pronouns shall be fully interchangeable, where the context so requires. If any provision of this Commitment, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstances, is adjudicated to be invalid, the validity of the remainder of this Commitment shall be construed as if such invalid part were never included herein. Time is of the essence of the Commitment. All exhibits to this Commitment shall be incorporated into and made a part of this Commitment.

22. MODIFICATION:

This Commitment may not be modified or amended in any manner except by a written instrument executed by Bank and Borrower.

**Borrower may not maintain any action against Bank on any agreement to lend money, extend credit, or forebear from collection of a debt, or make any other accommodation for repayment of a debt for more than \$250,000 unless the promise, contract or agreement is in writing and is signed by a duly authorized representative of Bank.**

23. JURY TRIAL:

**BORROWER HEREBY KNOWINGLY, EXPRESSLY, AND VOLUNTARILY WAIVES ANY AND ALL RIGHTS, WHETHER ARISING UNDER THE FEDERAL CONSTITUTION, THE MAINE CONSTITUTION, ANY RULES OF CIVIL PROCEDURE, COMMON LAW, OR ANY OTHER RULES OR LAW, TO DEMAND A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, COUNTERCLAIM, CROSS-CLAIM, THIRD-PARTY CLAIM, OR LITIGATION OF ANY TYPE INVOLVING THE BANK AS TO ANY MATTER, CLAIM, OR CAUSE OF ACTION WHATSOEVER ARISING OUT OF OR IN ANY WAY RELATED TO THIS COMMITMENT, ANY AGREEMENT WITH THE BANK, ANY GUARANTEE, LOAN, OR MORTGAGE WITH THE BANK, OR ANY TRANSACTION BETWEEN THE PARTIES OR CONTEMPLATED BETWEEN THE PARTIES AND AGREE NOT TO SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. BORROWER UNDERSTANDS THAT THE FOREGOING WAIVER IS NOT SUBJECT TO ANY EXCEPTIONS AND THAT THE BANK HAS NOT REPRESENTED THAT THE PROVISIONS OF THE WAIVER WILL NOT BE ENFORCED.**

24. VENUE:

In the event any litigation shall arise out of this Commitment, the prevailing party shall be entitled to recover all costs incurred in connection with such litigation, including reasonable attorneys' fees at both the trial and appellate levels. The parties agree that the exclusive venue for any such action that is not within the jurisdiction of the Bankruptcy Court shall be the courts of the State of Maine.

25. ATTORNEYS' FEES:

All legal fees and other hard costs incurred by Bank relating to the Loan including, without limitation, fees relating to preparation of loan documents shall be paid by Borrower, regardless of whether or not the Loan closes.

26. TERMINATION:

This Commitment may be terminated at Bank's option by written notice to Borrower at the address set forth above upon the occurrence of any of the following events:

- A. Any change in the financial condition of Borrower, subsequent to the above date of this commitment which is, in the sole discretion of Bank, material and adverse.
- B. If any statement or representation made by Borrower in this Commitment or in support of the Loan shall prove untrue or Borrower shall be unable to fulfill any conditions to closing set forth herein.
- C. Default by Borrower under any other loan or extension of credit by Bank to Borrower. Any termination of this Commitment shall not affect Bank's rights to enforce the provisions of this commitment relating to payment of its commitment fee or payment or reimbursement of its costs and expenses, including attorneys' fees, which rights shall survive any such termination.
- C. Any of the Closing Conditions set forth in Section 14 of this Commitment are not met.

This Commitment shall survive the loan closing, and each of the obligations and undertakings of Borrower hereunder shall be continuing and shall not cease until the Loan, together with all accrued interest and charges, has been paid in full.

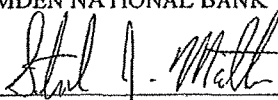
27. ACCEPTANCE:

If the terms and conditions contained herein meet with your approval, please indicate your acceptance by signing and returning this original Commitment letter by the close of business on February 6, 2014. This Commitment shall be null and void if not accepted by the above-referenced date.

By your acceptance of this letter, Borrower acknowledges that this commitment is an outline of the principal understandings which are anticipated to be the basis for the terms of the final Loan. It has been issued before Bank has undertaken a full business, credit and legal analysis of Borrower and the transaction contemplated hereby. As a result of further investigation, information may come to Bank's attention of which it is not now aware which could preclude a closing or as a result of which Bank may require that the Loan and the terms contemplated hereby be restructured or otherwise modified.


Very truly yours,

CAMDEN NATIONAL BANK

By   
Its: Senior Vice President

Accepted this 5<sup>th</sup> day of Feb., 2014.

**BORROWER:**

By:   
Its: Trustee, duly authorized

**Exhibit B**

**Interim Budget**



	Actual 1/31/2014	W/E 2/7/2014	W/E 2/14/2014	W/E 2/21/2014	W/E 2/28/2014
Net Freight Revenue	199,304	195,000	243,144	256,244	272,144
Land Rental Income	-	-	-	-	-
MOW Rental Income	-	8,500	-	-	-
Other Misc Income	-	-	-	-	-
Switching	-	40,000	-	-	-
<b>Total Frt/Switch Revenue</b>	<b>199,304</b>	<b>243,500</b>	<b>243,144</b>	<b>256,244</b>	<b>272,144</b>
<b>Receipts:</b>					
<b>Transportation Revenue</b>					
Freight Revenue and Zone Switching	\$ 169,250	\$ 150,000	\$ 179,700	\$ 179,700	\$ 179,700
Pre 10/18 Canadian Collections	-	-	-	-	30,000
Ins Proceeds-Trk Accident	\$ -	\$ -	\$ -	\$ -	\$ -
ISS Settlement	-	25,000	-	-	-
Irving Settlements	-	-	-	-	-
Other Operating Revenue	-	-	-	-	-
Sub Total - Transportation Revenue	169,250	175,000	179,700	179,700	209,700
<b>Other Operating Revenue</b>					
Switching & Miscellaneous	-	-	-	-	-
Railcar Storage	-	-	-	-	10,000
Contract Shop & Car Repairs	-	-	-	-	-
Equipment Rental	-	-	8,500	-	-
Car Hire Revenue (Payable)	-	-	-	-	50,000
Sub Total - Other Operating Revenue	-	-	8,500	-	60,000
<b>Non-Operating Revenue</b>					
Miscellaneous	-	-	-	-	-
Private & Gov't Re-imbursements	-	-	-	-	-
Sub Total - Non-Operating Revenue	-	-	-	-	-
<b>Total Cash Receipts</b>	<b>169,250</b>	<b>175,000</b>	<b>188,200</b>	<b>179,700</b>	<b>269,700</b>
<b>Disbursements:</b>					
<b>Transportation Revenue Offsets</b>					
ISS payout	-	-	-	-	-
NBSR, MNR, SLQ, CN	-	-	-	-	-
Sub Total - Transportation Revenue Offsets	-	-	-	-	-
<b>Payroll &amp; Related</b>					
Salaries, Wages & Commissions US	222,998	-	236,049	-	236,049
Employee Benefits & Claims - US	3,128	60,000	48,150	48,150	48,150
US Railroad UC	-	-	-	-	-
Salaries, Wages & Commissions CDN	-	120,000	-	131,694	-
Group Health, pension and union dues- CDN	11,656	14,400	788	15,188	788
Aetna Past Dues	-	-	-	-	-
Vacation pay arrears - CDN	-	-	-	-	-
Sub Total - Payroll & Related	237,782	194,400	284,987	195,031	284,987
<b>Materials &amp; Supplies</b>					
Diesel Fuel	76,603	60,000	84,662	84,662	84,662
Inventory Payments	16,284	7,500	7,500	5,000	5,000
Material/Repair Costs US	3,906	40,000	30,000	12,500	12,500
Material/Repair Costs CDN	-	30,000	12,500	12,500	12,500
Sub Total - Material & Supplies	96,793	137,500	134,662	114,662	114,662
<b>Freight Car &amp; Locomotive Expense</b>					
Leases - Car	-	-	35,000	-	-
Leases - Locomotive	-	38,000	-	-	-
Car Repair Net	539	-	-	-	-
Sub Total - Freight Car & Locomotive	539	38,000	35,000	-	-
<b>Other Operating Costs</b>					
Rent	-	16,000	-	-	-
Electricity	2,031	9,000	-	-	-
Heat at Derby maintenance facility	-	5,400	5,400	5,400	5,400
Utility Deposits	1,500	-	-	-	-
Insurance Payments	-	29,906	43,500	-	-
Bank Chges /Interest Exp/Points	(5,092)	-	-	1,000	1,000
2% Points for New Financing	-	-	54,000	-	-
Other Closing Costs	-	-	-	20,000	-
Rail Testing	-	-	15,000	-	-
Pre-Petition Sales Taxes per Court Order	-	-	-	-	0
Restructuring Related	-	-	32,400	-	-
Phone, Internet, Radio, Other expenses	34,912	33,250	43,250	43,250	55,000
Sub Total - Rent, Heat & Utilities	33,351	93,556	193,550	69,650	61,400
<b>Total Operating Disbursements</b>	<b>368,465</b>	<b>463,456</b>	<b>648,199</b>	<b>379,344</b>	<b>461,049</b>
<b>Net Cash Inc(Dec) From Ops</b>	<b>(199,215)</b>	<b>(288,456)</b>	<b>(459,999)</b>	<b>(199,644)</b>	<b>(191,349)</b>
<b>SUMMARY</b>					
Cash Beginning	273,421	224,206	215,750	100,000	100,000
Net Weekly Cash Flow	(199,215)	(288,456)	(459,999)	(199,644)	(191,349)
Financing Advance(Paydowns)	150,000	280,000	344,249	199,644	191,349
Cash Ending	\$ 224,206	\$ 215,750	\$ 100,000	\$ 100,000	\$ 100,000
<b>Principal Bal New Financing</b>	<b>2,542,159</b>	<b>2,692,159</b>	<b>2,972,159</b>	<b>3,316,408</b>	<b>3,516,052</b>
<b>Net Weekly Cash Advance(Paydown)</b>	<b>150,000</b>	<b>280,000</b>	<b>344,249</b>	<b>199,644</b>	<b>191,349</b>
<b>End of Period Principal Balance</b>	<b>2,692,159</b>	<b>2,972,159</b>	<b>3,316,408</b>	<b>3,516,052</b>	<b>3,707,401</b>

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

In re:

MONTREAL MAINE & ATLANTIC  
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670

Chapter 11

**INTERIM ORDER GRANTING CHAPTER 11 TRUSTEE'S MOTION FOR ORDER  
(A) AUTHORIZING DEBTOR TO OBTAIN POST-PETITION FINANCING AND (B)  
GRANTING TO CAMDEN NATIONAL BANK POST-PETITION PRIORITY LIENS**

This matter having come before the Court on the Chapter 11 Trustee's Motion for Interim and Final Orders: (A) Authorizing Debtor to Obtain Post-Petition Financing; and (B) Granting to Camden National Bank Post-Petition Priority Liens (the "Motion"), filed by Robert J. Keach, the chapter 11 trustee (the "Trustee") in the above-captioned chapter 11 case of Montreal Maine & Atlantic Railway, Ltd. (the "Debtor"), pursuant to sections 105, 361, 362 and 364 of the United States Bankruptcy Code (the "Bankruptcy Code"), Rules 4001, 9013 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 4001-1, 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1 of the Local Bankruptcy Rules for United States Bankruptcy Court for the District of Maine (the "Local Rules"), and upon consideration of all responses to the Motion, if any, and this Court having held a hearing on the Motion, and after due deliberation and just cause appearing therefor,

**THE COURT HEREBY FINDS:**

A. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court has constitutional authority to enter final judgment in this proceeding.

B. Venue over this chapter 11 case is proper in this district pursuant to 28 U.S.C. § 1408, and venue over this proceeding is proper in this district pursuant to 28 U.S.C. § 1409.

C. The relief sought in the Motion is predicated upon sections 105(a), 362(f), and 364 of the Bankruptcy Code, Bankruptcy Rules 4001(d)(1)(B), 9013, and 9014 and Rules 4001-1, 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1 of the Local Rules.

D. The Motion was served by the Trustee on: (i) the United States Trustee; (ii) the Debtor's counsel; (iii) counsel to Montreal Maine & Atlantic Canada Co. ("MMA Canada"); (iv) the Monitor in the Canadian insolvency proceedings of MMA Canada; (v) counsel to the Monitor; (vi) the non-insider holders of the twenty (20) largest unsecured claims against the Debtor or, if applicable, the lawyers representing such holders; (vii) applicable federal and state taxing authorities; (viii) the holders of secured claims against the Debtor or, if applicable, the lawyers representing such holders; (ix) counsel to the Official Committee of Derailment Claimants (the "Committee"); (x) Camden National Bank; (xi) the United States of America on behalf of the Federal Railroad Administration (the "FRA"); (xii) the Maine Department of Transportation ("MDOT"); (xiii) Wheeling & Lake Erie Railway Company; (xiv) Bangor Savings Bank; and (xv) others who have entered an appearance and requested service of papers in the chapter 11 case (collectively, the "Notice Parties"). Under the circumstances, the notice given by the Trustee of the Motion, the relief requested therein and the hearing thereon constitutes due and sufficient notice thereof and complies with Bankruptcy Rules 4001, 9013 and 9014 and Local Rules 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1, and no further notice is necessary or required.

E. On August 7, 2013, the Debtor filed a voluntary petition for relief under 11 U.S.C. § 101 et seq. (the "Case").

F. On August 21, 2013, the United States Trustee appointed the Trustee pursuant to 11 U.S.C. § 1163.

G. The Debtor requires additional post-petition financing and working capital pending the closing of the sale of its assets (the "Sale"). The Debtor is unable to obtain financing on terms more favorable than the terms offered by Camden National Bank (the "Lender") as set forth in detail in the Motion.

H. The Trustee has requested that the Lender extend credit to be used for working capital and to fund its operations, and the Lender is willing to provide such credit substantially upon the terms and conditions set forth in the commitment letter (the "Commitment Letter") attached to the Motion as Exhibit A.

I. Based on the record before the Court, all loans and extensions of credit made by the Lender to the Debtor pursuant to this Order shall be deemed to have been made in good faith within the meaning of section 364(e) of the Bankruptcy Code.

J. The Trustee represents, and it appears, that the additional post-petition financing and security arrangements authorized hereunder have been negotiated in good faith and at arm's length, and the terms of such financing and security arrangements are fair and reasonable under the circumstances and reflect the Trustee's exercise of prudent business judgment consistent with his fiduciary duties.

K. The Court concludes that entry of this Order is in the best interests of the Debtor, its estate, and its creditors, as its implementation will, among other things, allow for the preservation of the value of the assets of the Debtor's estate.

L. Absent approval of the Motion and entry of this Order, the Debtor and its creditors and other parties in interest will suffer immediate and irreparable harm given that the Debtor does not otherwise have sufficient funds to continue operations and preserve the value of its assets pending the closing of the Sale.

M. On the record before the Court, the Trustee is unable to obtain other adequate financing on more favorable terms and all creditors holding an interest in the Loan Collateral (as defined below), including the FRA and MDOT, have either consented or are deemed to have consented to the relief sought in the Motion, or are otherwise adequately protected, in accordance with section 364(d)(1) of the Bankruptcy Code.

**THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED** as follows:

1. The Motion is granted.
2. The Debtor is hereby authorized to enter into the New Loan, as such term is defined in the Motion, upon the terms set forth in the Motion and in the Commitment Letter, and upon the terms set forth in the loan documents relating to the New Loan, which loan documents shall substantially reflect the terms of the Commitment Letter.
3. The Debtor shall concurrently herewith or thereafter, as requested by Lender, execute and deliver to Lender all such documents as the Lender may request to effectuate, evidence, confirm, validate or perfect Lender's liens on and security interests in the Loan Collateral (as such term is defined in the Motion).
4. The Debtor is authorized to borrow \$900,000.00 of the New Loan, resulting in \$3.9 million borrowed in the aggregate, which shall solely be used to (a) pay any and all interest, fees and expenses owing to Lender pursuant to the Loan Documents and (b) fund operations through a final hearing on the Motion.
5. Lender shall be entitled to, and the Debtor's obligations under the New Loan shall be secured by, a first-priority mortgage and a first-priority security interest in the Loan Collateral, and all necessary creditors, including, without limitation, the FRA and MDOT, shall be deemed to have subordinated their interests in and to the Loan Collateral to Lender. No lien

shall be granted by this Court, or shall arise by operation of law or otherwise, that shall have priority over the first liens granted to Lender in the Loan Collateral.

6. If the New Loan is not paid in full on or before August 30, 2014, pursuant to the terms set forth in the Commitment Letter, and subject to any extensions, waivers, modifications, or amendments granted by Lender in its sole discretion, then the Trustee shall, and is hereby authorized under 11 U.S.C. § 1174 and without further order of this Court, to liquidate the Loan Collateral or such portion thereof as is necessary to pay all obligations owed to Lender in full.

7. The Lender acted in good faith in relation to the New Loan under section 364(e) of the Bankruptcy Code, and is entitled to the protections of section 364(e) of the Bankruptcy Code.

8. The automatic stay in effect pursuant to section 362 of the Bankruptcy Code and any other restriction imposed by an Order of the Court or applicable law are hereby modified and vacated, without further notice, application or Order of the Court, to the limited extent necessary to permit Lender to perform any act authorized or permitted under or by virtue of this Order or the Loan Documents, including, without limitation: (a) to implement the New Loan authorized by this Order and pursuant to the terms of the Loan Documents; (b) to take any act to create, validate, evidence, attach or perfect any lien, security interest, right in or claim against the Loan Collateral; and (c) to assess, charge, collect, advance, deduct and receive payments with under the Loan Documents, including, without limitation, all interests, fees, costs and expenses permitted under the Loan Documents, and apply such payments in accordance with the Loan Documents and this Order.

9. This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon entry hereof, and there shall be no stay of effectiveness of this Order,

including any stay otherwise applicable under sections 4001(a)(3) or 6004(h) of the Bankruptcy Code.

10. The Trustee shall serve upon the Notice Parties by no later than February 12, 2014 a notice of (a) the entry of this Order and (b) a final hearing on the Motion to be held on February 26, 2014 at 10:00 a.m. ET. Any objections to the approval of the Motion at the final hearing must be filed with the Court and served so to be received by counsel to the Trustee and the Lender on or before 5:00 p.m. ET on February 19, 2014. If no objections are timely filed and served, then the Court may enter a final order approving the Motion without any further hearing.

Dated:

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The Honorable Louis H. Kornreich  
United States Bankruptcy Judge for the  
District of Maine

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MAINE

In re:

MONTREAL MAINE & ATLANTIC  
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670

Chapter 11

**INTERIM ORDER GRANTING CHAPTER 11 TRUSTEE'S MOTION FOR ORDER  
(A) AUTHORIZING DEBTOR TO OBTAIN POST-PETITION FINANCING AND (B)  
GRANTING TO CAMDEN NATIONAL BANK POST-PETITION PRIORITY LIENS**

This matter having come before the Court on the Chapter 11 Trustee's Motion for Interim and Final Orders: (A) Authorizing Debtor to Obtain Post-Petition Financing; and (B) Granting to Camden National Bank Post-Petition Priority Liens (the "Motion"), filed by Robert J. Keach, the chapter 11 trustee (the "Trustee") in the above-captioned chapter 11 case of Montreal Maine & Atlantic Railway, Ltd. (the "Debtor"), pursuant to sections 105, 361, 362 and 364 of the United States Bankruptcy Code (the "Bankruptcy Code"), Rules 4001, 9013 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rules 4001-1, 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1 of the Local Bankruptcy Rules for United States Bankruptcy Court for the District of Maine (the "Local Rules"), and upon consideration of all responses to the Motion, if any, and this Court having held a hearing on the Motion, and after due deliberation and just cause appearing therefor,

**THE COURT HEREBY FINDS:**

A. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and the Court has constitutional authority to enter final judgment in this proceeding.

B. Venue over this chapter 11 case is proper in this district pursuant to 28 U.S.C. § 1408, and venue over this proceeding is proper in this district pursuant to 28 U.S.C. § 1409.



C. The relief sought in the Motion is predicated upon sections 105(a), 362(f), and 364 of the Bankruptcy Code, Bankruptcy Rules 4001(d)(1)(B), 9013, and 9014 and Rules 4001-1, 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1 of the Local Rules.

D. The Motion was served by the Trustee on: (i) the United States Trustee; (ii) the Debtor's counsel; (iii) counsel to Montreal Maine & Atlantic Canada Co. ("MMA Canada"); (iv) the Monitor in the Canadian insolvency proceedings of MMA Canada; (v) counsel to the Monitor; (vi) the non-insider holders of the twenty (20) largest unsecured claims against the Debtor or, if applicable, the lawyers representing such holders; (vii) applicable federal and state taxing authorities; (viii) the holders of secured claims against the Debtor or, if applicable, the lawyers representing such holders; (ix) counsel to the Official Committee of Derailment Claimants (the "Committee"); (x) Camden National Bank; (xi) the United States of America on behalf of the Federal Railroad Administration (the "FRA"); (xii) the Maine Department of Transportation ("MDOT"); (xiii) Wheeling & Lake Erie Railway Company; (xiv) Bangor Savings Bank; and (xv) others who have entered an appearance and requested service of papers in the chapter 11 case (collectively, the "Notice Parties"). Under the circumstances, the notice given by the Trustee of the Motion, the relief requested therein and the hearing thereon constitutes due and sufficient notice thereof and complies with Bankruptcy Rules 4001, 9013 and 9014 and Local Rules 4001-2, 4001-3 (as applicable), 4001-4, 9013-1, and 9014-1, and no further notice is necessary or required.

E. On August 7, 2013, the Debtor filed a voluntary petition for relief under 11 U.S.C. § 101 et seq. (the "Case").

F. On August 21, 2013, the United States Trustee appointed the Trustee pursuant to 11 U.S.C. § 1163.

G. The Debtor requires additional post-petition financing and working capital pending the closing of the sale of its assets (the "Sale"). The Debtor is unable to obtain financing on terms more favorable than the terms offered by Camden National Bank (the "Lender") as set forth in detail in the Motion.

H. The Trustee has requested that the Lender extend credit to be used for working capital and to fund its operations, and the Lender is willing to provide such credit substantially upon the terms and conditions set forth in the commitment letter (the "Commitment Letter") attached to the Motion as Exhibit A.

I. Based on the record before the Court, all loans and extensions of credit made by the Lender to the Debtor pursuant to this Order shall be deemed to have been made in good faith within the meaning of section 364(e) of the Bankruptcy Code.

J. The Trustee represents, and it appears, that the additional post-petition financing and security arrangements authorized hereunder have been negotiated in good faith and at arm's length, and the terms of such financing and security arrangements are fair and reasonable under the circumstances and reflect the Trustee's exercise of prudent business judgment consistent with his fiduciary duties.

K. The Court concludes that entry of this Order is in the best interests of the Debtor, its estate, and its creditors, as its implementation will, among other things, allow for the preservation of the value of the assets of the Debtor's estate.

L. Absent approval of the Motion and entry of this Order, the Debtor and its creditors and other parties in interest will suffer immediate and irreparable harm given that the Debtor does not otherwise have sufficient funds to continue operations and preserve the value of its assets pending the closing of the Sale.

M. On the record before the Court, the Trustee is unable to obtain other adequate financing on more favorable terms and all creditors holding an interest in the Loan Collateral (as defined below), including the FRA and MDOT, have either consented or are deemed to have consented to the relief sought in the Motion, or are otherwise adequately protected, in accordance with section 364(d)(1) of the Bankruptcy Code.

**THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED** as follows:

1. The Motion is granted.
2. The Debtor is hereby authorized to enter into the New Loan, as such term is defined in the Motion, upon the terms set forth in the Motion and in the Commitment Letter, and upon the terms set forth in the loan documents relating to the New Loan, which loan documents shall substantially reflect the terms of the Commitment Letter.
3. The Debtor shall concurrently herewith or thereafter, as requested by Lender, execute and deliver to Lender all such documents as the Lender may request to effectuate, evidence, confirm, validate or perfect Lender's liens on and security interests in the Loan Collateral (as such term is defined in the Motion).
4. The Debtor is authorized to borrow \$900,000.00 of the New Loan, resulting in \$3.9 million borrowed in the aggregate, which shall solely be used to (a) pay any and all interest, fees and expenses owing to Lender pursuant to the Loan Documents and (b) fund operations through a final hearing on the Motion.
5. Lender shall be entitled to, and the Debtor's obligations under the New Loan shall be secured by, a first-priority mortgage and a first-priority security interest in the Loan Collateral, and all necessary creditors, including, without limitation, the FRA and MDOT, shall be deemed to have subordinated their interests in and to the Loan Collateral to Lender. No lien

shall be granted by this Court, or shall arise by operation of law or otherwise, that shall have priority over the first liens granted to Lender in the Loan Collateral.

6. If the New Loan is not paid in full on or before August 30, 2014, pursuant to the terms set forth in the Commitment Letter, and subject to any extensions, waivers, modifications, or amendments granted by Lender in its sole discretion, then the Trustee shall, and is hereby authorized under 11 U.S.C. § 1174 and without further order of this Court, to liquidate the Loan Collateral or such portion thereof as is necessary to pay all obligations owed to Lender in full.

7. The Lender acted in good faith in relation to the New Loan under section 364(e) of the Bankruptcy Code, and is entitled to the protections of section 364(e) of the Bankruptcy Code.

8. The automatic stay in effect pursuant to section 362 of the Bankruptcy Code and any other restriction imposed by an Order of the Court or applicable law are hereby modified and vacated, without further notice, application or Order of the Court, to the limited extent necessary to permit Lender to perform any act authorized or permitted under or by virtue of this Order or the Loan Documents, including, without limitation: (a) to implement the New Loan authorized by this Order and pursuant to the terms of the Loan Documents; (b) to take any act to create, validate, evidence, attach or perfect any lien, security interest, right in or claim against the Loan Collateral; and (c) to assess, charge, collect, advance, deduct and receive payments with under the Loan Documents, including, without limitation, all interests, fees, costs and expenses permitted under the Loan Documents, and apply such payments in accordance with the Loan Documents and this Order.

9. This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon entry hereof, and there shall be no stay of effectiveness of this Order,

including any stay otherwise applicable under sections 4001(a)(3) or 6004(h) of the Bankruptcy Code.

10. The Trustee shall serve upon the Notice Parties by no later than February 12, 2014 a notice of (a) the entry of this Order and (b) a final hearing on the Motion to be held on February 26, 2014 at 10:00 a.m. ET. Any objections to the approval of the Motion at the final hearing must be filed with the Court and served so to be received by counsel to the Trustee and the Lender on or before 5:00 p.m. ET on February 19, 2014. If no objections are timely filed and served, then the Court may enter a final order approving the Motion without any further hearing.

Dated:

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The Honorable Louis H. Kornreich  
United States Bankruptcy Judge for the  
District of Maine