

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF ST-FRANÇOIS
N°: 450-11-000167-134

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
C. C-36, as amended)

IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF:

MONTREAL, MAINE & ATLANTIC CANADA CO.
(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE);

PETITIONER

and

RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.);

MONITOR

MOTION FOR A SECOND ORDER EXTENDING THE STAY PERIOD
(Sections 9 and 11 *et seq.* of the *Companies' Creditors Arrangement Act*,
R.S.C. 1985, c. C-36 ("CCAA"))

TO THE HONORABLE JUSTICE GAÉTAN DUMAS OF THE SUPERIOR COURT, SITTING IN
THE COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF
SAINT-FRANÇOIS, THE PETITIONER RESPECTFULLY SUBMITS THE FOLLOWING:

I. INTRODUCTION

1. On August 8, 2013, the Superior Court, Commercial Division, in and for the district of Montreal, issued an order (as amended on August 23, 2013, the "**Initial Order**") extending the protection of the *Companies' Creditors Arrangement Act* ("**CCAA**") to the Montreal Maine & Atlantic Canada Co. (the "**Petitioner**" or "**MM&A**") pursuant to section 11.02 of the CCAA;
2. Pursuant to the Initial Order, Richter Advisory Group Inc. (Richter Groupe Conseil Inc.) was appointed as monitor of the Petitioner (the "**Monitor**") and a stay of proceedings (the "**Stay of Proceedings**") was ordered until and including September 6, 2013 (the "**Stay Period**");

3. In addition to protecting the Petitioner, the Stay of Proceedings issued by this Court also extends to *inter alia* the members of the Petitioner's corporate group (the Petitioner and the other members of its corporate group collectively referred to as the "**Petitioner's Corporate Group**") listed in Schedule "A" thereto and to the persons listed in Schedule "B" thereto (collectively, the "**Non-Petitioner Defendants**"), Schedules A and B being attached to the present Motion. As appears from Schedules "A" and "B", the members of the Petitioner's Corporate Group and the Non-Petitioner Defendants include, *inter alia*, Montreal, Maine & Atlantic Railway Ltd ("**MM&AR**"), (the Petitioner's parent company), as well as their liability insurer, XL Insurance Company Ltd. (the "**Liability Insurer**" or "**XL**");
4. On September 4, 2013, this Court issued an order (the "**First Extension Order**") extending the Stay Period to October 9, 2013, the whole as appears from the Court Record;

II. ORDER SOUGHT

5. The Petitioner hereby seeks an extension of the Stay Period in respect of *inter alia* the Petitioner, the other members of the Petitioner's Corporate Group and the Non-Petitioner Defendants until January 28, 2014 for the reasons explained hereinafter;

III. GROUNDS FOR THIS MOTION

6. Since the issuance of the First Extension Order, the Petitioner has acted and continue to act in good faith and with due diligence as set forth hereinafter;
7. The Petitioner has made and continues to make significant efforts to stabilize its business and address the concerns of all of its stakeholders including, *inter alia*, the following:

i) **The Petitioner's efforts to maintain the Certificate of Fitness**

8. As appears from the Court Record and in particular from Petitioner's "*Motion for an order extending the stay period and to approve a cross border insolvency protocol*" (the "**First Motion**") filed into the Court Record on August 13, 2013, the Canadian Transportation Agency (the "**Agency**") issued Order No. 2013-R-266 by which it ordered the suspension of the certificate of fitness No. 02004-3 issued in favour of the Petitioner and MM&AR under the *Canada Transportation Act* (the "**Certificate of Fitness**") which permits both companies to operate railways (such suspension initially to be effective August 20, 2013);
9. On August 16, 2013, the Agency varied said Order by Decision No. LET-R-98-2013, by amending the date of suspension of the Certificate of Fitness to come into effect on October 1, 2013, subject to the conditions provided therein (Order No. 2013-R-266 and the Decision No. LET-R-98-2013, hereinafter collectively the "Order");

10. Said conditions were met, as appears from a copy of Decision No.328-R-2013 dated August 23, 2013 confirming that the date of suspension of the Certificate of Fitness was amended and was to come into effect on October 1, 2013, a copy of said decision being filed herewith as **Exhibit R-1**;
11. As further appears from the First Motion, the Certificate of Fitness was being maintained for an interim period of time in order to allow the Petitioner to proceed with an orderly transition of its Quebec operations to an interim operator, pending the sale of its business on a going concern basis, for the benefit of its stakeholders;
12. However, as further explained in the First Motion, subsequent to the appointment of Robert J. Keach, as trustee in the Chapter 11 case of MM&AR (the "**Chapter 11 Trustee**") the issues as to the continuation of the operations in the interim pending the sale of the business, the interim financing thereof and the sales process were to be part of ongoing efforts and discussions with the appropriate authorities (including the Monitor, the Chapter 11 Trustee, the Agency and other relevant stakeholders) and it was intended that efforts would continue in order to sell the assets and business of the Petitioner as well as MM&AR as a going concern, in cooperation with the Chapter 11 Trustee, with the expectation that this should enhance the market value of the assets;
13. As a result, at this time it is no longer contemplated that there be an interim operator but rather that the Petitioner and/or the Chapter 11 Trustee obtain interim financing for the operations of both the Petitioner and MM&AR (as more fully set forth below) pending the completion of a sales process and the sale of the assets and business of the Petitioner and MM&AR;
14. In this context, and as will be further explained below, while the Petitioner has continued to deploy efforts with respect to the financing and the sales process, the sale of the business will not take place before October 1, 2013, and additional time is required in order to implement a sales process and proceed with the sale of the assets and the business;
15. In view of the foregoing, the Petitioner initially applied to the Agency to vary the Order to allow the Petitioner and MM&AR to continue to operate to January 15, 2014 (however, for the reasons explained hereinafter and subject to an extension of the Stay Period until January 28, 2014, Petitioner intends to request from the CTA an extension of the Certificate of Fitness to January 31, 2014);
16. On September 26, 2013, the Agency issued Interlocutory Decision No. LET-R-107-2013 (the "**September 26, 2013 Decision**"), varying the Order by amending the date of effect of the suspension of the Certificate of Fitness to October 18, 2013, stating that Petitioner and MM&AR had demonstrated that there were new facts and circumstances warranting a review of the Order and that the Agency was satisfied that the Petitioner and MM&AR had adequate third party liability insurance coverage and the financial capacity to cover the self-insured portion of the liability insurance coverage for the continued operation over a short period of time, the whole as appears from a copy of the Order dated September 26, 2013 filed herewith as **Exhibit R-2**;

17. As further appears from the September 26, 2013 Decision, as to the continued operations after October 18, 2013 to January 15, 2014, the Agency has required that it be provided with additional information prior to making a ruling on this additional period. In particular, the Agency noted that a CCAA hearing was scheduled for October 9, 2013 to deal with issues that may have an impact on its decision with respect to an extension of the Certificate of Fitness to January 15, 2014;
18. From the above and the discussions between the Agency and the Petitioner and its legal counsel, Petitioner is confident that in the event this Court grants the extension of the Stay Period requested hereunder to January 28, 2014, the Agency will accept to amend and postpone the date of effect of the suspension of the Certificate of Fitness;
19. However, as it is expected that on January 28, 2014 a further extension of the Stay Period will be required and that, as a result, a further amendment of the date of effect of the suspension of the Certificate of Fitness will also be required and given that it is expected that the Agency will again require before ruling thereon that the Petitioner have obtained an extension of the Stay Period beyond January 28, 2014, the Petitioner intends to amend its current request so that the date of effect of the suspension of the Certificate of Fitness be January 31, 2014, rather than January 15, 2014, i.e. at a date subsequent to the current proposed expiry date of the Stay Period;
20. Thus, in the event this Court grants the present Motion, the Petitioner and MM&AR will engage in further discussions with the Agency for the purpose of maintaining the Certificate of Fitness until January 31, 2014 and will keep the Court apprised of the developments in this regard;

ii) Interim financing / sales process

21. Since the First Extension Order, the Petitioner and MM&AR have continued efforts to maintain the operations and are involved in a process to obtain interim financing to allow the continuation of the operations pending the completion of a sales process;
22. In this regard, the Chapter 11 Trustee and the Monitor have been involved in ongoing discussions in order to obtain such interim financing. In this context, the Chapter 11 Trustee received on October 2, 2013 a term sheet from Camden National Bank which provides financing in the amount of USD \$3,000,000 with respect to the operations of both the Petitioner and MM&AR in the United States and in Canada (to be secured only by a charge on the assets of MM&AR located in the United States) and which the Chapter 11 Trustee will present to the US Bankruptcy Court for approval on October 9, 2013. A copy of the term sheet is filed herewith as **Exhibit R-3**
23. However, while the Chapter 11 Trustee is confident that the term sheet will be approved, the Petitioner and the Monitor will continue discussions with two other parties, with respect to the financing of the operations of the Petitioner and MM&AR in Canada and the United States and their interest to purchase all or part of the assets of the Petitioner and MM&AR;

24. With respect to the sales process, Petitioner, the Monitor and the Chapter 11 Trustee have negotiated an agreement with an investment banker, namely Gordian Group, whereby the latter will manage, in accordance with the joint instructions of the Monitor, the Petitioner and the Chapter 11 Trustee, a sales process of both the Petitioner's and MM&AR's assets and business;
25. The timeline that is contemplated for the sale of the assets under the proposed agreement with Gordian Group is the following:
- a) Identify and obtain expressions of interest from potential bidders by October 31, 2013;
 - b) Identify a stalking horse bidder and obtain approval of said bid and of the auction process to be conducted thereafter by November 15, 2013;
 - c) Conduct an auction on or before December 13, 2013; and
 - d) Have the sale approved by this Court on or before December 16, 2013, subject to the necessary regulatory approvals;
26. The agreement with Gordian is viewed by the Petitioner, the Monitor and the Chapter 11 Trustee as being an appropriate process for the sale of the assets of both the Petitioner and MM&AR;
27. The Petitioner therefore requests that it be authorized to execute the agreement with the investment banker filed as **Exhibit R-4** in support hereof and that the Monitor be authorized to intervene in the agreement;
28. It is to be noted that as of the date hereof, the Chapter 11 Trustee has received seven (7) non-disclosure agreements from interested parties and is in the process of negotiating another such agreement. As well, the Monitor has had contact with at least two separate groups of persons interested in the purchase of the assets;
29. Due to the sensitive and confidential nature of the current discussions and negotiations with various parties, with respect to both the interim financing and the sales process, at this stage, the Petitioner requests that the identities of such parties (with the exception of Camden National Bank and Gordian Group) remain confidential and not be disclosed;
- iii) Railway cars located at Farnham, Quebec**
30. The Petitioner is also involved in ongoing discussions in order to attempt to find a solution with respect to the railway cars currently located in Farnham, Quebec;
31. Indeed, currently at Farnham there are 93 tank cars labelled as containing petroleum crude oil that was being shipped by World Fuel Services Corp. (or one of its subsidiaries) (hereinafter "**WFSC**") to Irving Oil Limited ("**Irving Oil**") who had purchased either directly or indirectly the crude oil, including 9 tank cars that were part of the tragic train derailment that occurred in Lac Mégantic but that were not damaged at such time;

32. Transport Canada has required that the tank cars not be moved until their contents have been properly and accurately identified, documented, labelled and classified and be transported in accordance with the safety requirements for the type and class of product contained in the tank cars. The labelling of the products and the issuance of the appropriate bill of lading for the transportation of said products is the responsibility of WFSC and/or Irving Oil, respectively as shipper and consignee;
33. Accordingly, the Petitioner is engaged in ongoing discussions with WFSC in order that it correct the situation and provide the documents required by Transport Canada so that the tank cars may be moved, but despite Petitioner's efforts, the required documents have not been provided yet;
34. If the situation is not resolved before the beginning of the week of October 7, 2013, the Petitioner intends to send a letter of demand to WFSC and Irving Oil advising the latter that failing receipt of the necessary revised bill of lading and any other required document to move the tank cars from Farnham, the Petitioner intends to seek from the Court (i) permission to declare the products in the tank cars abandoned and to proceed with the sale of same to interested parties; and (ii) authorization to retain the proceeds thereof for the benefit of the estate;

iv) Continuation of operations

35. Since the First Extension Order, the Petitioner has continued to deploy efforts to maintain the railway transportation services to the fullest extent possible for the benefit of its customers in Québec and to avoid the negative consequences described in the First Motion on:
- the employees who would have been laid off in the event of the permanent shutdown of the Petitioner's operations in Canada;
 - the economies of several towns and municipalities in the province of Québec and elsewhere, which in some respects are highly dependent on railway services, and on third parties (industries and businesses) who rely on freight services;
36. The Monitor has advised the Petitioner that since the First Extension Order, the Monitor has continued to receive communications from such third parties and customers reiterating the importance and necessity of maintaining the railway services on which they are highly dependent. A copy of letters received from persons that would be affected by the shutdown of the operations are filed herewith en liasse as **Exhibit R-5** and a copy of a chart summarizing the businesses that would be affected by the shutdown of the operations of the Petitioner (received by the Monitor from a representative of a Centre local de développement), is filed herewith as **Exhibit R-6**;
37. It is extremely important that the Stay Period be extended to January 28 2014 in order to reduce or limit the climate of uncertainty for Petitioner's customers who engage Petitioner's services for the transportation of the products that they wish to ship to their customers as to the Petitioner's capacity to deliver the products on a timely basis, the

short timelines due to the CCAA proceedings having generated concerns and uncertainty for said customers in this regard;

v) Developments with respect to Property / Business Interruption Insurance Policy

38. As appears further from the First Motion and the Court Record, Travelers Property and Casualty Company of America ("**Travelers**") had filed a Motion to lift the Stay of Proceedings ("**Travelers' Motion**") with the view to allowing it to submit a Motion for Declaratory Judgment in the State of Maine as to the applicability of its coverage in the present instance. Similar proceedings were instituted by Travelers in the Chapter 11 proceedings of MM&AR (Travelers' Motion and the proceedings in the Chapter 11 proceedings collectively, "**Travelers' Motions**") ;
39. The Petitioner and its legal counsel have been involved with Travelers' legal counsel in discussions and negotiations that began prior to the First Extension Order and continued thereafter in an attempt to resolve the issues but, unfortunately, the parties were unable to reach an agreement;
40. Accordingly, on October 1, 2013, a joint hearing before this Court and the US Bankruptcy Court took place with respect to Travelers' Motions. With respect to the Quebec proceedings, following the hearing, Travelers' Motion was taken under advisement by this Court. As to the US proceedings, the US Bankruptcy Court ordered the final hearing to be held on October 9, 2013;

vi) Claims process

41. Since the First Extension Order, the Petitioner and MM&AR as well as the Monitor have initiated discussions with respect to the development of a claims process with the Chapter 11 Trustee as well as other stakeholders. At this time, the above parties intend to continue the discussions and the preparation of the claims process in consultation with the appropriate stakeholders. It is currently intended that the Petitioner submit to the Court an application for approval of a claims process before the end of November, 2013;

vii) The Monitor

42. Since the First Extension Order, the Petitioner has continued to cooperate and work diligently with the Monitor in order to provide the latter with all necessary information to prepare reports and fulfill its role and obligations and have kept the Monitor apprise of all developments. Indeed, the Petitioner has continued to seek the Monitor's assistance with respect to all of the above, including, in particular, the search for interim financing and the discussions with third parties in this regard, the discussions with respect to the sales process and the hiring of an investment banker, discussions with the Chapter 11 Trustee and other stakeholders with respect to various issues as well as the discussions with Travelers and with respect to the preparation of the cashflow discussed below;

viii) Future direction

43. As indicated above, the Petitioner, the Monitor and the Chapter 11 Trustee will complete the putting in place of the interim financing, which should be completed within the next few days;
44. Further, the Petitioner, hereby seeks this Court's approval to execute the agreement negotiated with Gordian Group (R-4);
45. In the event that this Court authorizes the execution of said agreement by the Petitioner and the intervention thereto by the Monitor, the Petitioner, the Monitor and the Chapter 11 Trustee will take the necessary actions and steps described above in accordance with the timelines for the solicitation of expressions of interest and for the negotiation of a "stalking horse" agreement and, as soon as possible thereafter, seek Court of approval with respect to same;
46. Furthermore, the Petitioner, together with the Monitor and the Chapter 11 Trustee will continue to work on the development and establishment of a formal and orderly claims process to deal efficiently with the claims of all the stakeholders, including the victims of the derailment and their families. Once the claims process has been devised, it will be submitted to this Court as well as to the US Bankruptcy Court for approval;
47. As well, the Petitioner will continue to deploy efforts to obtain the maximum value of indemnification under the Property Insurance Policy, subject to the decision to be rendered by this Court with respect to Travelers' Motion;
48. Since the Initial Order, the Petitioner has not paid any of the professional fees and costs to the Monitor and the Monitor's legal counsel nor to the Petitioner's legal counsel which fees and costs have increased significantly;
49. As a result, the Petitioner and the Monitor intend to present to this Honorable Court, at the same time as the presentation of this Motion, a Motion for the increase of the charge securing the professional fees and costs, as otherwise such professional fees and costs will be unprotected, the whole as more fully set forth in the separate motion to be presented by the Petitioner and the Monitor concurrently herewith;

IV. CONCLUSION

50. The Second Extension of the Stay Period is necessary in order to Provide the Petitioner an adequate period of time to be able to complete the stabilisation of its business and to continue the negotiations with the various key players (purchasers, insurers and others) as well as its stakeholders and the Chapter 11 Trustee with a view to present a plan of compromise or arrangement under the CCAA. It is anticipated that the requested extension of the stay period until January 28, 2014, will afford the Petitioner with an adequate period of time to make progress towards that objective;

51. A statement of Petitioner's projected cash flow prepared by Petitioner for the period beginning September 30, 2013 and ending January 31, 2014, is filed herewith as **Exhibit R-7**
52. Said cash flow statement was prepared based on the following key assumptions (1) that the Petitioner will continue to pay ordinary course obligations, including obligations to employees; (2) that all of the Petitioner's suppliers will wish to operate on a "cash on delivery" basis going forward and (3) that MM&AR will be allowed, throughout the Chapter 11 proceedings, to continue to fund Petitioner's expenses;
53. The Monitor has indicated that the Monitor's Third Report, that it intends to file prior to the hearing of the present Motion, shall contain additional information with respect to any ongoing developments and which shall include a review of the cash flow forecast and the Monitor's recommendations;
54. As appears from the cash flow forecast, the Petitioner is of the view that no creditor will suffer any undue prejudice by the extension of the Stay Period;
55. The Petitioner is of the view that extending the Stay Period to January 28, 2014 based upon the cash flow forecast to be reported upon in the Monitor's Third Report is appropriate in the present circumstances;
56. As appears from the above, the Petitioner has acted and continues to act in good faith and with the utmost diligence;
57. The Monitor has indicated to the Petitioner that as will appear in the Monitor's Third Report, the Monitor supports the present request for an extension of the Stay Period;
58. The Petitioner respectfully requests that this honourable Court extend the Stay Period to January 28, 2014;
59. The Petitioner further respectfully requests that this Honourable Court authorize the Petitioner to enter into the agreement with the investment banker and further authorize the Monitor to intervene thereto;
60. The Petitioner respectfully submits that the notices given the presentation of the present Motion are proper and sufficient;
61. The present Motion is well founded in fact and in law;

FOR THESE REASONS, MAY IT PLEASE THIS HONOURABLE COURT TO :

GRANT the present Motion for a Second Order extending the Stay Period (the "**Motion**");

DECLARE that the notices given of the presentation of the Motion are adequate and sufficient;

ORDER that the Stay Period, as defined in the Initial Order, be extended by this Court up to and including January 28, 2014 the whole subject to all the other terms of the Initial Order;

DECLARE that the Initial Order, as amended on August 23, 2013, and on September 4, 2013 (amendment of the Stay Period) shall remain otherwise unchanged;

AUTHORIZE the Petitioner to execute the agreement with Gordion Group, filed as Exhibit R-4 and further authorize the Monitor to intervene thereto;

ORDER the provisional execution of the order notwithstanding any appeal, without the necessity of furnishing any security.

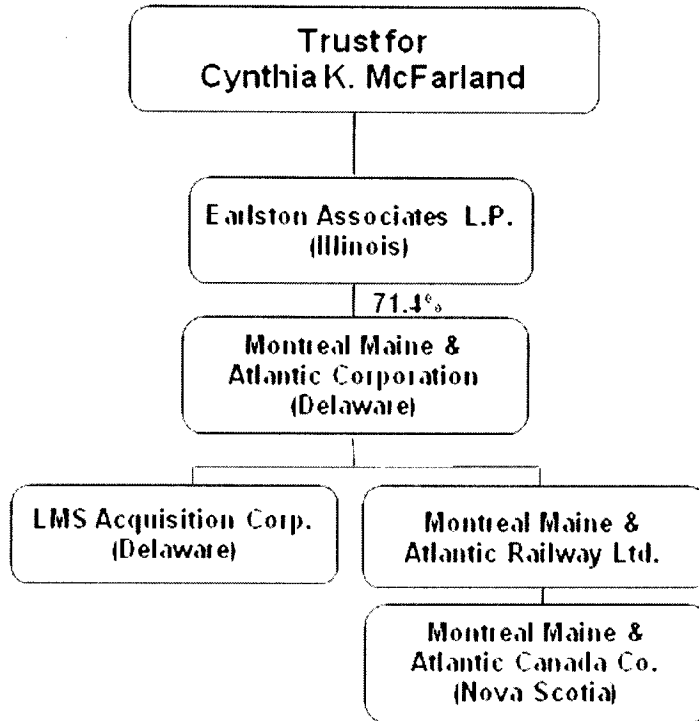
THE WHOLE without costs, save and except in the event of contestation.

MONTREAL, October 4, 2013


GOWLING LAFLEUR HENDERSON LLP
Attorneys for Petitioner

SCHEDULE « A »

MONTREAL, MAINE & ATLANTIC CORPORATE GROUP



SCHEDULE « B »

NON PETITIONNERS DEFENDANTS :

MONTREAL, MAINE & ATLANTIC CORPORATION
MONTREAL, MAINE & ATLANTIC RAILWAY LTD
EARLSTON ASSOCIATES L.P.
EDWARD BURKHARDT
ROBERT GRINDROD
GAYNOR RYAN
DONALD GARNER JR.
JOE MCGONIGLE
THOMAS HARDING
XL INSURANCE COMPANY LIMITED
XL GROUP PLC

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF SAINT-FRANÇOIS
N°: 450-11-000167-134

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
C. C-36, as amended)

IN THE MATTER OF THE PLAN OF
COMPROMISE OR ARRANGEMENT OF:

MONTREAL, MAINE & ATLANTIC CANADA CO.
(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE)

PETITIONER

and

RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.)

MONITOR

NOTICE OF PRESENTATION

TO: **SERVICE LIST**

TAKE NOTICE that the present *Motion for a second order extending the stay period* will be presented for adjudication before the the honourable Gaétan Dumas, j.s.c., sitting in commercial division, in and for the district of Saint-François, on **October 9, 2013**, in **room 2**, of the Sherbrooke Courthouse, located at 375, rue King Ouest, Sherbrooke, at 10:00 a.m. or so soon as counsel may be heard.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, October 4, 2013



GOWLING LAFLEUR HENDERSON LLP
Attorneys for Petitioner

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUÉBEC
DISTRICT OF SAINT-FRANÇOIS
N°: 450-11-000167-134

(Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
C. C-36, as amended)

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COMPROMISE OR ARRANGEMENT OF:

MONTREAL, MAINE & ATLANTIC CANADA CO.
(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE)

PETITIONER

and

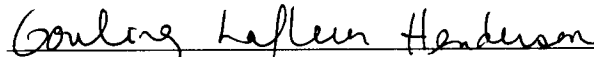
RICHTER ADVISORY GROUP INC. (RICHTER
GROUPE CONSEIL INC.)

MONITOR

LIST OF EXHIBITS

- Exhibit : R-1: Decision No. 328-R-2013 dated August 23, 2013;
- Exhibit : R-2 Order dated September 26, 2013;
- Exhibit : R-3 Term Sheet - October 2, 2013 (interim financing);
- Exhibit : R-4 Agreement with Gordion Group;
- Exhibit : R-5 Letters received from persons that would be affected by the shutdown of the operations of Petitioner;
- Exhibit : R-6 Chart summarizing the businesses that would be affected by the shutdown of the operations of Petitioner;
- Exhibit R-7 Statement of Petitioner's projected cash flow for the period beginning September 30, 2013 and ending January 31, 2014.

MONTREAL, October 4, 2013



GOWLING LAFLEUR HENDERSON LLP
Attorneys for Petitioner

N° 450-11-000167-134

SUPERIOR COURT
PROVINCE OF QUEBEC
DISTRICT OF SAINT-FRANÇOIS

Sitting as a court designated pursuant to the
Companies' Creditors Arrangement Act, R.S.C.
c. C-36, as amended)

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COMPROMISE OR ARRANGEMENT OF:

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(MONTREAL, MAINE & ATLANTIQUE CANADA
CIE)**

PETITIONNER

and

RICHTER ADVISORY GROUP INC.

MONITOR

BL0052

**MOTION FOR A SECOND ORDER
EXTENDING THE STAY PERIOD, AFFIDAVIT
OF ROBERT GRINDROD AND EXHIBITS**
(Sections 9 and 11 *et seq.* of the
Companies' Creditors Arrangement Act,
R.S.c. 1985, c. C-36)

ORIGINAL

Me Patrice Benoit BL0052
Gowling Lafleur Henderson LLP
1 Place Ville Marie, 37th Floor
Montreal, Québec
Canada H3B 3P4
Tel.: 514-392-9550 / Fax: 514-876-9550
Patrice.benoit@gowlings.com
File No.: 02381115
INIT.: PB/cl c/o 3511

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Decision No. 328-R-2013

August 23, 2013

IN THE MATTER OF operations by Montreal, Maine & Atlantic Canada Co. and Montreal, Maine & Atlantic Railway, Ltd. – Certificate of Fitness No. 02004-3 and Order No. 2013-R-266 dated August 13, 2013 and Decision No. LET-R-98-2013 dated August 16, 2013.

File No.: R8005/M5
R8005/M6

In its Order No. 2013-R-266 dated August 13, 2013, the Canadian Transportation Agency (Agency) suspended Certificate of Fitness No. 02004-3 effective August 20, 2013 because it was not satisfied that Montreal, Maine & Atlantic Canada Co. (MMAC) and Montreal, Maine & Atlantic Railway, Ltd. (MMA) have adequate third party liability insurance coverage and the financial capacity to cover the self-insured portion for the continued operation.

Since the issuance of that Order, MMAC and MMA have filed two applications, pursuant to section 32 of the *Canada Transportation Act*, for a review of Order No. 2013-R-266. The first application was denied as MMAC and MMA did not provide any information to address the inadequacies of the third party liability insurance of MMAC and MMA identified in the Order.

In response to the second application, the Agency, in Decision No. LET-R-98-2013, varied Order No. 2013-R-266 by amending the date of effect of the suspension of Certificate of Fitness No. 02004-3 to October 1, 2013. This variance was granted as MMAC and MMA had provided evidence that satisfied the Agency that they have insurance coverage, including per occurrence, and based on the undertaking by MMAC and MMA to meet the self-insurance portion of the policy. The variance decision was conditional on MMAC/MMA filing with the Agency by 5:00 p.m. Eastern Time on August 23, 2013 confirmation that it has secured funds for the self-insured retention portion of the policy.

On August 21, 2013, MMAC and MMA filed with the Superior Court of Québec a *Motion to amend the initial order and seek a charge and security on the property of the Petitioner to secure funds for self-insured obligation*. In Decision No. LET-R-100-2013, the Agency

found that if the order is obtained from the Court, the Agency would be satisfied that MMAC and MMA meet the condition set out in Decision No. LET-R-98-2013.

The Agency has now been advised that MMAC and MMA have obtained an order from the Court. Based on the order of the Superior Court of Québec dated August 23, 2013, the Agency is satisfied that MMAC and MMA meet the condition set out in Decision No. LET-R-98-2013. Accordingly, as set out in that Decision, the suspension of Certificate of Fitness No. 02004-3 comes into effect on October 1, 2013.

Member(s)

Geoffrey C. Hare

Date Modified :
2013-08-23

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Interlocutory Decision No. LET-R-107-2...

Interlocutory Decision No. LET-R-107-2013

September 26, 2013

Application by Montreal, Maine & Atlantic Canada Co. and Montreal, Maine & Atlantic Railway, Ltd. pursuant to section 32 of the *Canada Transportation Act, S.C., 1996, c. 10*, as amended, to vary Order No. 2013-R-266, as varied by Decision No. LET-R-98-2013.

File No.: R 8005/M5
R 8005/M6

Pursuant to Order No. 2013-R-266, as varied by Decision No. LET-R-98-2013 (Order), Certificate of Fitness No. 02004-3 of Montreal, Maine & Atlantic Canada Co. and Montreal, Maine & Atlantic Railway, Ltd. (MMAR) was suspended effective October 1, 2013.

MMAR has now applied to vary the Order to allow it to continue to operate to January 15, 2014.

The Canadian Transportation Agency (Agency) has considered the application and finds that MMAR has demonstrated that there are new facts and circumstances warranting a review of the Order. The application provides evidence that MMAR continues to hold third party liability insurance coverage in the short term. The Agency also notes that the *Companies Creditors Arrangement Act* (CCAA) Court order secures funds for the self-insured retention amount while the Certificate of Fitness is in force. As a result, the Agency is satisfied that MMAR has adequate third party liability insurance coverage and the financial capacity to cover the self-insured portion of its liability insurance coverage for the continued operation over a short period of time. Therefore, the Agency, pursuant to section 32 of the Canada Transportation Act, varies the Order by amending the date of effect of the suspension of Certificate of Fitness No. 02004-3 to October 18, 2013.

With respect to continued operations after October 18, 2013 to January 15, 2014, this clearly involves operations over a longer period of time and the Agency needs to obtain and consider information prior to making a ruling on the longer period. In this regard, the Agency will be requiring further information from MMAR to allow it to make a final ruling on the request to extend to January 15, 2014. Further, the Agency notes that a CCAA

hearing is scheduled for October 9, 2013, in Sherbrooke, Quebec to deal with issues that may have an impact on the consideration of the variance request over the longer period.

Member(s)

Geoffrey C. Hare

Date Modified :
2013-09-26

▲
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Important Notices

R-3

Camden National Bank

October 2, 2013

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 for a commercial line of credit loan to you in your capacity as Trustee for Montreal, Maine & Atlantic, Ltd. ("Borrower") in the amount of Three Million and 00/100 Dollars (\$3,000,000.00) (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 amount of the Line shall be Three Million and 00/100 U.S. Dollars (\$3,000,000.00). Such amount may be borrowed, repaid and re-borrowed, subject to the outstanding limit of \$3,000,000.00.

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.

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.

October 2, 2013
Term Loan

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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 Sixty Thousand and 00/100 Dollars (\$60,000.00) (the "Commitment Fee") shall be paid by Borrower to Bank upon closing of the Loan.

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 October 25, 2013, which time is of the essence.

If closing does not occur on or before October 25, 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 October 11, 2013. 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: [Signature]
Its: SVP

Accepted this _____ day of _____, 2013.

BORROWER:

By: _____
Its _____, duly authorized



330 Third Avenue, 17th Floor
New York, NY 10022
t 212.486.3600
f 212.486.3610

www.gordiangroup.com

CONFIDENTIAL

October 3, 2013

Robert J. Keach, Esq.
Chapter 11 Trustee to Montreal, Maine & Atlantic Railway, Ltd.
Bernstein, Shur, Sawyer & Nelson, P.A.
100 Middle Street
PO Box 9729
Portland, ME 04104-5029

Robert C. Grindrod
President and CEO
Montréal, Maine & Atlantic Canada Co.
15 Iron Road
Hermon, ME 04401-1136

Mr. Gilles Robillard, CPA, CA, CIRP
Monitor to Montreal, Maine & Atlantic Canada Co.
Richter Groupe Conseil Inc. Richter Advisory Group Inc.
1981 McGill College Avenue
Montréal (Québec) H3A 0G6

Dear Messrs. Keach, Grindrod and Robillard:

This letter (the "Agreement") confirms the terms of the engagement of Gordian Group, LLC ("Gordian") by Robert Keach, the chapter 11 trustee (the "Trustee") to Montreal, Maine & Atlantic Railway, Ltd. ("MMAR") by Montreal, Maine & Atlantic Canada Co. ("MMAC", and together with MMAR and their respective subsidiaries and affiliates, "MMA" or the "Company") with regard to being the Company's exclusive investment banker as of the date hereof to provide certain financial advisory and investment banking services as specifically set forth below in connection with any sale of substantially all or a portion of the assets, businesses or outstanding securities of the Company, as an operating railroad, in whole or in part(s), in one or a series of transactions, whether implemented through a 363 sale, a plan of reorganization, or otherwise (each, a "Sale Transaction").

As the Company's investment banker, Gordian will assist the Trustee, the Company, and Richter Advisory Group Inc. in its capacity as court-appointed monitor ("Monitor") of MMAC in proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") in the province of Quebec with the formulation, evaluation and implementation of various options for effecting a Sale Transaction, and in connection therewith will provide the



following services to the extent appropriate and as reasonably requested from time to time by the Trustee, Monitor and Company:

- a) Advise as to the sale or other disposition of any of the Company's assets or businesses;
- b) assist with the development, negotiation and implementation of a Sale Transaction or Sale Transactions, including rendering advice and services regarding a sale of all or a portion of the Company's assets, businesses or outstanding securities or acquisitions as an operating railroad, in whole or in part(s), as contemplated by the Company (whether in one or a series of transactions, by asset or equity sale or otherwise);
- c) assist in negotiations with interested acquirers or investors, current or potential lenders, creditors, shareholders and other interested parties regarding any potential Sale Transaction; and
- d) render such other financial advisory and investment banking services as may be mutually agreed upon by the parties hereto.

Unless otherwise mutually agreed upon, Gordian's services hereunder do not include the rendering of any valuation, fairness or solvency opinions, raising new, replacement and/or Debtor-In-Possession ("DIP") financing, or other additional services not expressly referenced above; any such services shall be addressed in a separate engagement letter as may be agreed to by the Trustee, MMAC, the Monitor and Gordian.

In the event the Trustee, the Monitor and/or the Company, their respective affiliates or management receive or initiate an inquiry or other contact concerning a Sale Transaction, the Trustee, the Monitor and/or the Company shall promptly inform Gordian of such inquiry or contact with such prospective interested party, in order that Gordian can assist the Trustee, the Monitor and the Company in any resulting negotiations in such manner as directed by the Trustee, MMAC and the Monitor.

Because the MMAR is a debtor under a Chapter 11 proceeding under title 11 of the United States Code (the "Bankruptcy Code"), the Trustee shall use its reasonable best efforts to obtain prompt authorization of the retention of Gordian pursuant to Sections 327(a) and 328 of the Bankruptcy Code on the terms and conditions of this Agreement. The order of the U.S. bankruptcy court (the "Bankruptcy Court") approving this Agreement and authorizing Gordian's retention in accordance with this Agreement shall be in form and substance acceptable to Gordian in its sole reasonable discretion and shall include an appropriate "carve out" from the collateral of the relevant lenders of the Company for the payment of the aggregate fees payable to Gordian pursuant to this Agreement. The \$5 million carve-out for professional fees and expenses ("Carve-Out") provided by the Federal Railroad Administration ("FRA") from the proceeds of a sale of

FRA's collateral, to the extent approved by the Bankruptcy Court, will suffice for purposes of this paragraph if Gordian is included therein.

Gordian acknowledges: (i) that MMAC is a debtor under proceedings under the CCAA in the province of Quebec; (ii) that the CCAA imposes various restrictions upon MMAC, including notably the right of MMAC to dispose of assets outside the ordinary course of business; (iii) that the initial order in the CCAA proceedings dated August 8, 2013 (the "Initial Order") provides that MMAC's right to pursue all avenues to finance or refinance, market, convey, transfer, assign or in any manner dispose of its business or property, in whole or in part, is subject to the approval of the Monitor; and (iv) that the Monitor is a court-appointed officer which generally plays a supervisory role with respect to the debtor in CCAA proceedings. Consequently, although Gordian is not engaged by the Monitor, the Monitor will be directly involved throughout the Sale Transaction process, and Gordian will keep the Monitor advised of all material developments in that process on the same basis as the Trustee and MMAC. Gordian, the Trustee and MMAC acknowledge that Gordian's mandate forms part of a joint process for the sale of the business or assets of both MMAR and MMAC as a going concern, such that the assent of the Monitor shall be required with respect to any decisions for which Gordian requires the approval of either the Trustee or MMAC. Gordian acknowledges that it will not benefit from any charge in the Canadian proceedings, including the Administration Charge.

For Gordian's services in connection with this engagement, concurrently with and as a condition to the consummation of any Sale Transaction, the Company shall pay to Gordian nonrefundable fees concurrent with the closing of a Sale Transaction ("Transaction Fees") in an amount equal to 1.7% of Aggregate Consideration (defined below).

Aggregate Consideration, for purposes of calculating Transaction Fees, shall be deemed to be the total price of the Sale Transaction (and any transactions related thereto), including but not limited to cash, securities, any portion paid by credit bid and/or by the assumption of debt by the purchaser or by other means.

In the event that the Aggregate Consideration comprises securities, in whole or in part, the value of such securities, for purposes of calculating Transaction Fees, shall be the fair market value thereof, as the parties hereto shall mutually agree, on the day prior to the public announcement of such Sale Transaction; provided, however, that the value of securities with an existing public trading market shall be determined by the average of the last sales prices for such securities on the five trading days ending five days prior to the consummation of the Sale Transaction in question.

Transaction Fees shall be reserved in full simultaneously with the closing of a Sale Transaction in cash in U.S. dollars and the receipt by the Trustee and MMAC of the Aggregate Consideration and shall be paid to Gordian upon approval by the Bankruptcy

Court upon application by Gordian; provided that if the Aggregate Consideration may be increased, pursuant to the terms of the Sale Transaction, by contingent or deferred payments related to future earnings or operations or other matters, the portion of Transaction Fees relating thereto shall be calculated and paid to Gordian when and as such contingent or deferred payments are made.

In addition to the fees described above, Gordian shall be reimbursed upon invoice for all of its reasonable out-of-pocket expenses (including legal, travel, research and information, telephone and facsimile) incurred in connection with Gordian's engagement hereunder; provided, however, that Gordian shall require the prior consent of both the Trustee and the Monitor (which shall not be unreasonably withheld) before incurring aggregate expenses in excess of \$15,000, and provided, further, that all such expenses are subject to final review by the Bankruptcy Court upon application by Gordian.

The nature and scope of Gordian's investigation in connection with the matters described herein shall be as Gordian deems appropriate. Gordian shall familiarize itself with and consider, as it deems appropriate, the history and nature of the business of the Company, its operations, financial results and condition, properties and prospects and such other factors as Gordian deems relevant. In this regard, Gordian shall be entitled to rely entirely on publicly available information plus such other information as may be directly or indirectly furnished to it orally or in writing by the Trustee, the Monitor, the Company or their respective officers, directors, managers, employees, affiliates, representatives, counsel, auditors and advisors, without independent investigation thereof, and Gordian does not hereby assume any responsibility to verify the accuracy or completeness of any such information or to conduct any appraisal of the Company's assets or liabilities. The Trustee, MMAC and the Monitor represent and warrant to Gordian that, to the best of their knowledge, all information they directly or indirectly furnish to Gordian in connection with Gordian's engagement hereunder shall be true, complete and accurate in all respects, and not misleading, it being understood that the Monitor does not conduct an audit or investigation of information provided to the Monitor by MMAC and that accordingly, no opinion is expressed nor any representation or warranty given by the Monitor regarding the accuracy, reliability or completeness of such information, which should be independently verified with MMAC. The Trustee, MMAC and the Monitor shall use their best reasonable efforts to facilitate the Company's full cooperation in providing Gordian all such information, documents and corporate records as Gordian deems necessary or appropriate.

Gordian does not represent or guarantee any specific result from this engagement. Gordian has not made, and is not responsible for the accuracy of, any projection of the Company's operating results, solvency or value, and Gordian does not make any representation regarding or guaranty of the accuracy of any projection, other view or advice Gordian provides regarding the Company or the Company's future. The Trustee, MMAC and the Monitor acknowledge that all future matters are subject to certain risks

and uncertainties that could cause actual results to differ materially from those projected or otherwise addressed by Gordian.

Gordian's role shall be solely as investment banker to the Trustee and MMAC, who shall remain fully responsible for all decisions and matters as to which Gordian's advice is sought. Gordian is assuming no management responsibility with respect to the Company of any nature whatsoever. Gordian's obligations to the Trustee, MMAC and the Monitor are contractual in nature as expressly set forth in this Agreement and neither Gordian nor any of its affiliates nor their respective members, partners, officers, directors, employees, agents nor any entity or person controlling Gordian or any of its affiliates have any fiduciary obligations to the Trustee, Monitor, Company or its Board of Directors or any other person in respect hereof. The Trustee, MMAC and the Monitor acknowledge and agree that the engagement of Gordian hereunder does not and is not intended to confer rights upon any person not a party hereto, including the Company, any security holders (other than the Trustee and Monitor) or creditors of, or holders of beneficial interests in, the Company, as against Gordian, its affiliates, or their respective members, partners, officers, directors, employees, agents or any entity or person controlling Gordian or any of its affiliates. The obligations of Gordian under this Agreement and in respect of any transaction or conduct in connection herewith are solely limited liability company obligations of Gordian. To the full extent lawful, no affiliate of Gordian or any member, partner, officer, director, employee or agent of Gordian or such affiliate, or any person controlling Gordian or any of its affiliates shall be subjected to any personal liability whatsoever to the Trustee, Monitor, or their respective affiliates, successors, assigns, creditors or security holders, or any other person, with respect to this Agreement or any transaction or conduct in connection herewith.

Any advice, written or oral, provided by Gordian pursuant to this Agreement shall be solely for the information and assistance of the Trustee, MMAC and the Monitor in connection with a Sale Transaction of the Company. Except as required by law or court order, such advice is not to be used, circulated, quoted or otherwise referred to, in whole or in part, for any other purpose. The Trustee, MMAC and the Monitor shall use their reasonable best efforts to ensure that such advice shall not be filed with, included in or referred to, in whole or in part, in any registration statement, proxy statement, tender offer or any other document, filed by the Company nor are references to Gordian or its engagement hereunder to be made therein, except in each case in accordance with Gordian's prior written consent, which shall not be unreasonably withheld. Except to the extent legally required, none of: (i) the fact that Gordian is rendering advice to the Trustee, MMAC and the Monitor (except that the fact that Gordian is rendering such advice may be disclosed to parties with which the Company is negotiating); (ii) any advice rendered by Gordian to the Trustee, MMAC and the Monitor; or (iii) any communication from Gordian to the Trustee, MMAC and/or the Monitor or from the Trustee, MMAC and/or the Monitor to Gordian in connection with the services performed by Gordian pursuant to this Agreement shall be quoted or referred to orally or in writing in any public form or forum or document by the Trustee, MMAC, Monitor or

their respective agents, without Gordian's prior written authorization; provided further that the Trustee and Monitor shall use their reasonable best efforts to cause the Company to similarly observe the foregoing. For the avoidance of doubt, in the event of any disclosures under this paragraph mandated by law or court order, the form and content of any references to Gordian, its advice and its relationship to the Trustee, MMAC and the Monitor shall remain subject to Gordian's prior written consent, which shall not be unreasonably withheld. Except to the extent expressly set forth in writing by Gordian, no third party shall be entitled to rely upon Gordian's advice for any purpose whatsoever for the accuracy or completeness of any permitted disclosure by the Trustee, MMAC or the Monitor to any third parties of Gordian's advice.

The Trustee, MMAC and the Monitor understand that Gordian does not represent that any particular Gordian professional will be solely responsible for Gordian's work product completed pursuant to Gordian's engagement and that junior Gordian professionals likely will be working on this engagement together with senior Gordian professionals.

The Trustee as Trustee and not individually and the Company agree to indemnify and hold harmless Gordian and its affiliates and their respective members, partners, officers, directors, employees, controlling persons, representatives and agents (each an "Indemnified Party") to the full extent lawful from and against, and agrees that Gordian shall have no liability to the Trustee, the Monitor, the Company or their respective affiliates, successors, assigns, creditors or security holders for, any losses, claims, expenses, damages or liabilities (or actions or proceedings in respect thereof), including without limitation counsel fees and expenses, related to or arising out of Gordian's engagement under this Agreement, or any transaction or conduct in connection therewith, except to the extent that any such loss, claim, expense, damage or liability is finally judicially determined to have resulted solely from Gordian's gross negligence or willful misconduct in performing the services that are the subject of this Agreement. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold it harmless, then the Trustee as Trustee and not individually and/or the Company shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, expense, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Trustee as Trustee and not individually and/or the Company and/or its equity holders on the one hand and the Indemnified Party on the other hand, but also the relative fault of the Trustee as Trustee and not individually and/or the Company and the Indemnified Party, as well as any other relevant equitable considerations. In no event shall Gordian and the Indemnified Parties collectively have liability under this Agreement or in respect of any transaction or conduct in connection herewith in the aggregate in excess of any cash fees actually received by Gordian hereunder, exclusive of reimbursement of expenses as provided in this Agreement and compensation as referred to below in this paragraph. Without the prior written consent of Gordian (which shall not unreasonably be withheld), the Trustee, Monitor and/or the Company shall not settle any claim, litigation or other proceeding against any Indemnified Party relating to Gordian's engagement hereunder unless such

settlement requires on the part of the Indemnified Party nothing more than a cash payment that the Company actually makes, and unless such settlement includes an express release of such Indemnified Party from all claims against such Indemnified Party by all parties to such settlement, such release to be set forth in an instrument or instruments signed by or otherwise binding upon all parties to such settlement. The Trustee as Trustee and not individually and/or the Company agrees to reimburse each Indemnified Party, promptly upon each request for reimbursement hereunder, for its legal and other out-of-pocket expenses (including the cost of any investigation, preparation or provision of evidence) incurred in connection with any pending or threatened action, claim, investigation or proceeding (regardless of whether Gordian is a party thereto) in respect of which indemnification or contribution may be sought hereunder or in enforcing this Agreement, including, without limitation, any pending or threatened action, claim, investigation or proceeding brought by the Trustee, Monitor or Company. If Gordian, any affiliate of Gordian, or any member, partner, officer, director, employee, agent or any entity or person controlling Gordian or any affiliate of Gordian becomes involved in any threat or assertion of a claim, litigation or investigation with respect to this engagement, then Gordian shall be compensated, separately from the fees provided for herein, for the time expended by such person, whether at or in preparation for meetings, depositions, trial or otherwise at the hourly rates then in effect for such person or, if no such rate is then in effect, the hourly rate that Gordian shall reasonably determine to be appropriate. The reimbursement, indemnity and contribution agreements of the Trustee as Trustee and not individually and/or the Company under this paragraph shall be in addition to any liability which the Trustee as Trustee and not individually and/or the Company otherwise may have and to any rights that Gordian may otherwise have, and shall extend upon the same terms and conditions to, and may be independently enforced by, any affiliate of Gordian and the members, partners, officers, directors, employees, controlling persons, representatives and agents (if any) of Gordian or any affiliate of Gordian and shall be binding upon any successors and assigns of the Trustee as Trustee and not individually and/or the Company and inure to the benefit of any successors, assigns, heirs and personal representatives of Gordian, any such affiliate and any such person. The provisions of this paragraph, the preceding six paragraphs and the following four paragraphs shall survive the completion or termination of Gordian's services pursuant to this Agreement or any termination of this Agreement.

THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO ITS PRINCIPLES OF CONFLICT OF LAW). THE PARTIES HERETO HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY DISPUTES ARISING HEREUNDER. The Trustee, MMAC and the Monitor hereby consent to venue and jurisdiction in any court in which Gordian (or other Indemnified Party) is sued or otherwise found or brought. To the extent permitted by applicable law, any dispute arising under this Agreement or in connection with this engagement shall be finally settled by the District of Maine bankruptcy court. The parties

hereto consent to the non-exclusive jurisdiction of the District of Maine bankruptcy court for the purpose of entering judgment upon and enforcing such an award.

This engagement may be terminated by the Trustee, MMAC and the Monitor or Gordian at any time with or without cause, effective upon receipt of written notice to that effect by the other party, but in such circumstance the Company shall remain liable for Transaction Fees payable or accrued and expenses incurred prior to termination. In the event of termination of this engagement the Company shall also remain liable for any Transaction Fees if within twelve (12) months after such termination definitive documentation is entered into with respect to a Sale Transaction and such Sale Transaction is subsequently consummated.

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between Gordian and the Trustee, Monitor and Company with respect thereto. This Agreement shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the parties. This Agreement may not be amended or modified except in writing, executed by the parties hereto. No party hereto may assign this Agreement.

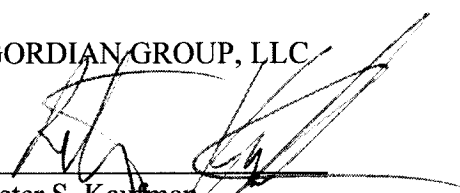
The Trustee's and Company's obligations hereunder, including payment of the Transaction Fees and reimbursement of expenses, shall be joint and several obligations of the Company and any subsidiaries or affiliates.

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the duplicate of this letter attached hereto, which shall thereupon constitute a binding agreement.

Sincerely yours,

GORDIAN GROUP, LLC

By:


Peter S. Kauffman
President; Head of Restructuring and
Distressed M&A

AGREED TO AND ACCEPTED:

Montreal, Maine & Atlantic Railway, Ltd.

By: _____
Name: Robert J. Keach, Esq.
Title: Chapter 11 Trustee
Date: _____

Montreal, Maine & Atlantic Canada Co.

By: _____
Name: Robert C. Grindrod
Title: President and CEO
Date: _____

Richter Advisory Inc., in its capacity as Monitor
of Montreal, Maine & Atlantic Canada Co. pursuant to
proceedings under the *Companies' Creditors Arrangement Act*

By: _____
Name: Gilles Robillard, CPA, CA, CIRP
Title: Partner

Date: _____

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:

MONTREAL MAINE & ATLANTIC
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670
Chapter 11

**ORDER GRANTING APPLICATION FOR ORDER, PURSUANT TO SECTIONS 327
AND 328 OF THE BANKRUPTCY CODE, AUTHORIZING THE EMPLOYMENT
AND RETENTION OF GORDIAN GROUP, LLC TO PROVIDE
INVESTMENT BANKING AND FINANCIAL ADVISORY
SERVICES TO THE TRUSTEE**

Upon consideration of the *Application for Order, Pursuant to Sections 327 and 328 of the Bankruptcy Code, Authorizing the Employment and Retention of Gordian Group, LLC to Provide Investment Banking and Financial Advisory Services to the Trustee* (the "Application"), filed by Robert J. Keach, the chapter 11 trustee (the "Trustee") in the above-captioned case of Montreal Maine & Atlantic Railway, Ltd. ("MMA"), and upon consideration of the *Declaration of Peter S. Kaufman in Support of the Application for Order, Pursuant to Sections 327 and 328 of the Bankruptcy Code, Authorizing the Employment and Retention of Gordian Group, LLC to Provide Investment Banking and Financial Advisory Services to the Trustee* (the "Declaration"), and it satisfactorily appearing that Peter S. Kaufman and Gordian Group, LLC ("Gordian Group") are disinterested and do not represent or hold any interest adverse to MMA, MMA's wholly-owned subsidiary, Montreal Maine & Atlantic Canada Co. ("MMA Canada"), or the estates of MMA and/or MMA Canada, and that the employment will be in the best interest of MMA and MMA's estate, it is hereby **ORDERED**, **ADJUDGED** and **DECREEED** as follows:

1. The Application is granted.

2. The Trustee is hereby authorized to employ Gordian Group as an investment banker to perform the services set forth in the retention letter attached to the Affidavit as Exhibit 1 (the “Retention Agreement”).

3. Pursuant to 11 U.S.C. § 328(a), Gordian Group shall be entitled to compensation as follows:

- a. *Transaction Fee.* At the closing of any Sale Transaction, Gordian Group will be paid a transaction fee in an amount equal to 1.7% of Aggregate Consideration (as such term is defined in the Retention Agreement). No up-front or monthly fees are being paid to Gordian Group.
- b. *Reimbursement of Expenses.* Gordian Group shall be reimbursed upon invoice for all of its reasonable out-of-pocket expenses (including legal, travel, research and information, telephone and facsimile) incurred in connection with its engagement; provided, however, that Gordian Group shall obtain the prior consent of both the Trustee and the Monitor before incurring aggregate expenses in excess of \$15,000, and provided, further, that all such expenses are subject to final review by the Bankruptcy Court upon application by Gordian Group.

4. The compensation payable to Gordian Group shall be subject to review only pursuant to the standards set forth in section 328(a) of the Bankruptcy Code and shall not be subject to the standard of review set forth in section 330 of the Bankruptcy Code.

5. Subject to the approval of this Court and the Canadian Court pursuant to the Protocol, Gordian Group will be paid in the Case and in the Canadian Case. The payment of the Transaction Fee and reimbursement of expenses incurred by Gordian Group will be allocated between the Debtor’s and MMA Canada’s estate, which allocation shall be subject to the approval of this Court and the Canadian Court.

6. This Order shall become final in fourteen (14) days unless a party in interest sooner objects, in which case the matter shall be set for hearing and considered by the Court as if this Order had not been entered.

ENTREPRISES TOUCHÉES PAR L'ARRÊT DES ACTIVITÉS DE MMA

MRC	ENTREPRISE	NOMBRE DE WAGONS / ANNÉE	NOMBRE D'EMPLOYÉS	DIRECTION (MEGANTIC et/ou)
Haut-Richelieu	1	100	50	
Haut-Richelieu	2	2000	33	
Haut-Richelieu	3	75	12	
Haut-Richelieu	4	250	38	
Haut-Richelieu	5	50	160	
Haut-Richelieu	6	100	11	
Haut-Richelieu	7	10	108	
Haut-Richelieu	8	240	35	
Haut-Richelieu	9	40	7	
Haut-Richelieu	10		à déterminer	
Brome-Missisquoi	11	12	43	
Brome-Missisquoi	12	200	75	Mégantic (Nouveau-Brunswick) + États-Unis
Brome-Missisquoi	13	140	8	Mégantic + Montréal
Brome-Missisquoi	14	1 000	5	De Montréal

Brome-Missisquoi	15	200	57	De Montréal
Brome-Missisquoi	16	150	65	De Montréal
Brome-Missisquoi	17	50	20	De Montréal
Brome-Missisquoi	18	200	53	De Montréal
Brome-Missisquoi	19	550	40	Mégantic + Montréal
Brome-Missisquoi	20	80	65	De Montréal
Brome-Missisquoi	21	50	65	Mégantic + États-Unis
Au cœur de la Montérégie	22	1000	750	ligne st-guillaume et terminal Farnham
Au cœur de la Montérégie	23	88	90	ligne st-Guillaume et terminal de Farnham
Haute-Yamaska	24	250	180	E-U/Mégantic/MI
Beauce-Sartigan	25	52	140	Mégantic et US
Robert-Cliché	26			
Drummond	27	3	120	US

Sherbrooke	28	384	384	Montreal et connexion CP vers US
Sherbrooke	29	60	125	Direction Lac Megantic et US
Montreal	30	88	20	Contecoeur au Nouveau-Brunswick
Montreal	31	385	150	St-Jean à Farnham et Montreal au Vermont
Montreal	32	100		Du Texas à Chicago, de Chicago à St-Jean et de St-Jean à Farnham (dernier segment assumé par la MMA) Montreal
Haut-Saint-François	33	100	15	
Granit	34	2500	350	Megantic/Montreal
Granit	35	150	3	Megantic/USA
Granit	36	50	150	Megantic, USA
Granit	37	150	32	Megantic/Montreal
Granit	38	288	40	Megantic/E-U
Granit	39	50	35	Megantic/E-U
Granit	40	24	52	E-U/Caroline Nord
Granit	41		10	E-U/Maine
Granit	42	40	25	E-U/Maine
Granit	43	0	150	TAFISA
Granit	44			copeaux à Tafisa

Memphré magog	45	2500	55	
Memphré magog	46		54	
Memphré magog	47	200	132	
Memphré magog	48		50	

Valeurs

Étiquettes	Nombre de ENTREPRISE	Somme de NOMBRE DE WAGONS / ANNÉE	Somme de NOMBRE D'EMPLOYES TOTAL DANS L'ENTREPRISE
Au cœur de	2	1088	840
Brome-Miss	11	2632	496
Drummond	1	3	120
Haut-Riche	10	2865	454
Montréal	3	188	170
Sherbrooke	2	444	509
Haute-yam	1	250	180
Haut-Saint-	1	100	15
Granit	11	3252	847
Memphrém	4	2700	291
Beauce-Sa	1	52	140
Robert-Clic	1		
Total généré	48	13574	4062

Région	MRC	% du total des entreprises	% du nombre de wagons total	% du nombre d'emplois total
Montérégie	Au cœur de la Mont	4,2%	8,0%	20,7%
	Brome-Missisquoi	22,9%	19,4%	12,2%
	Haut-Richelieu	20,8%	21,1%	11,2%
	Haute-yamaska	2,1%	1,8%	4,4%

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

Week Ending:	Forecast 04/10/2013	Forecast 11/10/2013	Forecast 18/10/2013	Forecast 25/10/2013	Forecast 01/11/2013	Forecast 08/11/2013	Forecast 15/11/2013	Forecast 22/11/2013	Forecast 29/11/2013	Forecast 06/12/2013
Cash Receipts:										
Intercompany Montreal, Maine & Atlantic Railway, Ltd. ¹	-	-	111,982	173,990	306,117	35,990	168,591	35,990	168,591	101,046
Deposits & Wire Transfers	-	-	-	-	-	-	-	-	-	-
Total	-	-	111,982	173,990	306,117	35,990	168,591	35,990	168,591	101,046
Disbursements:										
Transport revenue offsets	-	-	-	-	-	-	-	-	-	-
Payroll and benefits	115,400	-	117,826	-	157,601	-	132,601	-	132,601	25,000
Vacation pay arrears	-	-	-	50,000	-	-	-	-	-	-
Materials and supplies	25,000	-	46,592	24,490	24,490	24,490	24,490	24,490	24,490	21,100
Freight car and locomotive expense	11,550	-	-	-	8,250	-	-	-	-	8,250
Other operating costs	50,330	7,590	7,590	99,500	115,776	11,500	11,500	11,500	11,500	46,696
Restructuring costs	-	-	-	-	-	-	-	-	-	-
Total	202,280	7,590	172,008	173,990	306,117	35,990	168,591	35,990	168,591	101,046
Net Cash Flow (Use) - Operations	(202,280)	(7,590)	(60,026)	-	-	-	-	-	-	-
Opening Cash Balance	307,396	105,116	97,526	37,500	37,500	37,500	37,500	37,500	37,500	37,500
Closing Cash Balance¹	\$ 105,116	\$ 97,526	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500

¹ For the purposes of this cash flow, cash receipts are assumed to be equal to projected disbursements. The ending bank balance will fluctuate on a daily basis depending on the actual deposits in the Canadian account and actual disbursements required on a daily basis.

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

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

¹ For the purposes of this cash flow, cash receipts are assumed to be received on a daily basis and cash disbursements will fluctuate on a daily basis depending on the disbursements required on a daily basis.

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

Footnote

	Forecast W/E 04/10/2013	Forecast W/E 11/10/2013	Forecast W/E 18/10/2013	Forecast W/E 25/10/2013	Forecast W/E 01/11/2013	Forecast W/E 08/11/2013	Forecast W/E 15/11/2013	Forecast W/E 22/11/2013	Forecast W/E 29/11/2013	Forecast W/E 06/12/2013
Receipts:										
Transportation Revenue										
1 Freight Revenue and Zone Switching	\$ 173,559	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ 125,000	\$ 125,000	\$ 130,000
2 ISS Settlement	151,494									75,000
3 Customer Settlements	50,000		150,000			50,000				25,000
Sub Total - Transportation Revenue	375,053	70,000	150,000	-	-	50,000	125,000	125,000	125,000	230,000
Other Operating Revenue										
4 Railcar Storage								16,000		
Contract Shop & Car Repairs										
5 Equipment Rental	37,000									18,500
Car Hire Revenue (Payable)										
Sub Total - Other Operating Revenue	37,000	-	-	-	-	-	-	16,000	-	18,500
Non-Operating Revenue										
Private & Gov't Re-imbursements										
Travelers - Ins Settlement	-	-	-	-	-	-	-	-	-	-
Sub Total - Non-Operating Revenue	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts	412,053	70,000	150,000	-	-	50,000	125,000	141,000	125,000	248,500
Disbursements:										
Transportation Revenue Offsets										
6 NBSR, MNR, SLQ, CN	85,623	-	-	-	-	-	-	-	-	-
Sub Total - Transportation Revenue Offsets	85,623	-	-	-	-	-	-	-	-	-
Payroll & Related										
7 Salaries, Wages & Commissions US	63,415		157,500		194,599		194,599		194,599	
Employee Benefits & Claims - US	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Salaries, Wages & Commissions CDN	84,000		103,426		118,201		118,201		118,201	
Group Health, pension and union dues- CDN	31,400		14,400		39,400		14,400		14,400	25,000
8 Aelna Past Dues				100,000						
9 Vacation pay arrears - CDN				50,000						
Sub Total - Payroll & Related	210,315	31,500	306,826	181,500	383,700	31,500	358,700	31,500	358,700	56,500
Materials & Supplies										
Diesel Fuel	-	-	25,200	31,500	31,500	31,500	31,500	31,500	31,500	35,000
Material/Repair Costs US	13,000	10,000	10,000	45,000	20,000	10,000	10,000	10,000	10,000	5,000
Material/Repair Costs CDN	25,000	10,000	35,000	10,000	10,000	10,000	10,000	10,000	10,000	5,000
Sub Total - Material & Supplies	38,000	20,000	70,200	86,500	61,500	51,500	51,500	51,500	51,500	45,000
Freight Car & Locomotive Expense										
Leases - Car	20,000				10,000					10,000
Leases - Locomotive	15,000	-	-	-	15,000	-	-	-	-	15,000
Car Repair Net										
Sub Total - Freight Car & Locomotive	35,000	-	-	-	25,000	-	-	-	-	25,000
Other Operating Costs										
Rent	20,000				20,000					20,000
Electricity	9,000				9,000					9,000
Heat at Derby maintenance facility					2,700	2,700	2,700	2,700	2,700	5,400
Utility Deposits	22,500									
Insurance Payments	73,406				29,906	43,500				29,906
10 Bank Chges /Interest Exp/Points				1,000	933				1,000	7,172
2% Points for New Financing			60,000							
Rail Testing				88,000						
Brush Cutting in Canada					70,000					
Favorable Purchase Option for 14 CK cars					34,027				36,036	
11 Post-Petition A/P (9/13)			110,000							
Phone, Internet, Radio, Other expenses	44,399	16,500	16,500	25,000	34,500	25,000	25,000	25,000	25,000	36,500
Sub Total - Rent, Heat & Utilities	169,305	16,500	186,500	114,000	201,066	71,200	27,700	27,700	64,736	107,978
Total Operating Disbursements	538,243	68,000	563,526	382,000	671,267	154,200	437,900	110,700	474,936	234,478
12 Net Cash Inc(Dec) From Ops	(126,190)	2,000	(413,526)	(382,000)	(671,267)	(104,200)	(312,900)	30,300	(349,936)	14,022
SUMMARY										
Cash Beginning	580,793	454,603	456,603	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Net Weekly Cash Flow	(126,190)	2,000	(413,526)	(382,000)	(671,267)	(104,200)	(312,900)	30,300	(349,936)	14,022
Financing Advance(Paydowns)			256,923	382,000	671,267	104,200	312,900	(30,300)	349,936	(14,022)
13 Cash Ending	\$ 454,603	\$ 456,603	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Principal Bal New Financing			-	256,923	638,923	1,310,190	1,414,390	1,727,290	1,696,990	2,046,926
Net Weekly Cash Advance(Paydown)			256,923	382,000	671,267	104,200	312,900	(30,300)	349,936	(14,022)
End of Period Principal Balance			256,923	638,923	1,310,190	1,414,390	1,727,290	1,696,990	2,046,926	2,032,905

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

Footnote

	Forecast W/E 13/12/2013	Forecast W/E 20/12/2013	Forecast W/E 27/12/2013	Forecast W/E 03/01/2014	Forecast W/E 10/01/2014	Forecast W/E 17/01/2014	Forecast W/E 24/01/2014	Forecast W/E 31/01/2014	Forecast Total
Receipts:									
Transportation Revenue									
1	\$ 130,000	\$ 130,000	\$ 120,000	\$ 100,000	\$ 200,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 1,908,559
2				150,000					376,494
3									275,000
	130,000	130,000	120,000	250,000	200,000	160,000	160,000	160,000	2,560,053
Other Operating Revenue									
4									-
			20,000					20,000	56,000
5									55,500
									-
			20,000					20,000	111,500
Non-Operating Revenue									
									-
									-
									-
Total Cash Receipts	130,000	130,000	140,000	250,000	200,000	160,000	160,000	180,000	2,671,553
Disbursements:									
Transportation Revenue Offsets									
6									85,623
Sub Total - Transportation Revenue Offsets									85,623
Payroll & Related									
7	194,599		194,599			194,599		194,599	1,583,108
	31,500	31,500	31,500			31,500		31,500	472,500
	98,501		98,501		98,501		98,501		936,035
	14,400		14,400	25,000	14,400		14,400		221,600
8									100,000
9									50,000
	339,000	31,500	339,000	25,000	112,901	226,099	112,901	226,099	3,363,243
Materials & Supplies									
	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	529,200
	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	183,000
	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	175,000
	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	887,200
Freight Car & Locomotive Expense									
				10,000					50,000
				15,000					60,000
									-
				25,000					110,000
Other Operating Costs									
				20,000					80,000
				9,000					36,000
	5,400	5,400	5,400	5,400	5,400	5,400	5,400	5,400	62,100
									22,500
	43,500			29,906	43,500				293,624
10			1,000		11,534			1,000	23,640
									60,000
									88,000
									70,000
									70,063
11									110,000
	25,000	25,000	25,000	36,500	25,000	25,000	25,000	25,000	484,899
	73,900	30,400	31,400	100,806	85,434	30,400	30,400	31,400	1,400,826
Total Operating Disbursements	457,900	106,900	415,400	195,806	243,335	301,499	188,301	302,499	5,846,892
12 Net Cash Inc(Dec) From Ops	(327,900)	23,100	(275,400)	54,194	(43,335)	(141,499)	(28,301)	(122,499)	(3,175,339)
SUMMARY									
Cash Beginning	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	580,793
Net Weekly Cash Flow	(327,900)	23,100	(275,400)	54,194	(43,335)	(141,499)	(28,301)	(122,499)	(3,175,339)
Financing Advance(Paydowns)	327,900	(23,100)	275,400	(54,194)	43,335	141,499	28,301	122,499	2,894,546
13 Cash Ending	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Principal Bal New Financing	2,032,905	2,360,805	2,337,705	2,613,105	2,558,911	2,602,247	2,743,746	2,772,047	
Net Weekly Cash Advance(Paydown)	327,900	(23,100)	275,400	(54,194)	43,335	141,499	28,301	122,499	
End of Period Principal Balance	2,360,805	2,337,705	2,613,105	2,558,911	2,602,247	2,743,746	2,772,047	2,894,546	

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

FOOTNOTES:

- It is assumed that new financing begins for w/e 10/18 and all collections of AR for Sales and Misc Income existing at 10/11 are remitted to Wheeling and not available to fund the operations of MMA. AR
- 1 for Sales created post w/e 10/11 begin to collect in w/e 11/15.
 - 2 The 75k ISS settlement in w/e 12/6 represents MMA's 2 weeks share of net revenue for October.
 - 3 Represents confirmed contractual settlements with customers; these proceeds are not subject to Wheeling's liens.
 - 4 Only remaining significant railcar lessor that stores cars at MMA is First Union Railcar, who prepaid storage thru end of Jan '13 in w/e 9/6/13.
 - 5 Represents maintenance equipment owned by MMA and leased on a monthly basis to MNR. It is assumed equipment is returned to MMA at end of October
 - 6 85k payable in w/e is claim from MNR haulage reimbursement due for Aug '13 and early Sept haulage before implementation of Rule 11 by MNR.
- Assumes 16 and 7 employee rehires to provide two person road crews on all trains and add'l maintenance employees for US & Canada, respectively; these employees are scheduled to begin on Monday in w/e 10/18, which increases the payroll to be paid for w/e 11/1.
- Canadian payroll includes a 20% increase for expected over time hours for track maintenance from mid Oct thru mid Nov.
- 8 100k represents unpaid US employee pre-petition health claims, which were approved for payment by US Bk Court.
 - 9 50k represents payment of vacation claims for Canadian employees that were laid off in July and Aug '13.
 - 10 Interest rate is assumed to be 5%
 - 11 110k represents 50k in estimated total unpaid post-petition payables as of 9/13 and 60k in unpaid pre-petition Maine Use Taxes; the latter will not be paid without first receiving US Bk Court approval.
 - 12 Net Cash Inc(Dec) is BEFORE payment of professional fees and the following capital improvement projects:
- | | |
|--|--|
| Canadian: | |
| Megantic reconnect | 1,523,000 |
| Repair Farnham yard tracks | 1,000,000 |
| Repair line betw Sherbrooke & Megantic | 200,000 |
| | Mat'l only for TC's immediate concerns for work to be completed in current work season. Estimate 220k additional required to complete all TC issues in next work season. |
| Repair Sherbrooke yard | 250,000 |
| | 2,973,000 |
| US: | |
| Frankfort bridge repair | 250,000 |
- 13 For illustration purposes, it is assumed that MMA maintains a cash balance of approx 300k for operating liquidity.