



FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35805]

Central Maine & Quebec Railway US Inc.—Acquisition and Operation Exemption—
Montreal, Maine & Atlantic Railway, Ltd.

Central Maine & Quebec Railway US Inc. (CMQR),¹ a noncarrier, has filed a verified notice of exemption under 49 CFR 1150.31 to acquire and operate certain rail lines in the United States currently owned and operated by Montreal, Maine & Atlantic Railway, Ltd. (MMA).²

¹ CMQR is a subsidiary of Rail Acquisition Holdings LLC (RAH). RAH is, in turn, indirectly owned and controlled by Fortress Worldwide Transportation and Infrastructure General Partnership (Fortress Worldwide), an investment fund managed by an affiliate of Fortress Investment Group LLC (Fortress Investment).

² CMQR will acquire approximately 244.2 miles of rail lines located in the United States. The specific lines to be acquired by CMQR include: (1) a rail line beginning at a point in the vicinity of Searsport, Me., designated on MMA's system map as milepost 0.0+ of MMA's Searsport Subdivision and continuing north through the state of Maine through Brownville Junction to a point in the vicinity of Millinocket, Me., designated as milepost 109.00+1 of MMA's Madawaska Subdivision; (2) a rail line beginning at a point in the vicinity of Millinocket, Me., designated on MMA's system map as milepost 0.0+ of the East Millinocket Subdivision and continuing southeast to East Millinocket, Me., to a point designated as milepost 6.19+ of MMA's East Millinocket Subdivision; (3) a rail line beginning at a point in the vicinity of Brownville Junction, Me., designated on MMA's system map as milepost 0.0+ on MMA's K.I. Subdivision and continuing to a point in the vicinity of Brownville Junction, Me., designated as milepost 4.0+ of the K.I. Subdivision; (4) a rail line beginning in the vicinity of Brownville Junction, Me., from a point of connection with Eastern Maine Railway Company designated on MMA's system map as milepost 0.0+ of MMA's Moosehead Subdivision and continuing west to the United States/Canada border near Skinner, Me., designated as milepost 101.80+ of the Moosehead Subdivision; and (5) a rail line beginning at the United States/Canada border crossing in the vicinity of Richford, Vt., designated on MMA's system map as milepost 26.25+ of MMA's Newport
(continued...)

MMA and MMA's Canadian affiliate, Montreal Maine & Atlantic Canada Co. (MMA Canada) filed bankruptcy petitions with the United States Bankruptcy Court for the District of Maine and the Superior Court for the Province of Quebec, District of Montreal, respectively, on August 7, 2013, following a rail accident in Lac Mégantic, Que., on July 6, 2013. Since that time, the rail business of MMA and MMA Canada has been operated under the oversight of Robert J. Keach, the Chapter 11 Trustee in the MMA bankruptcy proceeding.

On December 12, 2013, RAH entered into an Asset Purchase Agreement (Agreement) with Trustee Keach, MMA, and MMA Canada, pursuant to which RAH agreed to purchase certain rail assets of both MMA and MMA Canada. Thereafter, both the U.S. Bankruptcy Court and the Quebec Superior Court issued final orders approving the sale of the rail assets of MMA and MMA Canada to RAH.³

The purpose of the proposed transaction is to restore and preserve rail service on and over the rail lines of the bankrupt MMA located in Maine and Vermont. Although MMA has continued to provide certain rail services while in bankruptcy, east-west through service between points in Quebec and points in Maine has not been available to shippers since the Lac Mégantic disaster. CMQR and CMQR Canada will provide rail service over the entire pre-bankruptcy rail network of MMA and MMA Canada.

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Subdivision and continuing south to a point in the vicinity of Newport, Vt., designated as milepost 60.4+ at the end of the Newport Subdivision.

³ Pursuant to the Agreement, RAH will assign its rights under the Agreement to CMQR and to a Canadian subsidiary of RAH, Central Maine & Quebec Railway Canada, Inc. (CMQR Canada), to enable CMQR to acquire the U.S. rail assets of MMA and CMQR Canada to acquire the Canadian rail assets of MMA Canada. CMQR Canada will file an application with the Canada Transportation Agency to seek authority concerning these Canadian lines.

This transaction is related to a concurrently filed verified notice of exemption in Fortress Investment Group LLC—Continuance in Control Exemption—Florida East Coast Railway, L.L.C. and Central Maine & Quebec Railway US Inc., Docket No. FD 35806, wherein Fortress Investment seeks Board approval under 49 CFR 1180.2(d)(2) to continue in control of Florida East Coast Railway, L.L.C., and CMQR upon CMQR's becoming a carrier.

CMQR has certified that its projected annual revenues as a result of this transaction will not result in CMQR's becoming a Class II or Class I rail carrier, but that its projected annual revenues will exceed \$5 million. Accordingly, CMQR is required, at least 60 days before this exemption is to become effective, to send notice of the transaction to the national offices of the labor unions with employees on the affected lines, post a copy of the notice at the workplace of the employees on the affected lines, and certify to the Board that it has done so. 49 CFR 1150.32(e). CMQR, concurrently with its notice of exemption, filed a petition for waiver of the 60-day advance labor notice period. CMQR's waiver request will be addressed in a separate decision.

CMQR states that it intends to consummate the transaction as soon as practicable after the effective date of this exemption. The Board will establish in a separate decision on the waiver request the earliest date that this transaction may be consummated.

If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any

time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Petitions for stay must be filed no later than March 7, 2014.⁴

An original and 10 copies of all pleadings, referring to Docket No. FD 35805 must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, one copy of each pleading must be served on Robert J. Keach, Esq. (as Trustee for MMA), c/o Bernstein, Shur, Sawyer & Nelson, P.A., 100 Middle Street, Portland, ME 04104-5029, and on Terence M. Hynes, Sidley Austin LLP, 1501 K Street, N.W., Washington, DC 20005.

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Decided: February 25, 2014.

By the Board, Rachel D. Campbell, Director, Office of Proceedings.

Jeffrey Herzig,
Clearance Clerk.

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⁴ A stay would normally be due in this case by April 8, 2014. Here, however, the due date for stays will be March 7, 2014. The date is set earlier in case the Board grants CMQR's petition for waiver of the 60-day notice period and allows the exemption to become effective on March 17, 2014. Having stays due on March 7 for this case also creates uniformity with the due date for stays in Docket No. FD 35806.