



Judge Approves MMA Railway Sale To Fortress Affiliate

By Stephanie Russell-Kraft | January 23, 2014

A Maine bankruptcy judge on Thursday approved the sale of Montreal, Maine and Atlantic Railway Ltd. to Railroad Acquisition Holdings LLC, the winning buyer following an auction of the railway company, which was involved in a deadly crash in Canada this past summer.

The affiliate of New York-based Fortress Investment Group LLC on Tuesday beat out J.D. Irving's Eastern Maine Railway Co. Ltd., which had partnered with Springfield Terminal Railway Co. Inc. to bid for the Maine portions of MMAR. Railroad will acquire both the Canadian and U.S. portions of MMAR's track.

The Superior Court in Sherbrooke, Quebec, which is presiding over the CCAA proceedings of MMA Canada, also signed off on the deal, which has a value to the estates of \$15.85 million, according to U.S. bankruptcy trustee Bob Keach.

"We are very pleased with the sale, and with the purchaser," Keach said in an emailed statement Thursday. "Fortress brings rail experience, definite financial strength, and a commitment to operate the entire system. This is, given the current environment, a very good deal for the two estates, and for the two regions served by the railroads. I am content that this is the best deal available under the current circumstances."

A representative for Railroad Acquisition Holdings could not immediately be reached for comment Thursday.

MMAR filed for Chapter 11 in August, one month after a fiery derailment in Lac-Mégantic, Quebec, killed 47 people and destroyed much of the town, saying the accident has plagued it with more liabilities than it can manage. The company also sought relief in the Superior Court of Quebec in Montreal.

The accident occurred after midnight on July 6, when an unattended parked freight train hauling 72 tankers of crude oil rolled downhill for more than seven miles before derailing in Lac-Mégantic, a town of approximately 6,000 people located 10 miles from Maine's western border. The train was headed to Saint John, New Brunswick.

The derailment set off massive blasts, destroyed part of the downtown area and is presumed to have killed 47 people, according to a court filing. Additionally, a large amount of oil was released into the environment, requiring extensive cleanup efforts that are ongoing.

Until recently, MMAR employed 179 people and operated about 15 trains a day with a fleet of 26 locomotives, according to the filing.

The company listed between \$1 million and \$10 million in liabilities in its voluntary petition. It also has an outstanding balance of \$27.5 million on a loan issued by the Federal Railroad Administration, which is secured by the FRA's lien on virtually all of MMAR's Canadian and U.S. real estate.

Since the derailment, MMAR has been hit with lawsuits in Chicago and Quebec and is expecting more claims to be filed. Additionally, Canadian authorities have suspended train travel between Maine and Quebec on the MMAR Canada line, which has caused a dramatic drop in the railroad's monthly revenues.

MMAR's Chapter 11 trustee is represented by Michael A. Fagone and D. Sam Anderson of Bernstein Shur Sawyer & Nelson PA.

Railroad Acquisition Holdings is represented by Benjamin E. Marcus and Jeremy R. Fischer of Drummond Woodsum and by Jeffrey Steen, Matthew Linder and Terence Hynes of Sidley Austin LLP.

The case is In re: Montreal Maine & Atlantic Railroad Ltd., case number 1:13-bk-10670, in the U.S. Bankruptcy Court for the District of Maine.