

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

In re:

METRO AFFILIATES, INC., *et al.*,¹

Debtors.

Chapter 11

Case No. 13-13591 (SHL)

Jointly Administered

**ORDER APPROVING APPLICATION OF THE DEBTORS PURSUANT TO
BANKRUPTCY CODE SECTIONS 327(A) AND 328(A) AND FEDERAL RULES OF
BANKRUPTCY PROCEDURE 2014(A) AND 2016 FOR ENTRY OF AN ORDER
AUTHORIZING EMPLOYMENT AND RETENTION OF
ROTHSCHILD INC. AS FINANCIAL ADVISOR AND INVESTMENT BANKER
TO THE DEBTORS *NUNC PRO TUNC* TO THE PETITION DATE**

Upon the application (the “*Application*”)² of the above-captioned debtors (collectively, the “*Debtors*”) for entry of an order authorizing the Debtors to employ and retain Rothschild Inc. (“*Rothschild*”) as their financial advisor and investment banker effective as of the Petition Date, pursuant to sections 327 and 328(a) of title 11 of the United States Code, Rules 2014(a) and 2016

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal taxpayer identification number, are: 180 Jamaica Corp. (7630); Amboy Bus Co., Inc. (2363); Atlantic Escorts, Inc. (8870); Atlantic Express Coachways, Inc. (2867); Atlantic Express New England, Inc. (4060); Atlantic Express of California, Inc. (5595); Atlantic Express of Illinois, Inc. (5759); Atlantic Express of LA, Inc. (1639); Atlantic Express of Missouri, Inc. (3116); Atlantic Express of New Jersey, Inc. (8504); Atlantic Express of Pennsylvania, Inc. (0330); Atlantic Express Transportation Corp. (4567); Atlantic Queens Bus Corp. (0276); Atlantic Paratrans of NYC, Inc. (1114); Atlantic Paratrans, Inc. (3789); Atlantic Transit, Corp. (5121); Atlantic-Hudson, Inc. (3439); Block 7932, Inc. (3439); Brookfield Transit, Inc. (8247); Courtesy Bus Co., Inc. (5239); Fiore Bus Service, Inc. (1233); Groom Transportation, Inc. (7208); G.V.D. Leasing, Inc. (0595); James McCarty Limo Services, Inc. (8592); Jersey Business Land Co. Inc. (3850); K. Corr, Inc. (4233); Merit Transportation Corp. (8248); Metro Affiliates, Inc. (0142); Metropolitan Escort Service, Inc. (9197); Midway Leasing, Inc. (7793); R. Fiore Bus Service, Inc. (3609); Raybern Bus Service, Inc. (9412); Raybern Capital Corp. (6990); Raybern Equity Corp. (3830); Robert L. McCarthy & Son, Inc. (4617); Staten Island Bus, Inc. (6818); Temporary Transit Service, Inc. (0973); Atlantic Express of Upstate New York Inc. (1570); Transcomm, Inc. (4493); and Winsale, Inc. (2710). The Debtors’ service address at Metro Affiliates, Inc.’s corporate headquarters is 7 North Street, Staten Island, NY 10302.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Application.



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of the Federal Rules of Bankruptcy Procedure, Rule 2014-1 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York; and the Court having jurisdiction to consider the Application and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Application and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and good and sufficient notice of the Application having been given; and a hearing having been held to consider the relief requested in the Application; and upon the Augustine Declaration submitted in support of the Application, the Schlenker Declaration, the record of the hearing and all proceedings had before the Court; and the terms and conditions of Rothschild's employment, including the Fee and Expense Structure and Indemnification Provisions are reasonable as required by section 328(a) of the Bankruptcy Code; and Rothschild and its officers and employees being "disinterested persons" as defined in section 101(14) of the Bankruptcy Code, and it appearing that the employment of Rothschild as financial advisor and investment banker to the Debtors is in the best interests of the Debtors' estates, their creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Application is GRANTED as provided herein, *nunc pro tunc* to the Petition Date.
2. The terms of the Engagement Letter, attached hereto as Exhibit 1, are approved in all respects except as limited or modified herein.
3. Section 4(b) of the Engagement Letter shall be amended and restated as attached hereto as Exhibit 2.

4. Section 8 of the Engagement Letter shall be amended by adding the following sentence to the end thereof:

Notwithstanding the forgoing sentence, Aggregate Consideration in excess of \$75,000,000 shall give rise to an Incentive Component otherwise due if, but only if, such Aggregate Consideration is received at anytime prior to the expiration of 6 months after termination.

5. In accordance with sections 327 and 328 of the Bankruptcy Code, Bankruptcy Rules 2014 and 2016, and Local Bankruptcy Rules 2014-1, the Debtors are authorized to employ and retain Rothschild in accordance with the terms and conditions set forth in the Engagement Letter. The Debtors are authorized to pay fees and reimburse expenses and to provide indemnification, contribution and/or reimbursement to Rothschild on the terms and at the times specified in the Engagement Letter, *nunc pro tunc* to the Petition Date.

6. All of Rothschild's compensation set forth in the Engagement Letter, including, without limitation, the Fee and Expense Structure, is approved pursuant to section 328(a) of the Bankruptcy Code and Rothschild shall be compensated and reimbursed pursuant to section 328(a) of the Bankruptcy Code in accordance with the terms of the Engagement Letter, subject to the procedures set forth in the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and any other applicable orders of this Court.

7. None of the fees payable to Rothschild shall constitute a "bonus" or fee enhancement under applicable law.

8. Notwithstanding any provision to the contrary in this Order, the U.S. Trustee shall have the right to object to Rothschild's request(s) for interim and final compensation and reimbursement based on the reasonableness standard provided in section 330 of the Bankruptcy Code, not section 328(a) of the Bankruptcy Code. This Order and the record relating to the

Court's consideration of the Application shall not prejudice or otherwise affect the rights of the U.S. Trustee to challenge the reasonableness of Rothschild's fees and expenses (including fees and expenses of Rothschild's counsel) under the standard set forth in the preceding sentence. Accordingly, nothing in this Order or the record shall constitute a finding of fact or conclusion of law binding the U.S. Trustee, on appeal or otherwise, with respect to the reasonableness of Rothschild's fees and expenses.

9. Rothschild is hereby authorized to keep reasonably detailed time records in half-hour increments and will submit, with any interim or final fee application, together with the time records, a narrative summary, by project category, of services rendered and will identify each professional rendering services, the category of services rendered and the amount of compensation requested.

10. Notwithstanding anything to the contrary in the Engagement Letter, the indemnification provisions shall be subject, during the pendency of these chapter 11 cases, to the following:

- All requests of Rothschild for payment of indemnity pursuant to the Engagement Letter shall be made by means of an application (interim or final as the case may be) and shall be subject to review by the Court to ensure that payment of such indemnity conforms to the terms of the Engagement Letter and is reasonable based upon the circumstances of the litigation or settlement in respect of which indemnity is sought, provided, however, that in no event shall Rothschild be indemnified in the case of its own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct.
- In the event that Rothschild seeks reimbursement from the Debtors for reasonable attorneys' fees in connection with a request by Rothschild for payment of indemnity pursuant to the Engagement Letter, as modified by this Order, the invoices and supporting time records from such attorneys shall be included in Rothschild own application (both interim and final) and such invoices and time records shall be subject to the Fee Guidelines and the approval of the Court under the standards of sections 330 and 331 of the Bankruptcy Code without regard to whether such attorney has been

retained under section 327 of the Bankruptcy Code and without regard to whether such attorneys' services satisfy section 330(a)(3)(C) of the Bankruptcy Code.

- Rothschild shall not be entitled to reimbursement by the Debtors pursuant to the indemnification provisions for any fees, disbursements and other charges of Rothschild's counsel other than those incurred in connection with a request of Rothschild for payment of indemnity.
- In no event shall Rothschild be indemnified if the Debtor(s) or representatives of the estates assert a claim for, and a court determines by final order that such claim arose out of, Rothschild's own bad-faith, self-dealing, breach of fiduciary duty (if any), gross negligence, or willful misconduct.

11. Rothschild shall not use affiliates, independent contractors, subcontractors or subsidiaries of Rothschild to perform services under the Engagement Letter without separate Court approval; provided, for the avoidance of doubt, that Rothschild may seek reimbursement of otherwise permissible expenses.

12. The Debtors and Rothschild are authorized to take all actions necessary to effectuate the relief granted pursuant to the Order.

13. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

14. The relief granted herein shall be binding upon any chapter 11 trustee appointed in these chapter 11 cases, or upon any chapter 7 trustee appointed in the event of a subsequent conversion of these chapter 11 cases to cases under chapter 7.

15. To the extent that this Order is inconsistent with the Engagement Letter, the terms of this Order shall govern.

16. This Court shall retain jurisdiction with respect to all matters arising from or relating to the interpretation or implementation of this Order.

Dated: New York, New York
December 4, 2013

/s/ Sean H. Lane
United States Bankruptcy Judge

Exhibit 1 to Order: Engagement Letter

As of September 23, 2013



David J. Carpenter
President and Chief Executive Officer

Atlantic Express Transportation Corp.
7 North Street
Staten Island, NY 10302

Dear Mr. Carpenter:

This letter (the "Agreement") will confirm the terms and conditions of the agreement among Atlantic Express Transportation Corp. (collectively with its direct and indirect subsidiaries, the "Company") and Rothschild Inc. ("Rothschild") regarding the retention of Rothschild as financial advisor and investment banker to the Company in connection with a possible restructuring of its businesses and/or certain liabilities of the Company.

Section 1 Services to be Rendered In connection with the formulation, analysis and implementation of various options for a restructuring, reorganization or other strategic alternative relating to the Company, whether pursuant to a Transaction (as defined below) or any series or combination of Transactions, Rothschild will perform the following services to the extent Rothschild deems necessary, appropriate and feasible and as requested by the Company:

- (a) identify and/or initiate potential Transactions;
- (b) review and analyze the Company's assets and the operating and financial strategies of the Company;
- (c) review and analyze the business plans and financial projections prepared by the Company including, but not limited to, testing assumptions and comparing those assumptions to historical Company and industry trends;
- (d) evaluate the Company's debt capacity in light of its projected cash flows and assist in the determination of an appropriate capital structure for the Company;
- (e) assist the Company and its other professionals in reviewing the terms of any proposed Transaction, in responding thereto and, if directed, in evaluating alternative proposals for a Transaction;
- (f) determine a range of values for the Company and any securities that the Company offers or proposes to offer in connection with a Transaction;
- (g) advise the Company on the risks and benefits of considering a Transaction with respect to the Company's intermediate and long-term business prospects and strategic alternatives

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to maximize the business enterprise value of the Company;

(h) review and analyze any proposals the Company receives from third parties in connection with a Transaction, including, without limitation, any proposals for debtor-in-possession financing, as appropriate;

(i) assist or participate in negotiations with the parties in interest, including, without limitation, labor unions, any current or prospective creditors of, holders of equity in, or claimants against the Company and/or their respective representatives in connection with a Transaction;

(j) advise the Company with respect to, and attend, meetings of the Company's Board of Directors, creditor groups, official constituencies and other interested parties, as necessary;

(k) in the event the Company determines to commence Chapter 11 cases, and if requested by the Company, participate in hearings before the Bankruptcy Court in which such cases are commenced (the "Bankruptcy Court") and provide relevant testimony with respect to the matters described herein and issues arising in connection with any proposed Plan (as defined below) or other Transaction; and

(l) render such other financial advisory and investment banking services as may be agreed upon by Rothschild and the Company.

As used herein, the term "Transaction" shall mean any one or more of the following, whether or not pursuant to a plan of reorganization (a "Plan") confirmed in connection with any case or cases commenced by or against the Atlantic Express Transportation Corp., any of its subsidiaries, any of its affiliates or any combination thereof, whether individually or on a consolidated basis (a "Bankruptcy Case"), under Title 11 of the United States Code §§ 101 et seq. (the "Bankruptcy Code") or otherwise: (a) any transaction or series of transactions that effects or proposes to effect material amendments to, or other material changes in, any of the Company's outstanding indebtedness, unfunded pension and labor contracts and/or other liabilities (whether on or off balance sheet) including, without limitation, any exchange (including, without limitation, any exchange of equity for outstanding debt of the Company), repurchase or forgiveness of any portion thereof; (b) (i) any merger, consolidation, reorganization, recapitalization, financing, refinancing, business combination or other transaction pursuant to which the Company (or control thereof) is acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (an "Acquirer"), or (ii) any acquisition, directly or indirectly, by one or more Acquirers (or by one or more persons acting together with an Acquirer pursuant to a written agreement or otherwise), through a credit bid, a liquidation or otherwise, whether in a single transaction, multiple transactions or a series of transactions, of (x) other than in the ordinary course of business, any material portion of the assets or operations of the Company or (y) any outstanding or newly-issued shares of the Company's capital stock or any securities convertible into, or options, warrants or other rights to acquire such capital stock or other equity securities of the Company for the purpose

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of effecting a recapitalization or change of control of the Company (for the avoidance of doubt, the term "Acquirer" as used in this clause (b) shall include Wayzata Opportunities Fund, LLC or any of its affiliates (collectively, "Wayzata") if Wayzata acts as an acquirer of equity interests or assets of the Company, whether by a contribution of new capital, an exchange of debt for equity, a credit bid or otherwise); (c) other than in the ordinary course of business, any acquisition, directly or indirectly, by the Company, whether in a single transaction, multiple transactions or a series of transactions, of any outstanding or newly-issued shares of another person's capital stock or any securities convertible into, or options, warrants or other rights to acquire such capital stock or other equity securities of another person, for the purpose of effecting a recapitalization or change of control of the other person; (d) any restructuring, reorganization, exchange offer, tender offer, refinancing or similar transaction (including, without limitation, any exchange of equity for outstanding debt of the Company), whether or not pursuant to a Plan; or (e) any transaction similar to any of the foregoing. The arrangement of debtor-in-possession financing for the Company shall not be a Transaction.

In performing its services pursuant to this Agreement, and notwithstanding anything to the contrary herein, Rothschild is not assuming any responsibility for the Company's decision to pursue (or not to pursue) any business strategy or to effect (or not to effect) any Transaction or other transaction. Rothschild shall not have any obligation or responsibility to provide accounting, audit, "crisis management" or business consultant services to the Company, and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements.

The Company acknowledges that Rothschild is not providing any advice on tax, legal or accounting matters, and that the Company will seek the advice of its own professional advisors with respect to such matters and make an independent decision regarding any transaction contemplated herein based on such advice.

Section 2 Information Provided by the Company.

(a) The Company will cooperate with Rothschild and furnish to, or cause to be furnished to, Rothschild any and all information as Rothschild deems appropriate to enable Rothschild to render services hereunder (all such information being the "Information"). The Company recognizes and confirms that Rothschild (i) will use and rely solely on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having assumed any obligation to verify independently the same; (ii) will be entitled to assume and rely upon the accuracy and completeness of the Information and such other information; (iii) does not assume responsibility for the accuracy or completeness of the Information and such other information; and (iv) will not act in the official capacity of an appraiser of specific assets or liabilities of the Company or any other party. The Company represents and warrants that the information to be furnished by the Company, when delivered, to the best of its knowledge, will be true and correct in all material respects, will be

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prepared in good faith, and will not contain any material misstatement of fact or omit to state any material fact. Without limitation of the foregoing, the Company also represents and warrants that any projections or forecasts prepared by the Company and provided to Rothschild will have been prepared, to the best of its knowledge, in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. Rothschild will assume that any such projected or forecasted financial information reflects the best available estimates of future financial performance. The Company will promptly notify Rothschild if it learns of any material inaccuracy or misstatement in, or material omission from, any Information theretofore delivered to Rothschild.

(b) The Company acknowledges that in the course of this engagement it may be necessary for Rothschild and the Company to communicate electronically. The Company further acknowledges that although Rothschild will use commercially reasonable procedures to check for the most commonly known viruses, the electronic transmission of information cannot be guaranteed to be secure or error-free. Furthermore such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. Accordingly, the Company agrees that Rothschild shall have no liability to the Company with respect to any error or omission arising from or in connection with: (i) the electronic communication of information to the Company, or (ii) the Company's reliance on such information.

Section 3 Application for Retention of Rothschild. In the event a Bankruptcy Case is commenced, the Company shall apply promptly to the Bankruptcy Court pursuant to Sections 327(a) and 328(a) of the Bankruptcy Code, Rule 2014 of the Federal Rules of Bankruptcy Procedure, applicable local rules and procedural orders of the Bankruptcy Court and procedural guidelines established by the Office of the United States Trustee, for approval of (a) this Agreement and (b) Rothschild's retention by the Company under the terms of this Agreement (including, without limitation, the reimbursement of the fees, disbursements and other charges of Rothschild's counsel pursuant to Section 6 hereof without the requirement that the retention of such counsel be approved by the Bankruptcy Court), *nunc pro tunc* to the date the Chapter 11 case was commenced, and shall use its reasonable best efforts to obtain Bankruptcy Court authorization thereof. The Company shall use its reasonable best efforts to obtain such Bankruptcy Court approval and authorization subject only to the subsequent review by the Bankruptcy Court under the standard of review provided in Section 328(a) of the Bankruptcy Code, and not subject to the standard of review set forth in Section 330 of the Bankruptcy Code. The Company shall supply Rothschild and its counsel with a draft of such application and any proposed order authorizing Rothschild's retention sufficiently in advance of the filing of such application and proposed order to enable Rothschild and its counsel to review and comment thereon. Upon commencement of a Bankruptcy Case, unless Rothschild otherwise agrees, Rothschild shall have no obligation to provide any services under this Agreement unless Rothschild's retention under the terms of this Agreement is approved in the manner set forth above by a final order of the Bankruptcy Court no

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longer subject to appeal, rehearing, reconsideration or petition for certiorari, and which order is reasonably acceptable to Rothschild in all respects.

Rothschild acknowledges that in the event that the Bankruptcy Court approves its retention by the Company pursuant to the application process described in this Section 3, payment of Rothschild's fees and expenses shall be subject to (a) the jurisdiction and approval of the Bankruptcy Court under Section 328(a) of the Bankruptcy Code (and not subject to the standard of review set forth in Section 330 of the Bankruptcy Code) and any order approving Rothschild's retention, (b) any applicable fee and expense guidelines and/or orders and (c) any requirements governing interim and final fee applications. In the event that Rothschild's engagement hereunder is approved by the Bankruptcy Court, the Company shall pay all fees and expenses of Rothschild hereunder as promptly as practicable in accordance with the terms hereof and any applicable orders of the Bankruptcy Court.

In agreeing to seek Rothschild's retention under Section 328(a) of the Bankruptcy Code, the Company acknowledges that it believes that Rothschild's general restructuring experience and expertise, its knowledge of the industry in which the Company operates and the capital markets and its merger and acquisition capabilities will inure to the benefit of the Company, that the value to the Company of Rothschild's services hereunder derives in substantial part from that expertise and experience and that, accordingly, the structure and amount of the Monthly Fee and the Completion Fee (each as defined below) are reasonable regardless of the number of hours expended by Rothschild's professionals in performance of the services provided hereunder.

Section 4 Fees of Rothschild As compensation for the services rendered hereunder, the Company, and its successors, if any, agree to pay Rothschild (via wire transfer or other mutually acceptable means) the following fees in cash:

(a) Commencing as of the date hereof, whether or not a Transaction is proposed or consummated, an advisory fee (the "Monthly Fee") of \$125,000 per month. The initial Monthly Fee for the month of September 2013 shall be payable by the Company upon the execution of this Agreement by the Company, and thereafter the Monthly Fee shall be payable by the Company in advance on the first day of each month.

(b) A fee (the "Completion Fee") of \$2,250,000, payable upon the earlier of (i) the confirmation and effectiveness of a Plan and (ii) the closing of a Transaction; provided, however, that if (a) within sixty (60) days from the date hereof, the Company reaches an agreement on new consensual collective bargaining agreement with Local 1181-1061, Amalgamated Transit Union, AFL-CIO and such collective bargaining agreement is ratified within thirty (30) days after the date that such agreement is reached, (b) the closing of a Transaction occurs and (c) if the Company has commenced a bankruptcy proceeding, such bankruptcy proceeding is dismissed by order of the Bankruptcy Court within one hundred twenty (120) days from the date hereof, then

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the Completion Fee shall be reduced to \$1,125,000. Only one Completion Fee shall be payable in connection with the engagement.

(c) To the extent the Company requests that Rothschild perform additional services not contemplated by this Agreement, such additional fees as shall be mutually agreed upon by Rothschild and the Company, in writing, in advance.

The Company and Rothschild acknowledge and agree that (a) the hours worked, (b) the results achieved and (c) the ultimate benefit to the Company of the work performed, in each case, in connection with this engagement, may be variable, and that the Company and Rothschild have taken such factors into account in setting the fees hereunder.

Section 5 Credit. Rothschild shall credit against the Completion Fee 50% of the Monthly Fees paid in excess of \$375,000 (the "Monthly Fee Credit"); provided that the Monthly Fee Credit shall not exceed the Completion Fee.

Section 6 Expenses. Without in any way reducing or affecting the provisions of Exhibit A hereto, the Company shall reimburse Rothschild for its reasonable expenses incurred in connection with the performance of its engagement hereunder, and the enforcement of this Agreement, including, without limitation, the reasonable fees, disbursements and other charges of Rothschild's counsel (without the requirement that the retention of such counsel be approved by the Bankruptcy Court). Reasonable expenses shall also include, but not be limited to, expenses incurred in connection with travel and lodging, data processing and communication charges, research and courier services. If a Bankruptcy Case is commenced, consistent with and subject to any applicable order of the Bankruptcy Court, the Company shall promptly reimburse Rothschild for such expenses under this Section 6 upon presentation of an invoice or other similar documentation with reasonable detail. If a Bankruptcy Case is commenced, it is understood that Rothschild's reimbursable counsel fees may include, without limitation, fees incurred in representing Rothschild's interests during the pendency and following the conclusion of any Bankruptcy Case, including, without limitation, counsel fees incurred in connection with Rothschild's retention and payment hereunder.

Section 7 Indemnity. The Company agrees to the provisions of Exhibit A hereto which provide for indemnification by the Company of Rothschild and certain related persons. Such indemnification is an integral part of this Agreement and the terms thereof are incorporated by reference as if fully stated herein. Such indemnification shall survive any termination, expiration or completion of this Agreement or Rothschild's engagement hereunder.

Section 8 Term. The term of Rothschild's engagement shall commence on the date hereof and shall extend until the consummation of a Transaction and payment of all fees and expenses hereunder that are due and payable. This Agreement may be terminated by either the Company or Rothschild after 90 days from the date hereof by providing thirty (30) days advance

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notice in writing. If terminated, Rothschild shall be entitled to (a) reimbursement of any and all reasonable expenses described in Section 6 and (b) payment of any fees which are due and owing to Rothschild upon the effective date of termination; provided, that the final Monthly Fee will be pro-rated for any incomplete monthly period of service. Termination of Rothschild's engagement hereunder shall not affect or impair the Company's continuing obligation to indemnify Rothschild and certain related persons as provided in Exhibit A. Without limiting any of the foregoing, the Completion Fee shall be payable in the event that (a) a Transaction is consummated at anytime prior to the expiration of 12 months after such termination, or (b) a letter of Intent or definitive agreement with respect thereto is executed at any time prior to 12 months after such termination (which letter of intent or definitive agreement subsequently results in the consummation of a Transaction at any time).

Section 9 Miscellaneous.

(a) *Administrative Expense Priority; Carve-Outs.* In a Bankruptcy Case of Atlantic Express Transportation Corp. or any of its direct or indirect subsidiaries, the Company agrees that Rothschild's post-petition compensation as set forth herein and payments made pursuant to reimbursement and indemnification provisions of this Agreement shall be entitled to priority as expenses of administration under Sections 503(b)(1)(A) and 507(a)(2) of the Bankruptcy Code and shall be entitled to the benefits of any "carve-outs" for professional fees and expenses in effect in such cases pursuant to one or more financing orders entered by the Bankruptcy Court. In addition, the Company shall use its reasonable best efforts to ensure that any cash collateral order, debtor-in-possession financing order and/or similar order entered in the Bankruptcy Case provides for the full and prompt payment of Rothschild's fees and expenses contemplated hereby from any cash collateral and financing proceeds. Rothschild shall have no obligation to provide any services under this Agreement if the conditions of this Section 9(a) are not satisfied.

(b) *Survival, Successors & Assigns.* Sections 4 through 9 hereof, inclusive, including the provisions set forth in Exhibit A hereto, shall survive the termination or expiration of this Agreement. The benefits of this Agreement and the indemnification and other obligations of the Company to Rothschild and certain related persons contained in Exhibit A hereto shall inure to the respective successors and assigns of the parties hereto and thereto and of the indemnified parties, and the obligations and liabilities assumed in this Agreement and Exhibit A by the parties hereto and thereto shall be binding upon their respective successors and assigns. The Company shall use its reasonable best efforts to cause any purchaser of all or substantially all of the Company's assets to assume the Company's obligations hereunder.

(c) *Benefit of Agreement; No Reliance by Third Parties.* The advice (oral or written) rendered by Rothschild pursuant to this Agreement is intended solely for the benefit and use of the Company in considering the matters to which this Agreement relates, and the Company agrees that such advice may not be relied upon by any other person, used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose

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without the prior written consent of Rothschild. In addition, the Company agrees that it will not, and will not permit any of its affiliates to, make any public reference to Rothschild except with the prior consent of Rothschild or as otherwise provided in this Agreement.

(d) *Nature of Relationship.* The relationship of Rothschild to the Company hereunder shall be that of an independent contractor and Rothschild shall have no authority to bind, represent or otherwise act as agent, executor, administrator, trustee, lawyer or guardian for the Company, nor shall Rothschild have the authority to manage money or property of the Company. The parties hereto acknowledge and agree that by providing the services contemplated hereunder, Rothschild will not act, nor will it be deemed to have acted, in any managerial or fiduciary capacity whatsoever with respect to the Company or any third party including, without limitation, security holders, creditors or employees of the Company.

(e) *Rothschild Affiliates.* Rothschild, through the equity owners of its parent company, Rothschild North America Inc., has indirect affiliate relationships with numerous investment banking institutions located worldwide (the "Affiliated Entities"). None of the Affiliated Entities is being retained hereunder nor will any professionals or employees of the Affiliated Entities provide services to the Company in connection with the matters contemplated hereby. The Affiliated Entities are involved in a wide range of investment banking and other activities. Rothschild can make no representation as to the "disinterestedness" (as defined in the Bankruptcy Code) of the professionals or employees of the Affiliated Entities. Information that is held by the Affiliated Entities will not for any purpose be taken into account in determining Rothschild's responsibilities to the Company hereunder. None of the Affiliated Entities will have any duty to disclose to the Company or any other party, or utilize for the Company's benefit, any non-public information acquired in the course of providing services to any other person engaging in any transaction or otherwise carrying on its business.

(f) *Required Information.* The Company agrees to provide Rothschild with its tax or other similar identification number and/or other identifying documents, as Rothschild may request, to enable it to comply with applicable law. For your information, Rothschild may also screen the Company against various databases to verify its identity.

(g) *Public Announcements.* The Company acknowledges that Rothschild may at its option and expense, after announcement of a Transaction, place announcements and advertisements or otherwise publicize the Transaction in such financial and other newspapers and journals as it may choose, stating that Rothschild acted as financial advisor to the Company in connection with such transaction. The Company further consents to Rothschild's use of the Company's name and logo as part of Rothschild's general marketing materials.

(h) *CHOICE OF LAW: JURISDICTION.* THIS AGREEMENT HAS BEEN NEGOTIATED, EXECUTED AND DELIVERED AT AND SHALL BE DEEMED TO HAVE BEEN MADE IN NEW YORK, NEW YORK. THIS AGREEMENT SHALL BE

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GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO SUCH STATE'S PRINCIPLES OF CONFLICTS OF LAWS. REGARDLESS OF ANY PRESENT OR FUTURE DOMICILE OR PRINCIPAL PLACE OF BUSINESS OF THE PARTIES HERETO, EACH SUCH PARTY HEREBY IRREVOCABLY CONSENTS AND AGREES THAT ANY AND ALL CLAIMS OR DISPUTES BETWEEN THE PARTIES HERETO PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AGREEMENT SHALL BE BROUGHT IN (A) ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK OR (B) THE BANKRUPTCY COURT OR ANY COURT HAVING APPELLATE JURISDICTION OVER THE BANKRUPTCY COURT. BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED ON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. THE COMPANY CONSENTS TO THE SERVICE OF PROCESS IN ACCORDANCE WITH NEW YORK LAW, AND AGREES THAT DAVID J. CARPENTER SHALL BE AUTHORIZED TO ACCEPT SERVICE ON ITS BEHALF.

(i) *Waiver of Jury Trial.* Each of the parties hereto hereby knowingly, voluntarily and irrevocably waives any right it may have to a trial by jury in respect of any claim upon, arising out of or in connection with this Agreement or any Transaction. Each of the parties hereto hereby certifies that no representative or agent of any other party hereto has represented, expressly or otherwise, that such party would not seek to enforce the provisions of this waiver. Each of the parties hereto hereby acknowledges that it has been induced to enter into this Agreement by and in reliance upon, among other things, the provisions of this paragraph.

(j) *Entire Agreement.* This Agreement, including the exhibit(s) hereto, embodies the entire agreement and understanding of the parties hereto and supersedes any and all prior agreements, arrangements and understandings relating to the matters provided for herein. No alteration, waiver, amendment, change or supplement hereto shall be binding or effective unless the same is set forth in writing signed by a duly authorized representative of each of the parties hereto.

(k) *Authority.* Each party hereto represents and warrants that it has all requisite power and authority to enter into this Agreement and Exhibit A and the transactions contemplated hereby. Each party hereto further represents that this Agreement has been duly and validly

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authorized by all necessary corporate action and has been duly executed and delivered by each of the parties hereto and constitutes the legal, valid and binding agreement thereof, enforceable in accordance with its terms. Rothschild will assume that any instructions, notices or requests have been properly authorized by the Company if they are given or purported to be given by a person who is, or is reasonably believed by Rothschild to be, a director, officer, employee or authorized agent of the Company.

(l) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile, portable document format (PDF) or other electronic means shall be effective as delivery of a manually executed counterpart to this Agreement.

(m) *Notices.* Any notice given pursuant to, or relating to, this Agreement shall be in writing and shall be mailed or delivered by courier (a) if to the Company, at the address set forth above, Attn: David J. Carpenter and (b) if to Rothschild, to Rothschild Inc., 1251 Avenue of the Americas, 33rd Floor, New York, New York 10020, Attention: Neil Augustine, with a copy to Rothschild Inc., 1251 Avenue of the Americas, 34th Floor, New York, New York 10020, Attention: General Counsel.

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If the foregoing correctly sets forth the understanding and agreement between Rothschild and the Company, please so indicate by signing the enclosed copy of this Agreement, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

ROTHSCHILD INC.

By: 

Neil Augustine
Executive Vice Chairman of North
American GFA
Co-Chair of the North American Debt
Advisory and Restructuring Group

Date: 9/30/13

Accepted and Agreed to as of
the date first written above on
behalf of itself and its direct
and indirect subsidiaries:

ATLANTIC EXPRESS TRANSPORTATION CORP.

By: 

Name: DAVID J. CARPENTER
Title: CEO ATLANTIC EXPRESS

Date: 9/30/2013

Exhibit A

The Company shall indemnify and hold harmless Rothschild and its affiliates, counsel and other professional advisors, and the respective directors, officers, controlling persons, agents and employees of each of the foregoing (Rothschild and each of such other persons, an "Indemnified Party" and, collectively, the "Indemnified Parties"), from and against any losses, claims or proceedings, including, without limitation, stockholder actions, damages, judgments, assessments, investigation costs, settlement costs, fines, penalties, arbitration awards and any other liabilities, costs, fees and expenses (collectively, "Losses") (a) directly or indirectly related to or arising out of (i) oral or written information provided by the Company, the Company's employees or other agents, which either the Company or an Indemnified Party provides to any person or entity or (ii) any other action or failure to act by the Company, the Company's employees or other agents or any Indemnified Party at the Company's request or with the Company's consent, in each case in connection with, arising out of, based upon, or in any way related to this Agreement, the retention of and services provided by Rothschild under this Agreement, or any Transaction or other transaction; or (b) otherwise directly or indirectly in connection with, arising out of, based upon, or in any way related to the engagement of Rothschild under this Agreement or any transaction, activities or conduct in connection therewith, regardless of whether such activities or conduct occurred prior to or after the date hereof, provided that the Company shall not be required to indemnify any Indemnified Party for such Losses if and only to the extent that it is finally judicially determined by a court of competent jurisdiction that such Losses arose primarily because of the gross negligence, willful misconduct or fraud of such Indemnified Party. If multiple claims are brought against an Indemnified Party, with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any judgment or award against such Indemnified Party shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the judgment or award expressly states that it, or any portion thereof, is based on a claim as to which indemnification is not available.

The Company shall further reimburse any Indemnified Party promptly after obtaining the necessary approval of the Bankruptcy Court, if any, for any legal or other fees, disbursements or expenses as they are incurred (a) in investigating, preparing, pursuing or settling any action or other proceeding (whether formal or informal) or threat thereof (including, without limitation, any expenses incurred in connection with any response to a subpoena or similar request for documents and/or testimony) relating to any of the matters covered by the indemnification set forth in the preceding paragraph, whether or not in connection with pending or threatened litigation or arbitration and whether or not any Indemnified Party is a party (each, an "Action") and (b) in connection with enforcing such Indemnified Party's rights under this Agreement; provided, however, that in the event and only to the extent that it is finally judicially determined

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by a court of competent jurisdiction that the Losses of such Indemnified Party arose primarily because of the gross negligence, willful misconduct or fraud of such Indemnified Party, such Indemnified Party will promptly remit to the Company any amounts reimbursed under this paragraph.

Upon receipt by an Indemnified Party of notice of any Action, such Indemnified Party shall notify the Company in writing of such Action, but the failure to so notify shall not relieve the Company from any liability hereunder (a) if the Company had actual notice of such Action or (b) unless and only to the extent that such failure results in the forfeiture by the Company of substantial rights and defenses. The Company shall, if requested by Rothschild, assume the defense of any such Action including the employment of counsel reasonably satisfactory to Rothschild and will not, without the prior written consent of Rothschild, settle, compromise, consent or otherwise resolve or seek to terminate any pending or threatened Action (whether or not any Indemnified Party is a party thereto) unless such settlement, compromise, consent or termination (i) contains an express, unconditional release of each Indemnified Party from all liability relating to such Action and the engagement of Rothschild under this Agreement and (ii) does not include a statement as to, or an admission of fault, culpability or a failure to act by or on behalf of any Indemnified Party. Any Indemnified Party shall be entitled to retain separate counsel of its choice and participate in the defense of any Action in connection with any of the matters to which this Agreement relates, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (x) the Company has failed promptly to assume the defense and employ counsel or (y) the named parties to any such Action (including any impleaded parties) include such Indemnified Party and the Company, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the Company; provided that the Company shall not in such event be responsible under this Agreement for the fees and expenses of more than one firm of separate counsel (in addition to local counsel) in connection with any such Action in the same jurisdiction.

The Company agrees that if any right of any Indemnified Party set forth in the preceding paragraphs is finally judicially determined to be unavailable, or is insufficient to hold such Indemnified Party harmless against such Losses as contemplated herein, then the Company shall contribute to such Losses (a) in such proportion as is appropriate to reflect the relative benefits received by the Company and its creditors and stockholders, on the one hand, and such Indemnified Party, on the other hand, in connection with the transactions contemplated hereby, and (b) if (and only if) the allocation provided in clause (a) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (a) but also the relative fault of the Company and such Indemnified Party; provided, that, in no event shall the aggregate contribution of all such Indemnified Parties exceed the amount of fees received by Rothschild under this Agreement. Benefits received by Rothschild shall be deemed to be equal to the compensation paid by the Company to Rothschild in connection with this Agreement. Relative fault shall be determined by reference to, among other things, whether any

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alleged untrue statement or omission or any other alleged conduct relates to information provided by the Company or other conduct by the Company (or the Company's employees or other agents) on the one hand or by Rothschild on the other hand.

The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Indemnified Party pursuant to this Agreement, the transactions contemplated hereby or any Indemnified Party's actions or inactions in connection with any such advice, services or transactions except for and only to the extent that such Losses of the Company are finally judicially determined by a court of competent jurisdiction to have arisen primarily because of the gross negligence, willful misconduct or fraud of such Indemnified Party in connection with any such advice, actions, inactions or services. In the event the Company commences a Chapter 7 or Chapter 11 case, the Company shall use its reasonable best efforts to require, as a condition of the Company releasing from liability any creditor or other party-in-interest in the case, that such creditor or other party-in-interest release all Indemnified Parties from all claims or other liabilities directly or indirectly in connection with, arising out of, based upon, or in any way related to the engagement of Rothschild under this Agreement or any transaction or conduct in connection therewith, provided that the Company shall not be required to obtain such release with respect to the gross negligence, willful misconduct or fraud of any Indemnified Party.

The rights of the Indemnified Parties hereunder shall be in addition to any other rights that any Indemnified Party may have at common law, by statute or otherwise. Except as otherwise expressly provided for in this Agreement, if any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void, unenforceable or against its regulatory policy, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall all remain in full force and effect and shall in no way be affected, impaired or invalidated. The reimbursement, indemnity and contribution obligations of the Company set forth herein shall apply to any modification of this Agreement and shall remain in full force and effect regardless of any termination of, or the completion of any Indemnified Party's services under or in connection with, this Agreement.

Exhibit 2 to Order: Amendment and Restatement of Section 4(b) of Engagement Letter

A fee (the “**Completion Fee**”) composed of the following parts, if a Transaction that is not pursuant to a Plan closes prior to the confirmation and effectiveness of a Plan: (i) \$1,875,000, payable once upon the closing of the first such Transaction and (ii) 2% of Aggregate Consideration (as defined below) in excess of \$75,000,000 (the “**Incentive Component**”), payable upon each receipt by the Company of such Aggregate Consideration. The Completion Fee shall be \$2,250,000, payable upon confirmation and effectiveness of a Plan, if no Transaction that is not pursuant to a Plan has previously closed.

“**Aggregate Consideration**” shall mean the total amount of all cash plus the total value (as determined pursuant hereto) of all securities, contractual arrangements (including, without limitation, any put or call agreements) and other consideration, including, without limitation, the present value (as mutually determined in good-faith by the Company and Rothschild) of any contingent or earned consideration, paid or payable, directly or indirectly, in connection with (w) any sales by the Company outside of the ordinary course of business, directly or indirectly, through a credit bid or otherwise, of any of its assets (including, without limitation, buses) to a third party, (x) any sales by the Company of equity interests (or any securities convertible into, or options, warrants or other rights to acquire, such equity interests) pursuant to which the Company or control of a material portion thereof is acquired by a third party, (y) any acquisition by the Company outside of the ordinary course of business of a material portion of the assets or equity interests (or any securities convertible into, or options, warrants or other rights to acquire, such equity interests) of a third party that is either for the purpose of effecting (or is made in connection with) a recapitalization of the Company or in connection with which Rothschild is requested by the Company to provide services, or (z) the Company otherwise consummating any merger, consolidation or business combination with a third party (including, without limitation, net amounts paid pursuant to covenants not to compete, management fees or other similar arrangements, and to holders of any warrants, stock purchase rights or convertible securities of the Company and to holders of any options or stock appreciation rights issued by the Company, whether or not vested). Aggregate Consideration shall also include the amount of any short-term liabilities for borrowed money and any long-term liabilities for borrowed money of the Company (including, without limitation, the principal amount of any indebtedness for borrowed money and capitalized leases) that upon any transaction described in clauses (w) through (z) of the preceding sentence is either repaid, defeased or retired (directly or indirectly) or is on the Company’s balance sheet (if such transaction takes the form of a merger, consolidation or a sale of stock or partnership interests) or is assumed in connection with such a transaction (if such transaction takes the form of a sale of assets). For purposes of calculating the amount of revolving credit debt in connection with determining the amount of Aggregate Consideration, the arithmetic mean of the amount of revolving credit debt outstanding on the last day of each month during the 12 months preceding the closing of the relevant transaction will be used. Aggregate Consideration shall include the fair market value of any securities received by the Company’s security holders in exchange for or in respect of securities of the Company following a transaction giving rise to Aggregate Consideration (all securities received by such security holders being deemed to have been paid to such security holders in such a transaction). The value of securities that are freely tradable in an established public market will be determined on the basis of the last market closing price prior to the consummation of such a transaction. The value of securities that are not freely tradable or have no established public market, or if the consideration consists of property other than securities, the value of such property shall be the fair market value thereof as determined in good faith by the parties, provided, however, that all debt securities shall be valued at their stated principal amount (reduced to account for original issue discount, if any). If the consideration to be paid is computed in any foreign currency, converted into U.S. dollars at the prevailing exchange rate on the date or dates on which such consideration is payable. Aggregate Consideration shall also include the face amount of any liabilities tendered as purchase price in connection with any credit bid. Notwithstanding anything to the contrary herein, Aggregate Consideration shall exclude any compensation to be paid under compensation arrangements with members of management of the Company. No element of Aggregate Consideration shall be subject to double counting or shall otherwise be included more than once in determining the aggregate consideration paid. For the avoidance of doubt, if a transaction giving rise to Aggregate Consideration consists of an exchange of new securities of the Company for outstanding indebtedness of the Company, only the new securities issued in exchange for such outstanding indebtedness, and not the outstanding indebtedness being tendered for exchange or otherwise extinguished in such exchange, shall be included within the calculation of Aggregate Consideration.