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October 18, 2002

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

ENTERED
Office of Proceedings

OCT 21 2002

Part of
Public Record



Re: **Docket No. AB-279 (Sub-No. 3)**
Canadian National Railway Company -- Adverse
Discontinuance -- Lines of Bangor and Aroostook Railroad Company
and Van Buren Bridge Company in Aroostook County, Maine

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceedings are an original and ten copies of the **Reply of Canadian National Railway Company to Petition for Reconsideration of Trustee of Bangor & Aroostook Railroad Company**, dated October 18, 2002.

One extra copy of the Reply and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter.

Respectfully submitted,

Thomas J. Litwiler
Attorney for Canadian National
Railway Company

TJL:tl

Enclosures

cc: Parties on Certificate of Service

206456 ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-279 (SUB-NO. 3)

CANADIAN NATIONAL RAILWAY COMPANY
-- ADVERSE DISCONTINUANCE --
LINES OF BANGOR AND AROOSTOOK RAILROAD COMPANY AND
VAN BUREN BRIDGE COMPANY IN AROOSTOOK COUNTY, MAINE



ENTERED
Office of Proceedings

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**REPLY OF CANADIAN NATIONAL RAILWAY COMPANY
TO PETITION FOR RECONSIDERATION OF TRUSTEE
OF BANGOR & AROOSTOOK RAILROAD COMPANY**

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**ATTORNEYS FOR CANADIAN NATIONAL
RAILWAY COMPANY AND WATERLOO
RAILWAY COMPANY**

Dated: October 18, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-279 (SUB-NO. 3)

CANADIAN NATIONAL RAILWAY COMPANY
-- ADVERSE DISCONTINUANCE --
LINES OF BANGOR AND AROOSTOOK RAILROAD COMPANY AND
VAN BUREN BRIDGE COMPANY IN AROOSTOOK COUNTY, MAINE



**REPLY OF CANADIAN NATIONAL RAILWAY COMPANY
TO PETITION FOR RECONSIDERATION OF TRUSTEE
OF BANGOR & AROOSTOOK RAILROAD COMPANY**

Canadian National Railway Company ("CNR") hereby files this reply to the petition of Bangor and Aroostook Railroad Company, James E. Howard, Trustee ("Trustee")¹ seeking partial reconsideration of the Board's decision served herein on September 25, 2002 (the "CNR Waiver Decision"). The Trustee requests permission from the Board to file a single application encompassing two distinct requests for relief contemplated by the Trustee: the adverse discontinuance of trackage rights held by CNR over lines of railroad of BAR and VBBC, and the adverse abandonment of a rail freight operating easement held by Waterloo Railway Company ("Waterloo"), a CNR affiliate.²

We note that the approach contemplated by the Board in the CNR Waiver Decision -- the filing by the Trustee of two separate adverse abandonment applications, followed by a request to consolidate the proceedings for handling at the agency -- is entirely consistent

¹ The Trustee indicates that, in filing the petition, he is acting in his capacity as the bankruptcy trustee for both Bangor and Aroostook Railroad Company ("BAR") and Van Buren Bridge Company ("VBBC"), a BAR subsidiary.

² The docket reference for any relief sought against Waterloo would be Docket No. AB-124 (Sub-No. 2), Waterloo Railway Company -- Adverse Abandonment -- Lines of Bangor and Aroostook Railroad Company and Van Buren Bridge Company in Aroostook County, Maine.

with the practice in prior, comparable adverse abandonment cases. Compare The Western Stock Show Association -- Abandonment -- In Denver, Co, Docket No. AB-452, et al. (ICC served July 3, 1995) with The Western Stock Show Association -- Abandonment Exemption -- In Denver, CO, Docket No. AB-452 (Sub-No. 1X), et al. (ICC served October 13, 1995 and October 19, 1995).

Nonetheless, to accommodate the Trustee's stated need for economy and expediency, CNR would not object to a Board order allowing the Trustee to file a single application encompassing the separate requests for relief in this docket and Docket No. AB-124 (Sub-No. 2), provided such an approach is acceptable to the Board as well. The ability to file such an application, of course, would not relieve the Trustee of his burden to independently justify both requests for relief, and to provide sufficient individualized evidence for the Board's discrete consideration as necessary of the CNR trackage rights and the Waterloo easement. While certain facts and issues may "overlap" in these two proceedings, CNR does not necessarily agree that "the WRC easement and the CN trackage rights are co-extensive and inextricably linked." Trustee Reconsideration Petition at 3. Even if the Trustee is allowed to file a single application, he still has two cases to prove, not one.

Although not directly analogous, as the Trustee notes (Reconsideration Petition at 3-4) the Board has entertained joint applications in related, non-adverse abandonment proceedings, provided both applicable filing fees are submitted. E.g., Lone Star Railroad, Inc. -- Abandonment and Discontinuance of Trackage Rights -- In Wichita, Archer, Baylor, Knox, Haskell and Jones Counties, TX, Docket No. AB-425, et al. (ICC served October 27, 1995). Use of that approach in the current situation does not to CNR appear unreasonable.

CNR disagrees, however, with the Trustee's apparent belief that permission to file a single application obviates the need to obtain waiver of the Board's abandonment regulations in connection with the relief to be sought by the Trustee against Waterloo in Docket No. AB-124 (Sub-No. 2). See Trustee Reconsideration Petition at 3, n.2. As the CNR Waiver Decision makes absolutely clear, the waivers granted there apply only to Docket No. AB-279 (Sub-No. 3). And the ability to file a single application does not change the substantive standards and criteria that independently apply to each of the separate requests for relief included within that application. Separate waiver in Docket No. AB-124 (Sub-No. 2) thus is required before the Trustee can file a single application that does not (at least with respect to the Waterloo easement) comply fully with the Board's rules.

Finally, CNR notes for the record the standing and mootness issues that may arise in this proceeding upon completion of the Trustee's sale of BAR's rail lines to Montreal, Maine & Atlantic Railway, LLC ("MM&A"). On October 8, 2002, the bankruptcy court overseeing BAR's reorganization gave final approval to MM&A's acquisition of the BAR rail system, including the BAR and VBBC rail lines at issue in this proceeding. In re Bangor & Aroostook Railroad Company, No. 01-11565 (Bankr. D. Me., October 8, 2002) ("Sale Order"), attached hereto as Exhibit A. MM&A has obtained exemption authority from the Board for the acquisition, and has indicated that it intends to close the transaction by December 1, 2002. Montreal, Maine & Atlantic Railway LLC -- Acquisition and Operation Exemption -- Bangor & Aroostook Railroad Company, Canadian American Railroad Company, The Northern Vermont Railroad Company Incorporated, Newport & Richford Railroad Company and Van Buren Bridge Company, Finance Docket No. 34110 (STB served September 19, 2002 and September 25, 2002); Rail World, Inc. press release, October 2, 2002, attached hereto as Exhibit B. Upon

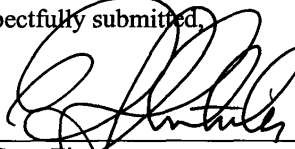
completion of the sale -- which seems likely to occur long before the conclusion of proceedings in this matter -- the Trustee will apparently cease to have any interest in the rail lines subject to the CNR trackage rights and the Waterloo easement and MM&A will be the owner of those lines.

At that time, it is unclear whether the Trustee would be able to "establish[] a proper interest in an abandonment proposal" sufficient to allow it to pursue an adverse application. Modern Handcraft, Inc. -- Abandonment, 363 I.C.C. 969, 971 (1981). It is equally unclear what role MM&A, as the owner of the involved rail lines, must or should play in the proceeding at that point, whether as applicant, defendant or participant. This is not an instance where MM&A would be expected to be substituted for and stand in the shoes of the Trustee, since -- as the Board knows -- the interests of the Trustee and MM&A are far from identical: if CNR's trackage rights and Waterloo's easement are successfully terminated, MM&A is obligated to pay an additional \$5 million for the BAR rail lines, while the Trustee is entitled to receive it. Sale Order at 3-4; see Canadian National Railway Company -- Trackage Rights Exemption -- Bangor and Aroostook Railroad Company and Van Buren Bridge Company, Finance Docket No. 34014 (STB served June 25, 2002) at 7.

The confusion is heightened by the Trustee's steadfast refusal to date to provide any indication of his basis and justification for seeking to terminate the CNR and Waterloo rights and eliminate the competitive transportation options which they offer. That, in turn, makes it difficult to know how the Trustee's legitimate interest and arguments in this case may change once he no longer owns the lines in question. While such issues cannot definitively be addressed now, CNR specifically reserves its right to seek rejection of any application filed by the Trustee to the extent it may be rendered moot or inappropriate by sale of the BAR rail system to MM&A.

WHEREFORE, CNR respectfully requests that the Board accept this reply to the Trustee's petition for reconsideration.

Respectfully submitted,

By: 

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**ATTORNEYS FOR CANADIAN NATIONAL
RAILWAY COMPANY AND WATERLOO
RAILWAY COMPANY**

Dated: October 18, 2002

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U.S. BANKRUPTCY COURT
PORTLAND, MAINE

Exhibit A

Maine & Atlantic Canada, Ltd. ("MMAC," and together with MM&A, the "Purchasers"), as purchasers (including all amendments thereof, and all exhibits, schedules and agreements attached thereto, the "Agreement"²); (2) authorizing the Trustees and LMS to sell to MM&A the BAR Assets, CDAC Assets, the NVT/N&R Assets, and the LMS Assets (collectively, the "Purchased Assets") pursuant to the Agreement; and (3) authorizing the Trustees and LMS (as the case may be) to assume and assign to MM&A the executory contracts provided for in the Agreement (the "Assigned Contracts" and, together with the Purchased Assets, the "Acquired Assets") pursuant to the Agreement; this Court having determined that the relief requested in the Motion is in the best interests of the respective debtors and their estates; and it further appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and after due deliberation thereon; and good and sufficient cause appearing therefore,

IT IS HEREBY FOUND AND DETERMINED THAT:³

A. This Court has jurisdiction to grant the relief provided for herein pursuant to 28 U.S.C. §§ 157 and 1334, and this matter constitutes a core proceeding within the meaning of 28 U.S.C. 157(b)(2)(A) and (N). Venue of the Chapter 11 cases and the Motion is proper under 28 U.S.C. §§ 1408 and 1409(a).

B. The Trustees and LMS have soundly exercised their business judgment in determining to enter into the Agreement and to sell the Acquired Assets to the Purchasers,

² Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

³ Findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact when appropriate. See Fed. R. Bankr. P. 7052.

all pursuant to sections 105(a), and 363(b) and (f), and 365 of the Bankruptcy Code, free and clear of all mortgages, pledges, security interests, liabilities, claims (as defined in the Bankruptcy Code), liens, charges or other encumbrances or restrictions of any kind and all interests but excluding any rights of way of record or easements of record (all of the foregoing collectively, "Encumbrances," and individually, "Encumbrance"). The relief requested in the Motion is in the best interests of the respective debtors and their estates.

C. The Trustees and LMS have full power and authority to execute and deliver the Agreement and all other documents contemplated thereby; no consents or approvals other than those expressly provided for in the Agreement are required for the Trustees and LMS to consummate the transactions contemplated by the Agreement.

D. The Trustees, LMS and their respective advisers have diligently and in good faith marketed the Acquired Assets to secure the highest and best offer or offers therefore. The consideration provided in the Agreement, and the transactions contemplated thereby, represent a fair and reasonable purchase price and constitute the highest or best offer obtainable for the Acquired Assets.

E. The Trustees and LMS have demonstrated good, sufficient, and sound business purpose and justification, and compelling circumstances for the sale of the Acquired Assets pursuant to 11 U.S.C. § 363 prior to, and outside of, a plan of reorganization.

F. After the Motion was filed, the parties to the Agreement entered into the First Amendment to Asset Purchase Agreement to clarify Section 1.8 of the Agreement. As amended, section 1.8 reads as follows:

"1.8 Supplemental Purchase Price. In the event that (1) the Bankruptcy Court enters an order approving the rejection by BAR and VBB of, and extinguishing all

rights of CN to offer rail service by virtue of and over, that certain CN Junction Settlement Agreement and that certain CN Trackage Rights Agreement, each dated as of March 1, 2001, and each among Canadian National Railway Company ("CN"), BAR and VBB, and (2) a court of competent jurisdiction enters an order before January 1, 2005, that either (i) the sale of the BAR Assets is free and clear of that certain Waterloo Easement granted by BAR and VBB to Waterloo Railway Company, dated as of March 15, 2001 (the "Waterloo Easement"), or (ii) the Waterloo Easement is not capable of being exercised following the rejection by BAR of the CN Trackage Rights Agreement; and (3) all of the orders approving such rejection and extinguishment and the Sale Order have become final, nonappealable orders no longer subject to stay or to further judicial or administrative appeal or action (such event being referred to as the "Waterloo Easement Rejection"), then (a) if the Waterloo Easement Rejection occurs prior to Closing, MM&A shall pay to BAR, as a supplemental purchase price at Closing, the sum of \$5 million, and (b) if the Waterloo Easement Rejection occurs after Closing but before January 1, 2005, then within 30 days of such Waterloo Easement Rejection, MM&A shall pay to BAR the sum of \$5 million. All such amounts shall be paid without setoff, offset, or recoupment."

G. The Agreement must be approved promptly in order to preserve the value of the Acquired Assets.

H. Proper, timely, adequate and sufficient notice of the Motion and the hearing thereon has been provided, and no other or further notice of the Motion, the hearing thereon or the entry of this Order is required.

I. A reasonable opportunity to object or be heard with respect to the Motion and the relief requested therein, and the rights of third parties to submit higher or otherwise better offers for the Acquired Assets, has been afforded to all interested persons and entities.

J. With respect to any and all persons or entities asserting an Encumbrance on the Acquired Assets (i) applicable nonbankruptcy law permits sale of such property free and clear of such interest; (ii) such person or entity has consented to the sale and transfer, license and assignment as applicable, free and clear of its Encumbrance, with such Encumbrance to attach to the proceeds of such sale and transfer, license and assignment, as

applicable; (iii) such Encumbrance is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property; (iv) such Encumbrance is in bona fide dispute; or (v) such person or entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Encumbrance; so that the conditions of section 363(f) of the Bankruptcy Code have been satisfied.

K. Upon the Closing, the Acquired Assets shall be transferred and assigned to the Purchasers, and shall vest in the Purchasers all right, title and interest in the Acquired Assets, all in accordance with the terms and conditions of the Agreement, free and clear of all Encumbrances, pursuant to sections 105(a), 363(f), and 365 of the Bankruptcy Code.

L. The Closing and the consummation of the transactions contemplated by the Agreement shall not subject the Purchasers to any liability whatsoever with respect to the prepetition operation of the businesses of Bangor & Aroostook Railroad Company, Canadian American Railroad Company, The Northern Vermont Railroad Company, Newport and Richford Railroad Company, Van Buren Bridge Company, and Logistic Management Systems, Inc. (collectively, the "Debtors") or the post-petition operation of the businesses of the Debtors, including, without limitation, by reason of any theory of successor or transferee liability or pursuant to any labor agreements covering the employees or former employees of any of the Debtors.

M. The Agreement was negotiated, proposed and entered into by the Trustees, the QSR Trustee, LMS and the Purchasers without collusion, in good faith and at arm's length. None of the Trustees, LMS, the QSR Trustee, or the Purchasers has engaged in any conduct that would cause or permit the Agreement to be avoided under 11 U.S.C. § 363(n). The Purchasers are not "insiders" or "affiliates" of the respective Debtors (as such

terms are defined in the Bankruptcy Code). The Purchasers are good-faith purchasers under 11 U.S.C. § 363(m) and, as such, are entitled to all of the protections afforded thereby in consummating the transactions contemplated by the Agreement.

N. The consideration to be provided by the Purchasers for the Acquired Assets (i) is fair and reasonable; (ii) is the highest or best offer for the Acquired Assets; and (iii) as to each of the Seller, constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under applicable nonbankruptcy law.

O. The Trustees and LMS (as the case may be) may assume and assign to the Purchasers the Assigned Contracts pursuant to section 365 of the Bankruptcy Code. The assumption and assignment of the Assigned Contracts pursuant to the terms of this order is integral to the Agreement and is in the best interests of the respective Debtors and their estates, and represents the exercise of sound business judgment by the Trustees and LMS.

P. The amounts listed in the schedule filed with the Court (the "Cure Amounts Schedule") reflect cure amounts, which the Trustees and LMS (as the case may be) believe in good faith constitute the sole amounts necessary under sections 365(b)(1)(A) and (B) and 365(f)(2)(A) of the Bankruptcy Code (each, a "Cure Amount") to cure all monetary defaults and pay all actual pecuniary losses under such Assigned Contracts.

Q. As of the Closing under the Agreement, the Purchasers have provided adequate assurance that they will pay the Cure Amounts for the Assigned Contracts and the Purchasers have provided the non-debtor counterparty to the Assigned Contracts with adequate assurance of future performance and therefore (i) each Assigned Contract shall constitute a valid and existing interest in the property subject to such Assigned Contract; and (ii) no uncured default shall exist under the Assigned Contracts, nor shall there exist

any event or condition which, with the passage of time or the giving of notice, or both, would constitute such a default.

R. Progress Rail Services Corporation ("PRSC"), individually and on behalf of Allfirst Financial Center, National Association, in its capacity as Trustee under Trust Agreement dated as of August 12, 1999 ("Allfirst"), Allfirst, Progress Metal Reclamation Company ("PMRC"), Railcar, Ltd. ("Railcar"), and Railcar Asset Finance Trust ("RAFT"; collectively, the "Progress/Raft Objecting Parties") filed an objection to the Motion dated September 26, 2002 (the "Progress / RAFT Objection"). The Trustee, the Progress / RAFT Objecting Parties and Bank Austria have reached an agreement in principle as to the terms under which the Progress / RAFT Objecting Parties will consent to the proposed sale and transfer of any Allfirst assets into the estate. It is the intent of the Trustee to promptly file an application to seek this Court's approval of that agreement, which will resolve the Progress / RAFT Objection. This Order is contingent upon the withdrawal or subsequent overruling, following notice and hearing, of the Progress / RAFT Objection.

THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is granted in its entirety.
2. Except as provided in Paragraph 26 below, all objections to the motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled on the merits.
3. The Agreement, including all of the terms and conditions thereof, is hereby approved in all respects.

4. Pursuant to 11 U.S.C. §§ 363(b) and (f) and 365, the Trustees, LMS and the Debtors are authorized to consummate the transactions contemplated by, pursuant to and in accordance with the terms and conditions of the Agreement.

5. The Trustees and LMS are authorized to execute and deliver, and empowered to fully perform under, consummate and implement, the Agreement, together with all additional instruments and documents that may be necessary or desirable to implement the Agreement, and to take all further actions as may be requested by the Purchasers for the purpose of transferring the Acquired Assets to the Purchasers, or as may be necessary or appropriate to the performance of the obligations as contemplated by the Agreement.

6. In the event that any of the Trustees, LMS or the Debtors fails to transfer, assign or convey any of the Acquired Assets to the Purchasers, and such failure constitutes a breach of the Agreement, and enters into an agreement(s) to transfer, assign or convey any of the Acquired Assets to one or more persons and/or entities other than the Purchasers, the obligations of the Trustees, LMS and the Debtors under the Agreement shall constitute administrative expenses of the estate of the respective Debtors under sections 503(b)(1) and 507(a)(1) of the Bankruptcy Code. Except as provided in the preceding sentence, the Trustees, LMS and the Purchasers each reserves its respective rights with respect to any failure of the Trustees, LMS or the Debtors to perform any of their obligations in breach of the Agreement. The Purchasers shall be entitled to satisfy their claims under the Agreement to the extent and in the manner provided for in the Agreement.

7. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Trustees, LMS or the Debtors to sell and transfer the Acquired Assets to the Purchasers in accordance with the terms of this Order and the Agreement.

8. Except as provided in the Agreement, and pursuant to sections 105(a) and 363(f) of the Bankruptcy Code, upon the Closing, the Acquired Assets shall be transferred and assigned to the Purchasers, free and clear of all Encumbrances, arising or accruing prior to the Closing Date or relating to acts occurring prior to the Closing Date (including, without limitation, real property taxes and sales and use tax), with all such Encumbrances, if any, to attach to the proceeds of the transactions contemplated by the Agreement in the same order of priority and with the same validity, force and effect, if any, which they now have as against the Acquired Assets, subject to the rights, claims, defenses and objections, if any, of the respective Debtors and all interested parties with respect to such Encumbrances.

9. Notwithstanding the foregoing, as adequate protection for the interests of Fieldcrest Cannon, Inc. ("Fieldcrest") the Trustee shall deposit from the proceeds of sale the sum of \$1.7 million into a separate, segregated account with any and all liens of Fieldcrest to attach to the funds in such account to the same extent, validity and priority as Fieldcrest's lien had prior to closing, and provided that the Trustee, LMS and Fieldcrest shall have reserved any and all rights, claims, obligations, and defenses, and such funds shall not be distributed without further order of the Court.

10. The Trustees and LMS shall be and hereby are authorized to pay at Closing any Tax Lien Claims (as defined in the Motion) that the Trustees and LMS in the exercise

of their discretion determine to be valid and enforceable and in the best interests of the Debtors' estates. The Trustees and LMS reserve all rights (a) to seek adjustment in amounts due to reflect accruals, credits and/or prorrations determined to be applicable at or prior to Closing; (b) to seek surcharge under 11 U.S.C. §506(c); and (c) to challenge any claims under applicable law, including without limitation the provisions of 11 U.S.C. §§506(d), 544 and 551. The purchase and sale of the Acquired Assets shall be free and clear of any and all tax liens of record pursuant to 11 U.S.C. §363(f) with any such liens to attach to the proceeds from the sale of the property that was subject to such lien, to the same extent, validity, and priority as the lien had prior to the Closing Date, and with all rights of the Trustees and LMS reserved to object to, seek to avoid, surcharge, or otherwise challenge such lien or underlying claim, the merits of such objections and challenges to be determined only pursuant to further Court order. All Tax Lien Claimants (as defined in the Motion) shall be and hereby are ORDERED to execute and deliver any and all necessary documents to complete the purchase and sale of the Acquired Assets, including without limitation any and all quitclaim deeds or releases that may be required to extinguish any Encumbrance that such Tax Lien Claimants may have acquired in the Assets whether by operation of law or otherwise.

11. Effective upon the Closing, all persons and entities are forever prohibited and enjoined from commencing or continuing in any manner any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral or other proceeding, against the Purchasers or their respective successors and assigns with respect to any Encumbrance. Without limiting the generality of the foregoing, the Purchasers shall

have no liability for any claim (as defined in Bankruptcy Code § 101(5)) against the Trustees, the Debtors or their respective directors, officers or shareholders.

12. Except as expressly provided in the Agreement, the consummation of the Agreement shall not subject the Purchasers to any liability whatsoever with respect to the prepetition operation of the businesses of the Debtors or the post-petition operation of the businesses of the Debtors, including, without limitation, by reason of any theory of successor or transferee liability or pursuant to any labor agreements covering the employees or former employees of any of the Debtors.

13. If any person or entity that has filed a financing statement or other documents or agreements evidencing Encumbrances on the Acquired Assets shall not have delivered to the Trustees and LMS (as the case may be) prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of all Encumbrances which the person or entity has with respect to such Acquired Assets, the Purchasers are hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to such Acquired Assets. Notwithstanding the foregoing, the provisions of this Order authorizing the sale and assignment of the Acquired Assets free and clear of Encumbrances shall be self-executing, and notwithstanding the failure of the Purchasers, the Trustees, LMS or any other party to execute, file or obtain releases, termination statements, assignments, consents or other instruments to effectuate, consummate and/or implement the provisions hereof or the Agreement with respect to the sale and assignment of the Acquired Assets, all Encumbrances on the Acquired Assets shall be deemed to be divested, terminated and discharged.

14. The Trustees and LMS (as the case may be) are hereby authorized, pursuant to section 365 of the Bankruptcy Code, to assume and assign to the Purchasers the Assigned Contracts free and clear of all Encumbrances and in accordance with the terms and conditions of the Agreement.

15. On or before the Closing Date, counsel to the Purchasers shall furnish to counsel to the Trustees and LMS a written list of all of the Assigned Contracts that the Purchasers wish to assume (the "Designated Assigned Contracts"). On or within 10 days after the Closing Date, the Trustees or LMS shall, without further order of the Court, assume and assign to the Purchasers the Designated Assigned Contracts. On or before the 20th day after the Closing Date the Trustees shall file with the Court and serve on each non-debtor party to the Designated Assigned Contracts a listing of each of the Designated Assigned Contracts that was assumed and assigned. All Designated Assigned Contracts that the trustees or LMS actually assume shall be deemed assumed and assigned as of the Closing Date. Nothing herein shall be construed as (i) a rejection of any lease or contract not assumed, (ii) requiring the Trustees or LMS to assume and assign to the Purchasers any of the Assigned Contracts, or (iii) prohibiting the Trustees or LMS from seeking court approval to assume, assume and assign, or reject leases or executory contracts other than the Designated Assigned Contracts. Notwithstanding anything contained in the Sale Motion or the Sale Order to the contrary, with respect to those Assigned Contracts between any of the Debtors and Canadian Pacific Railway Limited ("CPR"), the Trustees and the LMS shall assume and assign to MMA only such Assigned Contracts as shall be agreed upon between CPR and MMA prior to Closing (collectively, the "CPR Assigned Contracts"), and the Trustee and LMS are hereby directed to conform the list of

Designated Assigned Contracts to include the CPR Assigned Contracts and to exclude any other executory contracts or unexpired leases between any of the Debtors and CPR.

16. On or before the Closing Date and as provided in the Agreement, the respective Purchasers shall pay the Cure Amounts due, if any, on the Designated Assigned Contracts and the CPR Assigned Contracts as set forth on the Cure Amounts Schedule. Other than the Cure Amount relating to each Assigned Contract, there are no other amounts due on any of the Assigned Contracts required to be paid and no other action needs to be taken with respect to any of the Assigned Contracts in order to assume the Assigned Contracts under sections 365(b) and 365(f)(2) of the Bankruptcy Code.

17. The consideration provided by the Purchasers for the Acquired Assets under the Agreement is fair and reasonable, and the result of open and competitive bidding, and may not be avoided under section 363(n) of the Bankruptcy Code.

18. This Court retains jurisdiction to enforce and implement the terms and provisions of the Agreement, all amendments thereto, any waivers and consents thereunder, and any agreements executed in connection therewith in all respects, including, but not limited to, retaining jurisdiction (a) to compel delivery of the Acquired Assets to the Purchasers; (b) to resolve any disputes arising under or related to the Agreement, except as otherwise provided therein; and (c) to interpret, implement, and enforce the provisions of this Order.

19. The transactions contemplated by the Agreement are undertaken by the Purchasers, in good faith, as that term is used in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the sale shall not affect the validity of the sale to the Purchasers,

unless such authorization is duly stayed pending such appeal. The Purchasers are good-faith purchasers, and are entitled to all of the protections afforded by section 363(m) of the Bankruptcy Code.

20. The terms and provisions of the Agreement and this Order shall be binding in all respects upon, and shall inure to the benefit of, the Trustees, LMS, the Debtors and their respective affiliates, their respective estates, the Purchasers and their respective affiliates, and the successors and assigns of each of the foregoing, and any affected third parties, notwithstanding any subsequent appointment of any trustee(s) under any Chapter of the Bankruptcy Code, as to which trustee(s) such terms and provisions likewise shall be binding.

21. The failure specifically to include any particular provisions of the Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the Agreement be authorized and approved in its entirety.

22. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto, in a writing signed by both parties, and in accordance with the terms of the Agreement, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the estates of the respective Debtors.

23. The automatic stay provisions of section 362 of the Bankruptcy Code are lifted and modified to the extent necessary to implement the terms and conditions of the Agreement and the provisions of this Order. The Trustees, LMS and the Debtors irrevocably waive any right to seek any modification of this Order without the prior written

consent of the Purchasers, and no such consent shall be implied by any other action, inaction or acquiescence by the Purchasers.

24. The provisions of Fed. R. Bankr. P. 6004(g) and 6006(d) staying the effectiveness of this Order for 10 days are hereby waived, and, subject to Paragraph 26 below, this Order shall be effective, and the parties may consummate the transactions contemplated by the Agreement, immediately upon entry.

25. Nothing contained in any plan of reorganization or liquidation confirmed in these cases or the order confirming any plan of reorganization or liquidation shall conflict with or derogate from the provisions of this Order. Further, the provisions of this Order, and any actions taken pursuant hereto, shall survive the entry of an order which may be entered confirming any plan of reorganization or liquidation for the respective Debtors or converting of the Debtors' cases from Chapter 11 to cases under Chapter 7 of the Bankruptcy Code.

26. The transfers of the Acquired Assets pursuant to the Agreement are transfers pursuant to section 1146(c) of the Bankruptcy Code, and accordingly shall not be taxed under and shall be exempt from any law imposing a stamp tax or a sale, transfer, or any other similar or related tax assessed or imposed by any government entity or unit, including without limitation the States of Maine and Vermont, the Provinces of Quebec and New Brunswick, and any other Canadian and/or American federal or local taxing authority.

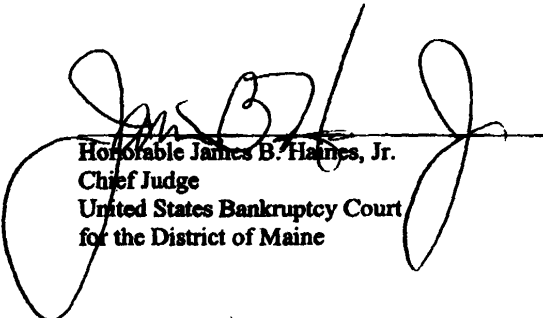
27. Notwithstanding anything to the contrary in this Order or the Agreement, all rights and obligations of the parties to the CN Junction Settlement Agreement, the CN

Trackage Rights Agreement, and the Waterloo Easement are reserved subject to further ruling by this Court or any other court of competent jurisdiction.

28. Notwithstanding any other provision of this Order, this Order shall be effective only upon filing by the Progress / RAFT Objecting Parties of a withdrawal of the Progress /RAFT Objection or entry of a subsequent Order of this Court, following notice and hearing, overruling the Progress/Raft Objection. All objections, matters, denial, issues, and defenses of the Progress / RAFT Objecting Parties asserted in the Progress / RAFT Objection shall be preserved unimpaired by the entry of this Order unless and until the Progress / RAFT Objection is withdrawn or a subsequent Order of this Court, following notice and hearing, overruling the Progress/Raft Objection.

29. The provisions of this Order are non-severable and mutually dependent.

Dated: October 9, 2002



Honorable James B. Haines, Jr.
Chief Judge
United States Bankruptcy Court
for the District of Maine

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8600 W. Bryn Mawr Ave. (Suite 500N)
Chicago, IL 60631-3579 U.S.A.

Edward A. Burkhardt (MMA)
Phone: (773) 714 8669 (Ext. 221)

For Immediate Release
Dated: October 2, 2002

Contact: Norma J. Griffiths (B&A)
Phone: (207) 848-4273

**Montreal, Maine & Atlantic Railway is
Single Bidder for the Bangor & Aroostook System**

James E. Howard, Trustee of the Bangor & Aroostook Railroad Company and affiliates, announced today that no additional bids were received on October 1, 2002 for the purchase of the Bangor & Aroostook System (B&A).

B&A will ask the Bankruptcy Court to give final approval to an Asset Purchase Agreement with Montreal, Maine & Atlantic Railway LLC and Montreal, Maine & Atlantic Canada Co. (MMA) on October 8, 2002. MMA is a subsidiary of Rail World, Inc., a Chicago-based railway investment and management company.

The terms of the purchase are set out in the Asset Purchase Agreement signed on July 24, 2002 between MMA and James E. Howard, as Chapter 11 Trustee for the Estates of the Bangor & Aroostook Railroad Company, Canadian American Railroad Company, Northern Vermont Railroad Company, Newport and Richford Railroad Company and Van Buren Bridge Company; Litwin Boyadjian Inc., Trustee to the Proposal of Quebec Southern Railway Company, Ltd. and Logistics Management Systems, Inc., Debtor-in-Possession.

Trustee James E. Howard stated, "We look forward to bringing this transaction to a conclusion by selling the Bangor & Aroostook System to MMA for continued operation and rail service to Maine and Quebec, and to the bulk of our traffic base in Vermont."

Edward A. Burkhardt, President of Rail World, Inc. and MMA, said, "The Trustee's call yesterday to advise us that no additional bids had been received was good news indeed. We welcome the opportunity to provide stable, viable rail service to B&A's service territory. We have targeted December 1 as closing date, and have a lot of work to do to prepare for start-up of our new railway."

Mr. Burkhardt indicated that MMA's priorities were rail customer and employee issues, and technical matters such as locomotives and cars. He said, "We are fortunate to start with good support from both customers and employees, and responsive handling of these relationships will be the key to our success."

MMA plans to announce its management team within the next few weeks, and intends to hold employee meetings on the property during the week of October 14th.

The Bangor & Aroostook System
Northern Maine Junction Park
15 Iron Road . Hermon, Maine 04401-9602
Ph: 207-848-4200 Fax: 207-848-4232

Rail World, Inc.
8600 W. Bryn Mawr Ave. (Suite 500N)
Chicago, IL 60631-3579
Ph: 773-714-8669 (Ext. 221)

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Exhibit B

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of October, 2002, a copy of the foregoing
**Reply of Canadian National Railway Company to Petition for Reconsideration of Trustee
of Bangor & Aroostook Railroad Company** was served by overnight delivery upon:

Charles H. White, Jr.
Attorney at Law
1200 Britannia Lane
Annapolis, MD 21403

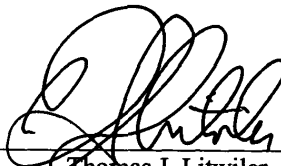
Kevin M. Sheys
Kirkpatrick & Lockhart LLP
1800 Massachusetts Avenue, N.W.
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and by first-class mail, postage prepaid, upon:

John P. Borgwardt
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Thomas J. Litwiler