

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:

MONTREAL MAINE & ATLANTIC
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670

Chapter 11

**ORDER APPROVING CHAPTER 11 TRUSTEE'S MOTION FOR ORDER
APPROVING COMPROMISE AND SETTLEMENT WITH TRAVELERS
PROPERTY CASUALTY COMPANY OF AMERICA**

This matter came before this Court on the Chapter 11 Trustee's Motion for Order Approving Compromise and Settlement with Travelers Property Casualty Company of America (the "Motion")¹ and, this Court having held a hearing to consider the Motion on December 18, 2013, and upon consideration of the objections and/or responses to the Motion filed by the Wheeling & Lake Erie Railway Company ("Wheeling") and the Federal Railroad Administration (the "FRA"), and after agreement reached between the Trustee, Wheeling, the FRA and Travelers, and after this Court finding that the United States District Court for the District of Maine has entered its Order dated December 20, 2013 remanding this matter to this Court for the purposes of entering this Order granting the Motion and approving the compromise described therein on the terms set forth below, it is hereby **ORDERED**, **ADJUDGED** and **DECREED** as follows:

1. The Motion is granted to the extent and upon the terms set forth herein.
2. Travelers shall pay a total of Three Million Eight Hundred Thousand United States Dollars (\$3,800,000.00) to the Debtor and MMAC (the "Settlement Payment"). Subject to the reservation of rights granted herein relating to allocation of the Settlement Payment, the

¹ Capitalized terms used, but not defined in this Order, have the meanings ascribed to such terms in the Motion.

Settlement Payment shall be allocated 35% to the Debtor and 65% to MMAC. The Settlement Payment shall be made in two payments to account for the allocation described above: (a) one payment in the amount of \$1,330,000.00 shall be paid directly to the Trustee; and (b) one payment in the amount of \$2,470,000.00 shall be paid directly to the Monitor. The Settlement Payment, and each portion thereof, shall be held in escrow pending further Order of this Court or pending an agreement reached between the Trustee, MMAC, Wheeling and the FRA.

3. Notwithstanding the procedures set forth herein relating to the adjudication of the rights of the Trustee, MMAC, Wheeling and the FRA in the Settlement Payment, if no appeal is taken from this Order or the Order approving the settlement issued by the Quebec Superior Court on December 19, 2013 (the "Canadian Order"), the Settlement Payment shall be paid by Travelers by wire transfer on the later of (a) January 15, 2014; or (b) 17 days after the entry of this Order. If an appeal (including a motion for leave to appeal) is taken from this Order or the Canadian Order, payment shall be made within five (5) business days after any such appeals are finally resolved.

4. The Settlement Payment shall be in full and final satisfaction of any and all claims of all of the named insureds arising under the Policy and resulting from the Derailment and Travelers shall be released from any and all liability under the Policy to the named insureds relating to the Derailment.

5. Travelers shall cause the Appeal to be dismissed, with prejudice, within seven (7) days of payment of the Settlement Payment.

6. The Trustee, MMAC and Travelers are authorized to enter into any documents reasonably necessary to effectuate the terms of the settlement of the claims against Travelers, as

described herein, including certain release of claims agreements to be signed by LMS Acquisition Corporation, Montreal, Maine & Atlantic Corporation and Rail World, Inc. (the “Remaining Named Insureds”) and the relief granted herein is conditioned upon the Remaining Named Insureds entering into such releases of claims.

7. Subject to the availability of this Court and the Superior Court (Commercial Division) for the Province of Quebec, Canada before which the bankruptcy proceeding of MMAC is pending (the “Canadian Court”), a joint hearing to determine the rights of the Trustee, MMAC, Wheeling and FRA shall be held at the location of this Court, after February 25, 2013, and on or before March 7, 2014 (the date of the final hearing as scheduled hereinafter referred to as the “Hearing Date” and the final hearing proceeding hereinafter referred to as the “Final Hearing”). The Final Hearing shall be conducted in accordance with the terms of that certain Cross-Border Insolvency Protocol approved by this Court and the Canadian Court and docketed by this Court on August 30, 2013.


8. The Final Hearing shall determine the following: (a) the respective rights of MMA, MMAC, the FRA and Wheeling, if any, in and to the Settlement Payment in its entirety and/or any portion thereof, including the priority of each party’s rights in the same; and (b) the appropriate allocation of the Settlement Payment as between MMA and MMAC. All of the parties’ claims, rights and defenses in relation to these issues are hereby expressly preserved.

9. From and after the date of this Order, the Trustee, MMAC, Wheeling and the FRA shall cooperate in relation to engaging in any and all discovery reasonably requested by a party in relation to the Final Hearing. One week prior to the Hearing Date, Wheeling, the FRA, the Trustee and MMAC shall simultaneously file briefs in support of their positions on the

matters to be determined at the Final Hearing. Two days prior to the Hearing Date, the Trustee, MMAC, Wheeling and the FRA shall file with this Court and the Canadian Court a list of witnesses and exhibits to be presented at the Final Hearing.

10. That certain adversary proceeding (No. 13-01033) initiated by Wheeling (the "Adversary Proceeding") shall be stayed only in relation to matters involving Travelers, the Policy and claims relating to the Policy and proceeds of the Policy pending the outcome of the Final Hearing. Wheeling shall dismiss Travelers as a defendant in the Adversary Proceeding within seven (7) days of Travelers' payment of the Settlement Payment as provided for herein.

Dated: December 24, 2013

A handwritten signature in cursive script that reads "Louis H. Kornreich". The signature is written in black ink and is positioned above a horizontal line.

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