



Bangor Daily News

US, Canadian judges coordinate railroad bankruptcy; focus is on compensating Lac-Megantic victims, trustee says

By Judy Harrison | September 4, 2013

The adoption of cross-border protocols by judges in Canada and the U.S. on Wednesday will allow the Montreal, Maine and Atlantic Railway bankruptcy to move forward so that the victims of the Lac-Megantic train disaster may receive compensation as quickly as possible, the trustee assigned to oversee the case said.

“The U.S. case and the Canadian case are being administered primarily for the victims,” Robert Keach, a Portland lawyer who was appointed Aug. 22 to serve as trustee during the bankruptcy proceeding, said after a hearing in Bangor. “Wrongful death litigants and any personal injury claims will be paid after any secured debt is paid,” Keach said.



Bob Keach, Bernstein Shur
Photo credit: Brian Feulner | BDN

U.S. Bankruptcy Judge Louis Kornreich in Bangor and a Superior Court justice in Sherbrooke, Quebec, on Wednesday adopted in separate hearings the Cross-border Insolvency Protocol in order “to enhance coordination and harmonization” of the cases.

The courts will be able to talk to each other and hold joint hearings, Keach said.

Kornreich also granted motions that will allow the Hermon-based railroad to continue operating and paying employees’ salaries and benefits using a \$6 million line of credit provided by Wheeling & Lake Erie Railway Co., based in Ohio.

MMA filed for Chapter 11 bankruptcy in U.S. Bankruptcy Court in Bangor and in Canada on Aug. 7, a month after one of its trains rolled driverless down a hill before derailing in the middle of the town of Lac-Megantic, Quebec, causing a fiery explosion that killed 47 people.

The trustee told Kornreich Wednesday that he has been working the past several weeks to stabilize the railroad’s finances in order “to pave the way for a sale process” even though a buyer has not been found.

Keach and others have said that to emerge from bankruptcy, the company eventually will have to be sold. The trustee also told the judge that he expected financing to cover the administrative costs of the bankruptcy and the operational cost of the railroad as the bankruptcy moves through court would be in place before the next hearing scheduled Sept. 13.

The return of rail service to Lac-Mégantic, which is expected by the end of the year, could help stabilize the railroad's finances and make it more attractive to potential buyers, Keach said.

Quebec Premier Pauline Marois announced last month a plan to rebuild the destroyed town's center and create a new commercial center, according to the Montreal Gazette. A temporary rail line would be built from MMA's main line to the town's industrial park. The province is expected to continue studying where a permanent rail line should be constructed, the premier said.



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Photo credit: Brian Feulner | BDN

Marois made the announcement while outlining a \$15.3 million plan to rebuild the town's core and create a new commercial center. The cost of the plan is included in a \$56.9 million recovery fund that was announced previously, the newspaper said.

The plan would create a new shopping center, construct a permanent bridge over the Chaudière River, and create a memorial for the victims.

For the next month at least, the railroad may continue to operate in Canada. The Canadian

Transportation Agency on Aug. 23 allowed MMA and its Canadian subsidiary to keep trains running through Oct. 1. Ten days earlier, it had ordered MMA to cease operations, saying the railway lacked adequate insurance, according to a previously published report.

The insurance that MMA had in force in July will not come close to meeting the costs of cleanup and restoration after the Lac-Mégantic crash, according to a previously published report. The CTA reversed last month's order, allowing MMA to operate through Oct. 1 after the railway provided evidence of adequate third-party insurance.

Keach said Wednesday he was optimistic that the deadline would be extended.

Rail World Inc., MMA's parent company, purchased the Bangor and Aroostook Railroad in 2002 for \$50 million as part of Bangor and Aroostook's Chapter 11 bankruptcy proceedings, according to a previously published report.

In its bankruptcy filing, MMA estimated that its debts totaled about \$3.5 million before the accident. That figure excludes the \$27.5 million the railroad still owes on a \$35 million loan it received from the Federal Rail Administration in 2005.

MMA listed between 200 and 999 creditors in its bankruptcy filing. The railway estimated its assets at between \$50 million and \$100 million and its liabilities between \$1 million and \$10 million.

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