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Fortress Affiliate Believed to Bid on MM&A Railway

Montreal, Maine & Atlantic Railway Ltd. was involved in a deadly crash this past summer.

By Jaqueline Palank | December 13, 2013

An affiliate of investment firm Fortress Investment Group LLC is believed to have made a play to acquire the Montreal, Maine & Atlantic Railway Ltd., which was involved in a deadly crash this past summer, out of bankruptcy protection.

Bankruptcy trustee Robert J. Keach, who is overseeing the railway company's Chapter 11 case, said Friday that it is his "understanding" that proposed buyer Railroad Acquisition Holdings LLC is affiliated with Fortress, the publicly traded investment firm that has about \$58 billion in assets under management.

Fortress representatives didn't respond Friday to multiple calls and emails to confirm the bid, although court papers filed Thursday in the railway's bankruptcy case refer any queries for the buyer to Fortress. An attorney for the proposed buyer declined to comment Friday.

Railroad Acquisition Holdings has offered \$14.25 million for Montreal, Maine & Atlantic, which owns the train that derailed in July, killing 47 people. The train, which included five locomotives and was carrying 72 carloads of crude oil, set off explosions that destroyed part of the small Quebec town Lac-Mégantic.

The railway sought the protection of U.S. and Canadian courts after the accident in order to secure funds to pay the victims, who have brought litigation against the company.

Since his appointment in August as U.S. bankruptcy trustee, Mr. Keach has been working to centralize a number of derailment lawsuits in one U.S. court and to find a buyer. He has also obtained \$3 million in bankruptcy financing for the railway and extended its Canadian operating license.

With a bid from Railroad Acquisition Holdings in hand, Mr. Keach is now seeking court approval to solicit higher offers for a Jan. 21 auction in Maine, adding that would-be buyers have shown "a lot of interest" in the company.

"Based on everything we know, we expect to have a pretty robust auction," he said.

Mr. Keach told the U.S. Bankruptcy Court in Bangor, Maine, that time is of the essence.

"MMA has obtained financing sufficient to maintain its operations only through the next few months. A sale of the assets as a going concern will maximize the value of the estate for the benefit of all stakeholders," the trustee wrote in court papers.

Would-be buyers must offer at least \$15.74 million to be in the running against Railway Acquisition Holdings, whose bid encompasses most of the assets of Montreal, Maine & Atlantic, from its more than 500 miles of track in Maine, Vermont and Quebec to its locomotives and railcars.

The new owner won't be responsible for any claims filed by victims of the derailment as those claims—as well as the company's own derailment-related claims against third parties—will be left behind with the "old" Montreal, Maine & Atlantic in its bankruptcy case, Mr. Keach said.

The U.S. court will consider the auction proposal at a hearing next Wednesday, and a Canadian court must also give its blessing for the auction to proceed.

The company's eventual sale will not only be subject to the approval of both courts but also that of regulators in the U.S. and Canada.

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