UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re: **MONTREAL MAINE & ATLANTIC RAILWAY, LTD.,** **Debtor.**	**Chapter 11** **Case No. 13-10670-LHK**

TRUSTEE'S MOTION FOR AUTHORITY TO REJECT THE RAIL WORLD, INC. MANAGEMENT AGREEMENT

NOW COMES Robert J. Keach, Esq., the duly appointed trustee in the above-captioned chapter 11 case (the "Trustee"), by and through his undersigned counsel, and hereby moves this Court for an order (the "Motion"), pursuant to 11 U.S.C. § 365(a) and Rule 6006(a) of the Federal Rules of Bankruptcy Procedure, authorizing the above-captioned debtor (the "Debtor") to reject the Rail World, Inc. Management Agreement. In support of this Motion, the Trustee states as follows:

JURISDICTION, VENUE AND PREDICATES FOR RELIEF

1. This Court has jurisdiction to entertain this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The predicate for the relief sought herein is § 365(a) of the United States Bankruptcy Code (the "Code"). This is a core proceeding over which the Court has jurisdiction to enter a final order.

BACKGROUND

2. On August 7, 2013 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Code.

3. On August 21, 2013, the United States Trustee ("U.S. Trustee") appointed the Trustee. By order dated August 28, 2013, the Court approved the Trustee's application to employ the law firm of Bernstein, Shur, Sawyer & Nelson, P.A. as counsel to the Trustee.

4. Prior to the Petition Date, the Debtor, Montreal, Maine & Atlantic Canada Co. ("MMAC"), MM&A Rolling Stock Corporation ("MMARS"), and LMS Acquisition Corporation ("LMS" and together with the Debtor, MMAC and MMARS hereinafter collectively referred to as the "Companies"), on one hand, and Rail World, Inc. ("Rail World"), on the other hand, entered into that certain Management Agreement dated as of January 8, 2003 (the "Management Agreement"). A true and accurate copy of the Management Agreement is attached hereto as **Exhibit A** and is incorporated herein by reference.

5. Under the Management Agreement, Rail World was obligated to provide certain day-to-day management and operational services to the Debtor to help with operations and management during the initial phases of the Debtor's business operations (the "Initial Services Period").

6. The Initial Services Period concluded prior to the Petition Date. After the Initial Services Period, under the Management Agreement, Rail World is required to provide the Companies with certain supervisory services consisting of the performance of an active oversight role for the Companies, including providing expert advice and input on (i) traffic and revenues; (ii) operations; (iii) mechanical matters; (iv) engineering; (v) finance; and (vi) strategic planning (the "Supervisory Services"). For the performance of the services under the Management Agreement, the Companies are to pay Rail World an annual fee of approximately $500,000.00.

7. Given the appointment of the Trustee and other parties involved in the operations of the Debtor appointed in this case, the Debtor no longer requires the services of Rail World under the Management Agreement and the continued payment obligation of Rail World's fee constitutes a burden to the estate, therefore, the Debtor has determined that rejecting the Management Agreement is in the best interests of the Debtor and its estate.

RELIEF REQUESTED

8. By this Motion, the Trustee seeks to reject the Management Agreement under § 365 of the Code. The Trustee requests that such rejection be approved by the Court retroactive to the Petition Date.

BASIS FOR RELIEF

9. The Trustee, subject to the Court's approval, may assume or reject any executory contract or unexpired lease of the debtor. 11 U.S.C. § 365(a).

10. A contract is executory where performance to some extent remains due on both sides. Bezanson v. Metropolitan Ins. and Annuity Co., 952 F.2d 1, 7 (1st Cir. 1991). "Federal courts have pretty generally settled upon the following definition of an executory contract: 'a contract under which the obligation[s] of both the bankrupt and the other party to the contract are so far unperformed that the failure of either to complete performance would constitute a material breach excusing performance of the other.'" Gallivan v. Springfield Post Road Corp., 110 F.3d 848, 851 (1st Cir. 1997) (quoting In re Columbia Gas System, Inc., 50 F.3d 233, 239 (3d Cir. 1995)).

11. The Trustee's decision to assume or reject any executory contract or unexpired lease is subject to the business judgment standard. See In re BankVest Capital Corp., 290 B.R. 443, 448 (aff'd In re BankVest Capital Corp., 360 F.3d 291 (1st Cir. 2004)); In re Orion Pictures Corp., 4 F.3d 1095, 1099 (2d Cir. 1993); In re Blackstone Potato Chip Co., Inc., 109 B.R. 557, 560 (Bankr. D.R.I. 1990). The business judgment standard, as applied in the bankruptcy context, "requires that the decision [to reject] be accepted by courts unless it is shown that the bankrupt's decision was one taken in bad faith or in gross abuse of the bankrupt's retained business discretion." In re Malden Brooks Farm, LLC, 435 B.R. 81, 83

(Bankr. D. Mass. 2010) (quoting Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc. (In re Richmond Metal Finishers, Inc.), 756 F.2d 1043, 1047 (4th Cir. 1985)). It is enough if the Trustee determines, in his business judgment, that rejection of the relevant contracts or leases would benefit the estate. Sharon Steel Corp. v. National Fuel Distribution Corp. (In re Sharon Steel Corp.), 872 F.2d 36, 39-40 (3d Cir. 1989) (citing In re Wheeling Pittsburgh Steel Corp., 72 B.R. 845, 846 (Bankr. W.D. Pa. 1987)).

12. The First Circuit has held that judicially approved retroactive rejection is appropriate "as long as it promotes the purposes of section 365(a)." In re Thinking Machines Corp., 67 F.3d 1021, 1028 (1st Cir. 1995). Use of the Petition Date as the date of rejection is consistent with section 365(g), which provides that, except with respect to certain circumstances inapplicable to this Motion, "the rejection of an executory contract or unexpired lease of the debtor constitutes a breach of such contract or lease . . . if such contract or lease has not been assumed . . . immediately before the date of the filing of the petition." 11 U.S.C. § 365(g).

13. The Trustee has appropriately exercised his business judgment in rejecting the Management Agreement. The Management Agreement was originally entered into in order to help the Debtor address operational and management issues when the Debtor was initially formed in 2003. As explained above, after this initial period, Rail World was only engaged to perform certain specific supervisory services. The cost of these Supervisory Services is approximately $500,000.00 per year. The Trustee has determined that these Supervisory Services are no longer beneficial to the estate. Accordingly, the Trustee has concluded, in his business judgment, that the Management Agreement should be rejected.

14. The Debtor further requests that any Order authorizing rejection of the Management Agreement approve the rejection retroactive to the Petition Date. The Debtor

contends that Rail World has not provided a benefit to the estate since the Petition Date and, therefore, rejection effective as of the Petition Date is warranted.

NOTICE

15. Notice of this Motion was served on the following parties on the date and in the manner set forth in the certificate of service: (1) the UST; (2) the Debtor's counsel; (3) the non-insider holders of the twenty (20) largest unsecured claims against the Debtor or, if applicable, the lawyers representing such holders; (4) applicable federal and state taxing authorities; (5) the holders of secured claims against the Debtor, or if applicable, the lawyers representing such holders; and (6) others who have, as of the date of the Motion, entered an appearance and requested service of papers in the Case. The Trustee respectfully requests that the Court find such notice to constitute fair, adequate, and sufficient notice of all matters set forth in this Motion.

WHEREFORE, the Trustee respectfully requests that this Court enter an Order, pursuant to 11 U.S.C. § 365(a) and Rule 6006(a) of the Federal Rules of Bankruptcy Procedure, approving the rejection of the Management Agreement effective as of the Petition Date, and granting such other and further relief as this Court deems just and equitable.

Dated: September 18, 2013

ROBERT J. KEACH, Trustee for the
Estate of MONTREAL MAINE &
ATLANTIC RAILWAY, LTD.

By his attorneys:

/s/ D. Sam Anderson, Esq.

Michael A. Fagone, Esq.
D. Sam Anderson, Esq.
BERNSTEIN, SHUR, SAWYER & NELSON
100 Middle St., PO Box 9729
Portland, Maine 04104-5029
(207) 774-1200

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 Rolling 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 A

Base Case Budget

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Methodology for EBITDA calculation:										
Revenue										
Linehaul	40,876,811	43,550,553	45,745,989	48,292,271	50,930,051	51,948,652	52,987,625	54,047,377	55,128,325	56,230,891
Switching & Misc	4,349,475	4,436,465	4,525,194	4,615,698	4,708,012	4,802,172	4,898,215	4,996,180	5,096,103	5,198,025
LMS	4,250,000	4,335,000	4,421,700	4,510,134	4,600,337	4,692,343	4,786,190	4,881,914	4,979,552	5,079,143
Total Revenue	**49,476,286**	**52,322,017**	**54,692,882**	**57,418,102**	**60,238,399**	**61,443,167**	**62,672,030**	**63,925,471**	**65,203,980**	**66,508,060**
Operating Expenses										
Payroll & Related Expenses	18,221,685	17,958,047	17,999,771	18,359,767	18,726,962	19,101,501	19,483,531	19,873,202	20,270,666	20,676,079
Materials & Supplies	5,021,120	5,121,542	5,223,973	5,328,453	5,435,022	5,543,722	5,654,597	5,767,689	5,883,042	6,000,703
Diesel Fuel	3,986,604	4,246,691	4,472,952	4,737,921	5,010,049	5,110,250	5,212,455	5,316,704	5,423,038	5,531,499
Car Hire & Equipment Lease	11,879,847	12,187,766	12,608,648	13,019,842	13,722,324	13,996,770	14,276,706	14,562,240	14,853,485	15,150,554
Equipment Rental	(10,809,283)	(10,813,186)	(11,341,183)	(11,314,708)	(11,836,126)	(12,072,849)	(12,314,306)	(12,560,592)	(12,811,804)	(13,068,040)
Outside Services	3,739,780	3,814,576	3,890,867	3,968,684	4,048,058	4,129,019	4,211,600	4,295,832	4,381,748	4,469,383
Rent, Heat & Utilities	833,250	894,540	912,431	930,679	949,293	968,279	987,644	1,007,397	1,027,545	1,048,096
Insurance	870,000	887,400	905,148	923,251	941,716	960,550	979,761	999,357	1,019,344	1,039,731
Other Services & Expenses	3,838,450	3,870,594	3,948,006	4,026,966	4,107,505	4,189,655	4,273,449	4,358,918	4,446,096	4,535,018
Taxes (other than income & payroll)	607,000	619,140	631,523	644,153	657,036	670,177	683,581	697,252	711,197	725,421
Capital & Misc Credits	(611,797)	(624,033)	(636,513)	(649,243)	(662,228)	(675,473)	(688,982)	(702,762)	(716,817)	(731,154)
Other Operating Credits	(400,000)	(408,000)	(416,160)	(424,483)	(432,973)	(441,632)	(450,465)	(459,474)	(468,664)	(478,037)
Contingency	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	**37,176,657**	**37,755,077**	**38,199,463**	**39,551,282**	**40,666,638**	**41,479,971**	**42,309,570**	**43,155,762**	**44,018,877**	**44,899,254**
EBITDA	**12,299,629**	**14,566,940**	**16,493,419**	**17,866,821**	**19,571,761**	**19,963,196**	**20,362,460**	**20,769,709**	**21,185,103**	**21,608,806**
Base Case EBITDA										
EBITDA 1	**12,299,629**	**14,566,940**	**16,493,419**	**17,866,821**	**19,571,761**	**19,963,196**	**20,362,460**	**20,769,709**	**21,185,103**	**21,608,806**
EBITDA 2	**14,228,629**	**16,592,390**	**18,620,142**	**20,099,879**	**21,916,472**	**22,425,143**	**22,947,505**	**23,484,006**	**24,035,115**	**24,601,318**

Notes:

EBITDA 1 is the Base Case EBITDA while the CN Haulage Agreement remains in effect.

EBITDA 2 is the Base Case EBITDA after the CN Haulage Agreement is terminated

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re: **MONTREAL MAINE & ATLANTIC RAILWAY, LTD.,** **Debtor.**	**Chapter 11** **Case No. 13-10670-LHK**

ORDER GRANTING THE TRUSTEE'S MOTION FOR AUTHORITY TO REJECT THE RAIL WORLD, INC. MANAGEMENT AGREEMENT

This matter having come before the Court on the Trustee's Motion for Authority to Reject the Rail World, Inc. Management Agreement (the "Motion"), filed by Robert J. Keach, the duly appointed trustee in the above-captioned chapter 11 case, after such notice and opportunity for hearing as was required under the Bankruptcy Code, 11 U.S.C. § 101 et seq. and the Federal Rules of Bankruptcy Procedure, this Court having conducted a hearing on the Motion on October 31, 2013, after due deliberation and sufficient cause appearing therefore, it is hereby **ORDERED**, **ADJUDGED**, and **DECREED** that:

1. The Motion is granted.

2. The Debtor is hereby authorized to reject the Management Agreement.[1]

3. The Management Agreement authorized to be rejected by this Order is deemed rejected as of August 7, 2013.

Dated:

____
Honorable Louis H. Kornreich
United States Bankruptcy Judge

[1] Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re: **MONTREAL MAINE & ATLANTIC RAILWAY, LTD.,** **Debtor.**	**Chapter 11** **Case No. 13-10670-LHK**

NOTICE OF HEARING

The Trustee for Montreal, Maine & Atlantic Railway Ltd., by and through his attorneys, has filed the Trustee's Motion for Authority to Reject the Rail World, Inc. Management Agreement (the "Motion").

Your rights may be affected. You should read these papers carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

If you do not want the Court to approve the Motion, then on or before **October 11, 2013** you or your attorney must file with the Court a response or objection explaining your position. If you are not able to access the CM/ECF Filing System, your response should be served upon the Court and Trustee's counsel at:

Alec Leddy, Clerk
United States Bankruptcy Court for the District of Maine
202 Harlow Street
Bangor, Maine 04401

and

Michael A. Fagone, Esq.
Bernstein, Shur, Sawyer & Nelson, P.A.
100 Middle Street
P.O. Box 9729
Portland, Maine 04104

If you do have to mail your response to the Court for filing, you must mail it early enough so that the Court will receive **on or before October 11, 2013**.

You may attend the hearing with respect to the Motion scheduled to be held at the United States Bankruptcy Court for the District of Maine, 202 Harlow Street, Bangor, Maine on **October 31, 2013 at 10:00 a.m.**

If you do not have a copy of the Motion, you may request one from the Trustee's attorneys by submitting a written request to: D. Sam Anderson, Esq., Bernstein, Shur, Sawyer

& Nelson, P.A., 100 Middle Street, P.O. Box 9729, Portland, Maine 04104-5029, sanderson@bernsteinshur.com.

If you or your attorney do not take these steps, the Court may decide that you do not oppose the relief sought in the Motion and may enter an order granting the requested relief.

Dated: September 18, 2013

ROBERT J. KEACH,
CHAPTER 11 TRUSTEE OF MONTREAL
MAINE & ATLANTIC RAILWAY, LTD.
By his attorneys:

/s/ D. Sam Anderson, Esq.

Michael A. Fagone, Esq.
D. Sam Anderson, Esq.
BERNSTEIN, SHUR, SAWYER & NELSON
100 Middle St., PO Box 9729
Portland, Maine 04104-5029
(207) 774-1200