

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MAINE**

In re:

MONTREAL MAINE & ATLANTIC
RAILWAY, LTD.,

Debtor.

Chapter 11

Case No. 13-10670

**MOTION OF RAIL WORLD, INC. FOR ALLOWANCE AND PAYMENT OF ITS
ADMINISTRATIVE CLAIM PURSUANT TO 11 U.S.C. § 503(b)**

Rail World, Inc. (“Rail World”), by and through its undersigned counsel, hereby applies to this Court for allowance and payment of its administrative claim pursuant to 11 U.S.C. § 503(b) (the “Motion”). In support of this Motion, Rail World states as follows:

Jurisdiction

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue of this Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for relief requested herein are §§ 105(a) and 503(b)(1) of the Bankruptcy Code.

Background and Relief Requested

2. On August 7, 2013 (the “Commencement Date”), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). On August 21, 2013, the Trustee was appointed as the chapter 11 trustee of the Debtor pursuant to § 1163 of the Bankruptcy Code.

3. Prior to the Commencement Date, on or about January 8, 2003, Rail World, on the one hand, and the Debtor, MMAC, MMARS and LMS (collectively, the “Companies”), on the other, executed the Management Agreement. The Management Agreement memorialized an

arrangement between Rail World and the Companies under which Rail World and certain of Rail World's employees had been providing services during an "Interim Period" consisting of "day-to-day management and operation of the business and affairs of the Companies, in each case under the overall direction and oversight of the officers and board of directors of the respective Company." (*See* Management Agreement, attached as Exhibit A to the Motion at Section 1(a)). Pursuant to the terms of the Management Agreement, the "Interim Period" ended when the Companies "fully implemented their business plan, appointed appropriate officers, and achieved stable operations." *Id.* The "Interim Period" ended in accordance with the terms of the Management Agreement on or about January 9, 2003.

4. Subsequent to the "Interim Period," the Management Agreement requires that Rail World perform certain "Long Term Services," described as an "active oversight role for the Companies," and providing expert advice and input on: (i) traffic and revenues; (ii) operations; (iii) mechanical matters; (iv) engineering; (v) finance; and (vi) strategic planning. (*See* Management Agreement at Section 1(b)).

5. The Management Agreement requires fees to be paid to Rail World at the "initial rate of \$500,000 per anum" adjusted annually based upon change in the Consumer Price Index. (*See* Management Agreement at Section 2(a)). The fees are payable in arrears, in quarterly installments of \$125,000, subject to the adjustments set forth in Section 2(a) of the Management Agreement. (*See* Management Agreement at Section 2(b)).

6. In addition to fees payable to Rail World, the Management Agreement requires that the Companies "jointly and severally indemnify and hold Manager harmless from and against any loss, liability or damage (including, without limitation, attorneys fees and legal costs)

that may result from Manager's performance of its duties under the Agreement" (*See* Management Agreement at Section 8).

7. On September 18, 2013, the Trustee filed a Motion to Reject the Management Agreement. [Dkt. # 261]. The Court granted the Motion to Reject on November 1, 2013 and ordered that the Management Agreement is rejected as of September 18, 2013. [Dkt. # 420].

8. Prior to and following the Commencement Date up until the Management Agreement was rejected on September 18, 2013, Rail World continued to perform its obligations under the Management Agreement and devoted substantial time and resources assisting the Debtor and the Trustee in, among other things, matters concerning the financial performance, strategic planning and operations of the Debtor.

9. 11 U.S.C. § 503(b)(1)(A) provides administrative expense priority for "actual, necessary costs and expenses of preserving the estate." A claim qualifies as an administrative expense if it (1) arose from a transaction with the estate and (2) provided some demonstrable benefit to the estate. *In re Cramer v. Mammoth Mart, Inc. (In re Mammoth Mart, Inc.)*, 536 F.2d 950, 954 (1st Cir. 1976).

10. In this case, Rail World is entitled to an administrative priority expense for its post-petition services rendered under the Management Agreement prior to the Trustee's decision to reject the contract. Rail World's claim arose from a transaction with the estate because Rail World provided services to the Debtor and Rail World provided a benefit to the estate by providing expert advice to the Debtor and Trustee with respect to strategic planning and operations of the Debtor.

11. "If the debtor-in-possession elects to continue to receive benefits from the other party to an executory contract pending a decision to reject or assume the contract, the debtor-in-

possession is obligated to pay for the reasonable value of those services.” *NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 531, 104 S.Ct. 1188, 1199 (1984).

12. Rail World submits that the reasonable value of its services is based on its fee payable under the Management Agreement. The Management Agreement provides that Rail World is owed a \$125,000 installment fee each quarter for its services. Using this value, Rail World calculates that it is owed \$58,423.91,¹ representing the reasonable value of its services provided under the Management Agreement during the 43 days post-petition, prior to the date the Management Agreement was rejected, plus \$1,129.51 in expenses, totaling \$59,553.42. The invoices supporting these administrative expenses are attached hereto as Exhibit B.

13. Pursuant to D. Me. LBR 9013-1(b), before filing this Motion, counsel for Rail World made a good faith effort to determine whether or not the Motion is unopposed. After consultation with the Trustee, consent could not be obtained. However, the Trustee and counsel for Rail World have agreed to stay any action in this Motion to allow for further settlement discussions. In the event that the Motion cannot be resolved, counsel for Rail World or the Trustee shall request that the Court schedule a hearing on the matter.

WHEREFORE, Rail World requests payment of an administrative expense pursuant to 11 U.S.C. § 503(b) in the amount of \$59,553.42.

¹ This amount is calculated as follows: $365 \text{ days a year} / 4 = 92 \text{ days in a quarter}$; $(\$125,000 \text{ quarterly fee} / 92) \times 43 \text{ days of services provided} = \$58,423.91$.

Dated: December 1, 2014

/s/ Patrick C. Maxcy

Patrick C. Maxcy

DENTONS US LLP

233 South Wacker Drive, Suite 7800

Chicago, Illinois 60606

Telephone: (312) 876-8000

Facsimile: (312) 876-7934

Email: patrick.maxcy@dentons.com

Attorney for Creditor

Rail World, Inc.

CERTIFICATE OF SERVICE

I, Patrick C. Maxcy, hereby certify that I caused a copy of the above Motion, the proposed Order, and this Certificate of Service to be served via the Court's CM/ECF system on December 1, 2014 and by U.S First Class Mail on December 1, 2014, as indicated upon the parties listed on the attached Service List.

Dated: December 1, 2014

/s/ Patrick Maxcy

Patrick C. Maxcy (Atty No. 6275469)
DENTONS US LLP
233 South Wacker Drive, Suite 7800
Chicago, Illinois 60606
Telephone: (312) 876-8000
Facsimile: (312) 876-7934
Email: patrick.maxcy@dentons.com

Attorney for Creditor
LMS Acquisition Corporation

Served on December 1, 2014 via CM/ECF:

D. Sam Anderson, Esq. on behalf of Trustee Robert J. Keach
sanderson@bernsteinshur.com,
acummings@bernsteinshur.com;sspizuoco@bernsteinshur.com;astewart@bernsteinshur.com

Thomas M. Brown, Esq. on behalf of Interested Party Wrongful Death, Personal Injury,
Business, Property and Environmental Clients as of 9/1/13
tbrown@eatonpeabody.com,
tmbelectronicfilings@gmail.com;clavertu@eatonpeabody.com;ladler@eatonpeabody.com

Thomas M. Brown, Esq. on behalf of Interested Party Wrongful Death, Personal Injury,
Business, Property and Environmental Clients as of September 1, 2013
tbrown@eatonpeabody.com,
tmbelectronicfilings@gmail.com;clavertu@eatonpeabody.com;ladler@eatonpeabody.com

Richard Paul Campbell on behalf of Creditor Progress Rail Services Corporation
rpcampbell@campbell-trial-lawyers.com, mmichitson@campbell-trial-lawyers.com

Roger A. Clement, Jr., Esq. on behalf of Debtor Montreal Maine & Atlantic Railway Ltd.
rclement@verrilldana.com, nhull@verrilldana.com;bankr@verrilldana.com

Roger A. Clement, Jr., Esq. on behalf of Trustee Robert J. Keach
rclement@verrilldana.com, nhull@verrilldana.com;bankr@verrilldana.com

Daniel C. Cohn, Esq. on behalf of Creditor Estates of Marie Alliance, et al
dcohn@murthalaw.com, njoyce@murthalaw.com

Maire Bridin Corcoran Ragozzine, Esq. on behalf of Trustee Robert J. Keach
mcorcoran@bernsteinshur.com, sspizuoco@bernsteinshur.com;
astewart@bernsteinshur.com;acummings@bernsteinshur.com; kfox@bernsteinshur.com

Keith J. Cunningham, Esq. on behalf of Creditor Eastern Maine Railway Company
kcunningham@pierceatwood.com, mpottle@pierceatwood.com;rkelly@pierceatwood.com

Keith J. Cunningham, Esq. on behalf of Creditor Maine Northern Railway Company
kcunningham@pierceatwood.com, mpottle@pierceatwood.com;rkelly@pierceatwood.com

Keith J. Cunningham, Esq. on behalf of Creditor New Brunswick Southern Railway Company
kcunningham@pierceatwood.com, mpottle@pierceatwood.com;rkelly@pierceatwood.com

Debra A. Dandeneau on behalf of Creditor CIT Group, Inc.,
arvin.maskin@weil.com

Joshua R. Dow, Esq. on behalf of Creditor Canadian Pacific Railway
jdow@pearcedow.com, rpearce@pearcedow.com;lsmith@pearcedow.com

Joshua R. Dow, Esq. on behalf of Creditor Canadian Pacific Railway Co.
jdow@pearcedow.com, rpearce@pearcedow.com;lsmith@pearcedow.com

Michael A. Fagone, Esq. on behalf of Attorney Bernstein, Shur, Sawyer & Nelson
mfagone@bernsteinshur.com, acummings@bernsteinshur.com;astewart@bernsteinshur.com;
sspizuoco@bernsteinshur.com;kq uirk@bernsteinshur.com;kfox@bernsteinshur.com

Michael A. Fagone, Esq. on behalf of Debtor Montreal Maine & Atlantic Railway Ltd.
mfagone@bernsteinshur.com, acummings@bernsteinshur.com; astewart@bernsteinshur.com;
sspizuoco@bernsteinshur.com; kquirk@bernsteinshur.com;kfox@bernsteinshur.com

Michael A. Fagone, Esq. on behalf of Trustee Robert J. Keach
mfagone@bernsteinshur.com; acummings@bernsteinshur.com; astewart@bernsteinshur.com;
sspizuoco@bernsteinshur.com; kquirk@bernsteinshur.com;kfox@bernsteinshur.com

Daniel R. Felkel, Esq. on behalf of Creditor Dakota Plains Transloading, LLC, Dakota Petroleum
Transport Solutions LLC, Dakota Plains Marketing LLC
dfelkel@troubhheisler.com

Jeremy R. Fischer on behalf of Interested Party Indian Harbor Insurance Company
jfischer@dwmlaw.com, aprince@dwmlaw.com

Jeremy R. Fischer on behalf of Interested Party XL Insurance Company, Ltd.
jfischer@dwmlaw.com, aprince@dwmlaw.com

Isaiah A. Fishman on behalf of Creditor C. K. Industries, Inc.
ifishman@krasnowsaunders.com, ryant@krasnowsaunders.com;
cvalente@krasnowsaunders.com

Taruna Garg, Esq. on behalf of Creditor Estates of Marie Alliance, et al
tgarg@murthalaw.com, cball@murthalaw.com;kpatten@murthalaw.com

Jay S. Geller on behalf of Creditor Western Petroleum Corporation
jgeller@maine.rr.com

Craig Goldblatt on behalf of Interested Party XL Insurance Company, Ltd.
craig.goldblatt@wilmerhale.com

Frank J. Guadagnino on behalf of Creditor Maine Department of Transportation
fguadagnino@clarkhillthorpreed.com

Michael F. Hahn, Esq. on behalf of Creditor Bangor Savings Bank
mhahn@eatonpeabody.com, clavertu@eatonpeabody.com;
dgerry@eatonpeabody.com;dcroizier@eatonpeabody.com; jmiller@eatonpeabody.com

Nathaniel R. Hull, Esq. on behalf of Debtor Montreal Maine & Atlantic Railway Ltd.
nhull@verrilldana.com, bankr@verrilldana.com

David C. Johnson on behalf of Creditor Wheeling & Lake Erie Railway Company
bankruptcy@mcm-law.com, djohnson@mcm-law.com

Jordan M. Kaplan, Esq. on behalf of Creditor Brotherhood of Locomotive Engineers and
Trainmen
jkaplan@zwerdling.com, mwolly@zwerdling.com

Robert J. Keach, Esq. on behalf of Trustee Robert J. Keach
rkeach@bernsteinshur.com; acumings@bernsteinshur.com;
jlewis@bernsteinshur.com; astewart@bernsteinshur.com

Curtis E. Kimball, Esq. on behalf of Creditor Center Beam Flat Car Company, Inc
ckimball@rudman-winchell.com, jphair@rudman-winchell.com; cderrah@rudmanwinchell.com

Curtis E. Kimball, Esq. on behalf of Creditor First Union Rail
ckimball@rudman-winchell.com, jphair@rudman-winchell.com; cderrah@rudmanwinchell.com

George W. Kurr, Jr. on behalf of Creditor Estates of David Lacroix Beaudoin
gwkurr@grossminsky.com, tmseymour@grossminsky.com

George W. Kurr, Jr. on behalf of Creditor Estates of Marie Alliance, et al
gwkurr@grossminsky.com, tmseymour@grossminsky.com

George W. Kurr, Jr. on behalf of Creditor Estates of Stephanie Bolduc
gwkurr@grossminsky.com, tmseymour@grossminsky.com

Alan R. Lepene, Esq. on behalf of Creditor Eastern Maine Railway Company
Alan.Lepene@ThompsonHine.com, Cathy.Heldt@ThompsonHine.com

Alan R. Lepene, Esq. on behalf of Creditor Maine Northern Railway Company
Alan.Lepene@ThompsonHine.com, Cathy.Heldt@ThompsonHine.com

Alan R. Lepene, Esq. on behalf of Creditor New Brunswick Southern Railway Company
Alan.Lepene@ThompsonHine.com, Cathy.Heldt@ThompsonHine.com

Edward MacColl, Esq. on behalf of Creditor CIT Group, Inc.
emaccoll@thomport.com, bbowman@thomport.com;
jhuot@thomport.com;eakers@thomport.com

Benjamin E. Marcus, Esq. on behalf of Interested Party XL Insurance Company, Ltd.
bmarcus@dwmlaw.com, hwhite@dwmlaw.com;dsoucy@dwmlaw.com

George J. Marcus, Esq. on behalf of Creditor Wheeling & Lake Erie Railway Company
bankruptcy@mcm-law.com

Kelly McDonald, Esq. on behalf of Creditor GNP Maine Holdings, LLC
kmcdonald@mpmlaw.com, kwillette@mpmlaw.com

James F. Molleur, Esq. on behalf of Creditor Brotherhood of Locomotive Engineers and
Trainmen
jim@molleurlaw.com, cw7431@gmail.com;all@molleurlaw.com; tanya@molleurlaw.com;
jen@molleurlaw.com; barry@molleurlaw.com; kati@molleurlaw.com;
martine@molleurlaw.com; julie@molleurlaw.com

Ronald Stephen Louis Molteni, Esq. on behalf of Interested Party Surface Transportation Board
moltenir@stb.dot.gov

Victoria Morales on behalf of Creditor Maine Department of Transportation
Victoria.Morales@maine.gov, rhotaling@clarkhillthorpreed.com, Toni.Kemmerle@maine.gov,
ehocky@clarkhill.com, Nathan. Moulton@maine.gov, Robert.Elder@maine.gov

Stephen G. Morrell, Esq. on behalf of U.S. Trustee Office of U.S. Trustee
stephen.g.morrell@usdoj.gov

Office of U.S. Trustee
ustpreion01.po.ecf@usdoj.gov

Richard P. Olson, Esq. on behalf of Creditor Informal Committee of Quebec Claimants
rolson@perkinsolson.com, jmoran@perkinsolson.com;lkubiak@perkinsolson.com

Jeffrey T. Piampiano, Esq. on behalf of Interested Party XL Insurance Company, Ltd.
jpiampiano@dwmlaw.com, aprince@dwmlaw.com;hwhite@dwmlaw.com

Jennifer H. Pincus, Esq. on behalf of U.S. Trustee Office of U.S. Trustee
Jennifer.H.Pincus@usdoj.gov

William C. Price on behalf of Creditor Maine Department of Transportation
wprice@clarkhill.com, rhotaling@clarkhillthorpreed.com

Joshua Aaron Randlett on behalf of Interested Party Travelers Property Casualty
Company of America
jrandlett@rwl.com, kmorris@rwl.com

Elizabeth L. Slaby on behalf of Creditor Maine Department of Transportation
bslaby@clarkhillthorpreed.com

John Thomas Stemplewicz on behalf of Creditor United States of America
john.stemplewicz@usdoj.gov

Mitchell A. Toups on behalf of Interested Party Wrongful Death, Personal Injury, Business,
Property and Environmental Clients as of September 1, 2013 matoups@wgttlaw.com,
jgordon@wgttlaw.com

Pamela W. Waite, Esq. on behalf of Creditor Maine Revenue Services
pam.waite@maine.gov

Jason C. Webster, Esq. on behalf of Creditor Estates of David Lacroix Beaudoin
jwebster@thewebsterlawfirm.com, dgarcia@thewebsterlawfirm.com;
hvicknair@thewebsterlawfirm.com

Served on December 1, 2014 via First Class Mail:

Wystan M. Ackerman, Esq.
Stephen Edward Goldman,
Esq. Michael R. Enright,
Esq. Robinson & Cole LLP
280 Trumbull Street
Hartford, CT 06103

Eric M. Hocky, Esq.
Clark Hill Thorp Reed
2005 Market Street
Suite 1000
Philadelphia, PA 19103

Virginia Strasser, Esq.
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423

Craig D. Brown, Esq.
Peter J. Flowers, Esq.
Meyers & Flowers, LLC
3 North Second Street,
Suite 300
St. Charles, IL 60174

Irving Paper Limited
Irving Paper & Pulp, Limited
J.D. Irving, Limited c/o
Pierce Atwood LLP Attn:
Keith J. Cunningham, Esq.
254 Commercial Street
Portland, ME 04101

Deborah L. Thorne, Esq.
Barnes & Thornburg LLP
One North Wacker Drive,
Suite 4400
Chicago, IL 60606

Luc A. Despins.
Paul Hastings, LLP
75 East 55th Street
New York, NY 10022

Robert J. Keach, Esq.
Bernstein Shur Sawyer & Nelson
100 Middle Street
P.O. Box 9729
Portland, ME 04104

Verrill & Dana LLP
One Portland Square
P.O. Box 586
Portland, ME 04112-0586

Michael S. Wolly, Esq.
Zwerdling, Paul, Kahn & Wolly, PC
1025 Connecticut Ave., N.W.
Washington, DC 20036

Allison M. Brown
Diane P. Sullivan
Weil, Gotshal & Manges LLP
301 Carnegie Center, Suite 303
Princeton, NJ 08540

Arvin Maskin
Victoria Vron
Marcia L. Goldstein
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153

Steven J. Boyajian
Robinson & Cole LLP
One Financial Plaza, Suite 1430
Providence, RI 02903

Exhibit A

Execution Copy

THIS MANAGEMENT AGREEMENT IS SUBJECT TO, AND ALL PAYMENTS HEREUNDER ARE SUBORDINATED PURSUANT TO, THE MANAGEMENT FEE SUBORDINATION AGREEMENT, DATED AS OF JANUARY 8, 2003, AMONG LASALLE BANK NATIONAL ASSOCIATION, AS AGENT FOR ITSELF AND THE OTHER SENIOR CREDITORS (AS DEFINED THEREIN), AND RAIL WORLD, INC., AND THE MANAGEMENT FEE SUBORDINATION AGREEMENT, DATED AS OF JANUARY 8, 2003, AMONG RAIL WORLD, INC. AND THE SENIOR SUBORDINATED CREDITORS NAMED THEREIN.

MANAGEMENT AGREEMENT

This Management Agreement (this "*Agreement*") is made and entered into as of the 8th day of January, 2003, by and among Montreal, Maine & Atlantic Railway, Ltd., a Delaware corporation ("*MMA*"), Montreal, Maine & Atlantic Canada Co., a Nova Scotia unlimited liability company ("*MMAC*"), MM&A Roiling Stock Corporation, a Delaware corporation ("*MMARS*"), and LMS Acquisition Corporation, a Delaware corporation ("*LMS*" and, together with MMA, MMAC and MMARS, the "*Companies*"), and Rail World, Inc., an Illinois corporation ("*Manager*").

WHEREAS, the Companies are acquiring and plan to own and operate certain railroad assets in Canada, Maine and Vermont (the "*Railroads*");

WHEREAS, Manager and its employees have experience and expertise in the management and operation of railroads, and the Companies wish to obtain the benefits of such experience and expertise in connection with the ownership and operation of the Railroads;

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Provision of Management Services. Manager shall provide to the Companies the following services (the "*Services*"):

(a) Interim Services. The "*Interim Period*" shall mean the period beginning on the date hereof and ending on the date that the Companies specify to Manager, on at least 10 days prior written notice, that they have fully implemented their business plan, appointed appropriate officers, and achieved stable operations. During the Interim Period, Manager shall be responsible for the day-to-day management and operation of the business and affairs of the Companies, in each case under the overall direction and oversight of the officers and board of directors of the respective Company ("*Interim Services*"). During the Interim Period, personnel of Manager shall spend a minimum of 200 hours per month working on matters relating to the Companies, of which (i) Edward A. Burkhardt shall contribute a minimum of 40 hours per month and (ii) Mark A. Rosner shall contribute a minimum of 100 hours per month. During the Interim Period, the Companies shall use commercially reasonable efforts to promptly achieve, and Manager shall work with the Companies to assist them in, the recruitment and appointment of officers, the recruitment and hiring of employees, and the establishment of infrastructure, systems, policies, and other capabilities needed for the direct performance by the

Companies of day-to-day management and operational responsibilities. When and as, during and at the end of the Interim Period, the Companies acquire the capacity to perform particular functions, Manager and the Companies shall work together to facilitate the orderly transition of such functions to the Companies.

(b) Long-Term Services. Subsequent to the Interim Period, Manager shall perform an active oversight role for the Companies, providing expert advice and input on:

- (i) Traffic and revenues;
- (ii) Operations;
- (iii) Mechanical matters;
- (iv) Engineering;
- (v) Finance; and
- (vi) Strategic Planning.

Subsequent to the Interim Period, personnel of Manager shall spend a minimum of 100 hours per month working on matters relating to the Companies, of which Edward A. Burkhardt shall contribute a minimum of 20 hours per month.

(c) Level of Services. During the term of this Agreement, Manager shall make available the time and effort of its personnel, including Edward A. Burkhardt, Thomas N. Tancula, Mark A. Rosner, Erick F. Van and Paul D. Hoffmann, to the extent reasonably necessary in order to assure the efficient performance of high quality services by Manager. Manager will also permit Edward A. Burkhardt to devote the time necessary to serve on the Board of Directors of the Companies.

SECTION 2. Fees and Expenses.

(a) Fees. In consideration for the Services, the Companies shall pay to Manager during the term of this Agreement a management fee at the initial rate of \$500,000 per annum. The amount of such fee shall be adjusted as of January 1, 2004, and on January 1 of each year thereafter during the term of this agreement by a percentage equal to the percentage change in the Consumer Price Index for all items as published by the Bureau of Labor Statistics of the U.S. Department of Labor for the preceding calendar year (or if such index ceases to be published, the percentage change in such other index selected by the Parties that most nearly reflects the same information as the Consumer Price Index).

(b) Payment of Fees. The fees hereunder shall be payable in arrears in equal quarterly installments of \$125,000 each subject to adjustment as provided in Section 2(a) (with such amount pro-rated over any partial month), which payments shall be due at the end of each calendar quarter during the Term and upon termination of this Agreement. At any time at which such payments would, if made, cause the Companies to be in default under the terms of their senior secured debt facility or subordinated secured debt facility, then such

payments shall, to the extent necessary to avoid causing such default, be deferred until such time as they can be paid without causing such default. Any fees so deferred shall accrue interest at the rate of 6% per annum.

(c) Reimbursement of Expenses. The Companies shall reimburse Manager for any reasonable out-of-pocket expenses incurred by Manager for the benefit of the Companies, including without limitation expenses for travel, payments to consultants, accountants, attorneys and other independent contractors. Manager shall not be entitled to reimbursement for the salaries and employment expenses of its officers and employees, its overhead expenses, or expenses in excess of \$50,000 per year for consultants, accountants, attorneys and other independent contractors. Manager shall maintain and, upon the request of the Companies, provide to the Companies reasonable documentation for the expenses for which reimbursement is sought.

(d) Joint and Several Obligations. Payment of the obligations of the Companies under this Section 2 may be allocated among the Companies as they may agree among themselves, but shall be the joint and several obligations of the Companies.

SECTION 3. Records and Audits. Manager shall keep and maintain in accordance with generally accepted accounting principles and accounting policies of Manager, applied on a consistent basis, proper and complete records, books and accounts documenting all Services provided, including reasonable supporting documentation and records. Each Company shall have a right to review, or have its accountants or auditors review, such books, records, accounts and supporting documentation, at reasonable times and upon reasonable notice, for the purpose of verifying the accuracy of such information. All such books and records required to be maintained hereunder shall be so maintained, and access shall be provided as specified above, for a period of five years after the expiration or termination of this Agreement.

SECTION 4. Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that (i) such party is validly existing under the laws of its jurisdiction of organization; (ii) such party has full organizational power and authority to execute, deliver, and perform its obligations under this Agreement, (iii) the execution, delivery, and performance of its obligations under this Agreement by such party will not violate, contravene, or constitute a breach of or default under any agreement or instrument by which such party is bound, and (iv) this Agreement constitutes the valid and binding obligation of such party, enforceable against such party in accordance with its terms, except as enforceability may be limited by laws governing bankruptcy, insolvency, or similar matters or by general principles of equity.

SECTION 5. Independent Contractor Relationship. Manager is an independent contractor to each of the Companies. Nothing in this Agreement shall be construed or inferred to connote that Manager, acting in its capacity as a provider of Services hereunder, is a partner with, or authorized to enter into agreements or incur obligations on behalf of, any Company. All employees, agents and representatives employed by or used by Manager in its performance of its obligations under this Agreement shall not, by reason of such service, be deemed to be the employees, agents and representatives of the Companies or be entitled to or qualified under any

employment benefit plans, including but not limited to pension, health and insurance plans, provided by the Companies for their employees.

SECTION 6. Confidentiality. Manager shall treat confidentially all records, books and other information of any type received from or compiled for the benefit of the Companies in connection with this Agreement and the performance of the Services. Manager agrees not to disclose any such records, books or information to any third party (other than directors, officers, partners, employees or outside advisors of Manager and other than expressly in the performance of Manager's obligations hereunder) without the prior written or oral consent of the Company to which such information relates. The foregoing agreement of Manager shall not apply to any information that is (i) publicly available when provided to Manager or that thereafter becomes publicly available other than through a breach by Manager of this Section 6, (ii) required to be disclosed by Manager by judicial or administrative process in connection with any action, suit, proceeding or claim or otherwise by applicable law, or (iii) known by Manager, as evidenced by Manager's records, prior to its receipt from or for the benefit of the Companies. Information shall be deemed "publicly available" and not subject to Manager's agreement hereunder if such information becomes a matter of public knowledge or is contained in materials available to the public or is obtained by Manager from a source other than the Companies (including their directors, officers, partners, employees, or outside advisors), provided that such source has not to Manager's actual knowledge entered into a confidentiality agreement with any of the Companies with respect to such information.

SECTION 7. Covenants.

(a) *Non-Competition.* Manager hereby covenants and agrees that until the later to occur of (i) the end of the term of this Agreement and (ii) the date on which Manager, Earlston Associates Limited Partnership, an Illinois limited partnership, Edward A. Burkhardt and/or their respective Affiliates (as defined in Section 7(e)), and any of their transferees pursuant to a Permitted Transfer (as defined in that certain Stockholders' Agreement, dated as of the date hereof (the "*Stockholders' Agreement*"), among Montreal, Maine & Atlantic Corporation, the parent company of the Companies ("*Parent*"), and the stockholders named therein (the "*Stockholders*")), cease to hold any shares of the capital stock of the Company, and in either case for a period of one year thereafter, it shall not, and shall use its commercially reasonable efforts to cause its Affiliates not to, directly or indirectly, engage in, participate in, manage, control or render services for any railroad business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than 1% of the outstanding capital stock of a publicly-held company) that directly competes with any railroad business of the Companies.

(b) *Non-Solicitation.* Manager hereby covenants and agrees that until the later to occur of (i) the end of the term of this Agreement and (ii) the date on which Manager, Earlston Associates Limited Partnership, an Illinois limited partnership, Edward A. Burkhardt and/or their respective Affiliates, and any of their transferees pursuant to a Permitted Transfer, cease to hold any shares of the capital stock of the Company, and in either case for a period of one year thereafter, it shall not shall not, and shall use its commercially reasonable efforts to cause its Affiliates not to, during the term of this Agreement and for a one-year period thereafter, directly or indirectly or either alone or in association with others, (i) induce or attempt

to induce any employee of the Companies to leave the employ of the Companies, or in any way interfere with the relationship between the Companies and any employee thereof, (ii) hire any person who was an employee of the Companies at any time during the preceding three months, or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Companies to cease doing business with the Companies, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Companies.

(c) *Enforceability.* If, at the time of enforcement of Section 7(a) or 7(b), a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Manager acknowledges that (i) the restrictions contained in Sections 7(a) and 7(b) are reasonable, (ii) it has reviewed the provisions of this Agreement with its legal counsel and (iii) its undertakings pursuant to Sections 7(a) and 7(b) are a material inducement to the Stockholders entering into and performing their obligations under that certain Subscription Agreement, dated as of the date hereof, among Parent and the Stockholders.

(d) *Specific Performance.* In the event of the breach or a threatened breach by Manager of any of the provisions of Section 7(a) or 7(b), the Company or any of its stockholders, as applicable, would suffer irreparable harm, and in addition and supplementary to other rights and remedies existing in its favor, the Company or any of its stockholders, as applicable, shall be entitled to specific performance and/or injunctive or other equitable relief from a court of competent jurisdiction in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Manager of Section 7(a) or 7(b), the period during which Manager is subject to such covenants shall be tolled beyond the period set forth in Section 7(a) or 7(b), as applicable, until such breach or violation has been duly cured.

(e) *Definition of Affiliate.* For purposes of this Section 7, the term "Affiliate" means any other person or entity controlling, controlled by or under common control with Manager, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of Manager whether through the ownership of voting securities, contract or otherwise.

SECTION 8. Limitation of Liability; Indemnification. Manager shall not be liable to the Companies by reason of its performance of its duties under in this Agreement except to the extent that, in such performance, Manager is grossly negligent, engages in willful misconduct, or acts in bad faith. The Companies shall jointly and severally indemnify and hold Manager harmless from and against any loss, liability or damage (including, without limitation, attorneys' fees and legal costs) that may result from Manager's performance of its duties under this Agreement or its relationship with the Companies under this Agreement, except to the extent that such loss, liability or damage arises out of the gross negligence, willful misconduct or bad faith of Manager. In the event of any claim, suit or action for which indemnification may be sought under this Section 8, Manager shall give the Companies written notice of such claim, suit or

action within 10 days of Manager becoming aware of such claim, suit or action; provided, however, that failure to give such notice shall not affect Manager's right to such indemnification except to the extent that the Companies are prejudiced by such failure. The Companies shall have the right to assume the defense of any such claim, suit or action; provided, however, that the Companies shall not compromise or settle any such claim, suit or action without the prior written consent of Manager, which consent shall not be unreasonably withheld or delayed.

SECTION 9. Governing Law. This Agreement shall be governed in all respects by the laws of the State of New York as such laws are applied to agreements between New York residents entered into and performed entirely in the State of New York, without regard to the conflict of laws provisions thereof.

SECTION 10. Successors and Assigns. The provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto, provided, however, that no party may assign all or any portion of its rights or obligations hereunder without the prior written consent of the other parties hereto. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties to this Agreement or their respective successors and assigns any rights, remedies, obligations or liabilities.

SECTION 11. Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby; provided, however, that no such severability shall be effective if it materially and adversely affects the economic benefit of this Agreement to any party.

SECTION 12. Amendment. This Agreement may be amended or modified only with the written consent of the Companies and Manager. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

SECTION 13. Termination. This Agreement may be terminated in the following manner:

- (a) Upon the mutual written consent of the Companies and Manager;
- (b) By the Companies on at least 30 days' prior written notice, with the approval of a majority of the members of the board of directors of Parent, excluding (for purposes of calculating such majority) any members of such board who are designated for election to such board by Earlston Associates Limited Partnership or are officers, directors or employees of Manager, if, for any consecutive two-year period, the EBITDA of Parent and its subsidiaries on a consolidated basis, as determined in a manner consistent with the manner applied in the Parent's Base Case Budget attached as Exhibit A hereto, is less than 75% of the Base Case EBITDA as set forth in such Base Case Budget;

(c) By the Companies, in the event that Manager breaches its obligations under this Agreement and fails to cure such breach within 30 days after written notice thereof by the Companies;

(d) By Manager, in the event that one or more of the Companies breach their obligations under this Agreement and fail to cure such breach within 30 days after written notice thereof by Manager;

(e) By the Companies upon the occurrence of :

- (1) the completion of any liquidation, dissolution or winding-up of Parent or any Significant Subsidiary (as such term is defined in the Stockholders' Agreement), either voluntary or involuntary;
- (2) the closing of a fully underwritten, firm commitment public offering of shares of Parent, registered under the Securities Act, in which the per share price is at least equal to the "30% Return Amount" (as such term is defined in the Stockholders' Agreement), but not less than at least \$20 per share (as adjusted for any stock or share dividends, stock splits, combinations, reclassifications, or any similar event, after the date of this Agreement, that affects the number of issued and outstanding Shares); or
- (3) the closing of a transaction pursuant to which any Person, or group of Persons acting in concert for the purpose of acquiring, holding or voting shares of Common Stock, acquires (i) at least 50% of the issued and outstanding capital stock of Parent (whether by merger, consolidation, share exchange or other Transfer of Parent's capital stock), or (ii) all or substantially all of Parent's capital stock or assets.

(f) By the Companies, upon at least 30 days' prior written notice at any time on or after January 1, 2008.

For periods from and after the effective date of such termination, no party hereto shall have any obligation to the others hereunder, except with respect to Sections 3, 6, 7 and 8, and the payment of amounts due under Section 2 with respect to periods prior to the effective date; provided, however, that no such termination shall relieve any party of any liability arising out of such party's breach of its obligations hereunder prior to the effective date of such termination.

SECTION 14. Force Majeure. Manager shall not be liable for failure to perform the Services in accordance with this Agreement to the extent that performance is prevented by war, acts of God, strikes or other labor disturbances, riots and other civil disturbances, epidemics,

landslides, lightning, electrical blackouts or brownouts, earthquakes, fires and other casualties, storms, floods, washouts, explosions or accidents. Manager shall to the extent possible at such time promptly give notice to the Companies of the suspension of performance, stating therein the nature of the suspension and the reasons therefor, shall use reasonable efforts to minimize the hindrance caused thereby, and shall resume performance as soon as reasonably possible thereafter.

SECTION 15. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given (a) upon personal delivery to the party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient, if not, then on the next business day, or (c) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to Manager at 8600 West Bryn Mawr Ave., Suite 500N, Chicago, Illinois 60631, facsimile # 773-714-9483, and to the Companies at 15 Iron Road, Hermon, Maine 04401, facsimile # 207-848-4232, or, in each case, at such other address as the Companies or Manager may designate by ten days advance written notice to the other parties hereto.

SECTION 16. Interpretation. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement. As used herein, except where the context otherwise requires, words of any gender include words of any other gender, the singular includes the plural and vice versa, and "or" is used in the inclusive sense.

SECTION 17. Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof and supersede any and all prior and contemporaneous agreements or understandings, whether expressed or implied, written or oral, between the parties with respect hereto and thereto. No party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

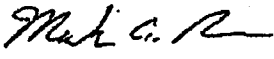
SECTION 18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of an original, manually executed counterpart of this Agreement.

[Signature Page Follows]

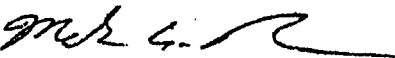
IN WITNESS WHEREOF, the parties hereto have executed this Management Agreement as
of the date first set forth above.

Companies:


MONTREAL, MAINE & ATLANTIC RAILWAY, LTD.

By: 
Mark A. Rosner
Vice President

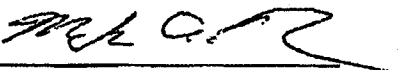
MONTREAL, MAINE & ATLANTIC CANADA CO.

By: 
Mark A. Rosner
Vice President

MM&A ROLLING STOCK CORPORATION

By: 
Mark A. Rosner
Vice President

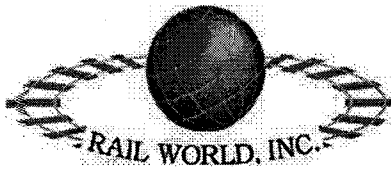
LMS ACQUISITION CORPORATION

By: 
Mark A. Rosner
Vice President

RAIL WORLD, INC.

By: 
Edward A. Burkhardt
President and CEO

Exhibit B



Invoice #: 524

To: Montreal, Maine & Atlantic Railway, Ltd.
15 Iron Road
Hermon, ME 04401-9602

Invoice Date: 11/22/13

Terms: Due Upon receipt

Billing for Management fee: 08/07/2013 through 09/18/2013

Date	Description:	Amount
9/18/2013	Prorated Management Fee (Post-bankruptcy) \$125,000.00 fee x (43 days / 92 days) = \$58,423.91	\$ 58,423.91
Total Billing.....		\$ 58,423.91

Please remit payment to:
Rail World, Inc.
8600 W. Bryn Mawr Ave.
Suite 500N
Chicago, Illinois 60631-3579

Contact: johara@railworld-inc.com



To:	Montreal, Maine & Atlantic Railway, Ltd. 15 Iron Road Hermon, ME 04401-9602	Invoice #	525
		Date	11/22/13

Billing for reimburseable business expenses: 08/07/2013 through 09/18/2013

Date	Description:	Amount
Business Expenses (Post Bankruptcy) (08/07/2013 thru 09/18/2013)	Fares: Air/ Rail/ Ship/ Taxi	\$ 585.64
	Hotels & Misc Travel Expenses	509.84
	Meals & Entertainment Expenses	34.03
	Total Billing.....	\$ 1,129.51

Please remit payment to:
 Rail World, Inc.
 8600 W. Bryn Mawr Ave.
 Suite 500N
 Chicago, Illinois 60631-3579

Contact: iohara@railworld-inc.com

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MAINE**

In re:

MONTREAL MAINE & ATLANTIC
RAILWAY, LTD.,

Debtor.

Chapter 11

Case No. 13-10670

**ORDER APPROVING MOTION OF RAIL WORLD, INC. FOR ALLOWANCE AND
PAYMENT OF ITS ADMINISTRATIVE CLAIM PURSUANT TO 11 U.S.C. § 503(b)**

Upon consideration of the application for allowance and payment of its administrative claim pursuant to 11 U.S.C. § 503(b) (the "Motion") filed by Rail World, Inc. ("Rail World"), by and through its undersigned counsel, and after due and appropriate prior notice of the Motion to all interested parties, after a hearing thereon before me on _____, and parties-in-interest having appeared regarding the Motion, and due deliberation having been had thereon, the Court finding that Rail World's request for allowance and payment of its administrative expense claim against Debtor, Maine Montreal & Atlantic Railway, Ltd. ("Debtor"), and Debtor's bankruptcy estate is meritorious pursuant to 11 U.S.C. §§ 503, 507, and 1171(a), for the reasons articulated on the record at said hearing, and good cause otherwise having been shown, it is therefore hereby

ORDERED, ADJUDGED, AND DECREED

that the Motion is allowed in full; it is hereby further

ORDERED, ADJUDGED, AND DECREED

that Rail World's administrative claim is allowed against Debtor and Debtor's bankruptcy estate; and it is hereby further

ORDERED, ADJUDGED, AND DECREED

that Rail World's administrative claim shall be paid in accordance with the same terms and at the same time as all other allowed claims entitled to the same priority in this case under the United States Bankruptcy Code.

Dated: _____.

Louis H. Kornreich, Chief Judge
United States Bankruptcy Court