

RELIEF REQUESTED WITHOUT A HEARING

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:

MONTREAL MAINE & ATLANTIC
RAILWAY, LTD.

Debtor.

Bk. No. 13-10670
Chapter 11

**AMENDED APPLICATION FOR ORDER, PURSUANT TO SECTIONS 327 AND 328
OF THE BANKRUPTCY CODE, AUTHORIZING THE EMPLOYMENT
OF KUGLER KANDESTIN, LLP AS
SPECIAL COUNSEL FOR THE TRUSTEE**

Robert J. Keach (the “Trustee”), the chapter 11 trustee in the above-captioned case hereby requests that this Court enter an order approving the Trustee’s employment of Kugler Kandestin, LLP (“Kugler Kandestin”) as special counsel for the Trustee.

JURISDICTION, VENUE AND STATUTORY BASIS

1. This Court has jurisdiction to entertain this amended application (the “Amended Application”) pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates and applicable rules for the relief sought herein are §§ 327(e) and 328(a) of the United States Bankruptcy Code, Rule 2014(a) of the Federal Rules of Bankruptcy Procedure (hereinafter “Fed. R. Bankr. P.”) and Rules 2014-1 and 2014-2 of this Court’s local rules (the “Local Rules”).

BACKGROUND

2. On August 7, 2013 (the “Petition Date”), Montreal Maine & Atlantic Railway, Ltd., the above-captioned debtor (the “Debtor”), filed a voluntary petition for relief under chapter

11 of 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”). On August 21, 2013, the United States Trustee (the “U.S. Trustee”) appointed the Trustee to serve in the Debtor’s Chapter 11 case (the “Case”) pursuant to 11 U.S.C. § 1163.

3. The Debtor is a Delaware corporation that, since January 2003, has operated in an integrated, international shortline freight railroad system (the “System”) with its wholly-owned Canadian subsidiary, Montreal Maine & Atlantic Co. (“MMA Canada”). The Debtor and MMA Canada have fully-integrated business operations and accounting, with the Debtor collecting most of the generated revenue and transferring to MMA Canada the funds required to pay its expenses.¹ On or about August 7, 2013, MMA Canada filed for protection from creditors in a concurrent proceeding under Canada’s Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “Canadian Case”).

4. The System has 510 route miles of track in Maine, Vermont and Quebec and operates from its head office in Hermon, Maine. The System is a substantial component of the transportation system of Northern Maine, Northern New England, Quebec, and New Brunswick. Prior to the Petition Date, the Debtor employed approximately 179 people and operated about 15 trains daily.

5. As set forth on the record by the Debtor’s counsel during an August 8, 2013 hearing, and as discussed in the *Affidavit of M. Donald Gardner, Jr. in Support of First Day Pleadings* [Docket No. 11] (the “Gardner Affidavit”), the Debtor’s bankruptcy case was precipitated by a derailment, on July 6, 2013, of an unmanned eastbound Debtor train with 72 carloads of crude oil and 5 locomotive units, in Lac-Mégantic, Quebec (the “Derailment”). The

¹ The historical facts relating to the Debtor are alleged upon the Trustee’s current information and belief. The Trustee was recently appointed and has not yet completed his investigation of the Debtor, its assets or business, or any other circumstances, including those leading to the commencement of the Case. The Trustee reserves his right to allege different facts if and when his information changes.

Derailment set off several massive explosions, destroyed part of downtown Lac-Mégantic, and is presumed to have killed 47 people. Prior to the Petition Date, and as a result of the Derailment and the related injuries, deaths, and property damage, lawsuits were filed against the Debtor both in the United States and Canada. The Trustee expects that the estate will face significant prepetition personal injury, wrongful death, and environmental claims.

6. Post-Derailment, the Debtor's aggregate monthly gross revenues dropped to approximately \$1 million. As a result of the Derailment, the Debtor has lost much of its freight business, and faces litigation claims and extraordinary environmental clean-up liability. These issues precipitated the filing.

RELIEF REQUESTED

7. Subject to the approval of this Court, pursuant to §§ 327(e) and 328(a) of the Bankruptcy Code and Fed. R. Bankr. P. 2014(a), the Trustee requests that this Court approve the employment of Kugler Kandestin to perform necessary legal services on his behalf during the Case.

BASIS FOR RELIEF

8. Under section 327(e) of the Bankruptcy Code, a trustee is authorized to employ, for a specified special purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interest of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed. 11 U.S.C. §327(e). Section 1107(b) of the Bankruptcy Code modifies section 327(e) in cases under chapter 11 of the Bankruptcy Code, providing that a person is not disqualified for employment under section 327(e) of the Bankruptcy Code by a debtor in possession solely because of such person's employment by, or

representation of, the debtor before the commencement of the case. 11 U.S.C. § 1107(b). Under section 328(a) of the Bankruptcy Code, an attorney retained under section 327(e) may, with the Court's approval, be employed on any reasonable terms and conditions, including on retainer or on an hourly basis. 11 U.S.C. § 328(a).

9. Upon the Trustee's appointment, the Trustee selected Kugler Kandestin to serve as his special counsel. In accordance with Local Rule 2014-3, subject to this Court's approval, the Trustee seeks authority to retain Kugler Kandestin to represent and act for the Trustee with respect to (i) all matters of Canadian law and procedure pertaining to the Case, and (ii) all matters of interest to the Trustee under the Canadian Case.

10. Kugler Kandestin is a law firm located in Montreal, Quebec and has substantial experience representing clients in civil and commercial matters relating to restructuring and insolvency, financial services, insurance, and litigation. Kugler Kandestin has substantial cross-border insolvency experience, both in providing local representation in foreign insolvency filings, as well as working with counsel in other jurisdictions. Accordingly, Kugler Kandestin is well qualified to represent the Trustee in special matters arising in the Case and the Canadian Case, in an efficient and timely manner.

11. To the best of the Trustee's knowledge, the shareholders and employees of Kugler Kandestin do not have any connection with or any interest adverse to the Trustee, the Debtor, the Debtor's creditors, any other party in interest, their respective attorneys and accountants, the United States Trustee, or any person employed in the Office of the United States Trustee, except to the extent certain connections are set forth herein or in the Affidavit of Gerald F. Kandestin (the "Kandestin Affidavit") filed contemporaneously herewith. Accordingly, the Trustee believes that Kugler Kandestin does not hold or represent any interest adverse to the Debtor or

the Debtor's estate with respect to the matters on which Kugler Kandestin is to be employed.

12. The Trustee understands that Kugler Kandestin intends to apply to the Court for compensation for professional services rendered and reimbursement of expenses incurred in connection with the Case in accordance with the applicable provisions of the Bankruptcy Code, the Fed. R. Bankr. P., the Local Rules, the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330, and any applicable orders of the Court.

13. In accordance with Local Rule 2014-3, the Trustee, subject to approval by this Court, proposes to pay Kugler Kandestin its customary hourly rates for representation of parties in reorganization cases in effect as set forth in the Kandestin Affidavit. These hourly rates are subject to change from time to time in accordance with Kugler Kandestin's established billing practices and procedures. The Trustee submits that such rates are reasonable and should be approved by the Court, subject to a determination of amounts to be paid to Kugler Kandestin upon application for allowance of compensation. The Trustee, subject to Court approval, and if approved by the Court, also proposes to reimburse Kugler Kandestin for its actual and necessary expenses incurred in acting as special counsel to the Trustee. Kugler Kandestin professionals will maintain detailed records of time spent and any actual and necessary expenses incurred in connection with the rendering of their services by category and nature of the services rendered. Kugler Kandestin also reserves the right to seek fee enhancements or bonuses to the extent permitted under applicable law.

14. Kugler Kandestin's hourly rates are set at a level designed to fairly compensate it for the work of its attorneys and paralegals, and to cover fixed and routine overhead expenses. Hourly rates vary with the experience and seniority of the individuals assigned and may be

adjusted by Kugler Kandestin from time to time. It is Kugler Kandestin's policy in all areas of practice to charge its clients for all other expenses incurred in connection with a client's case. The expenses charged to clients include, among other things, witness fees, travel expenses, filing and recording fees, postage, express mail and messenger charges, computerized legal research charges and other computer services. Kugler Kandestin will charge the Trustee for these expenses in a manner and at rates consistent with charges made generally to its other clients, consistent with its standard practices and consistent with applicable local and administrative rules. Kugler Kandestin believes that it is more equitable to charge these expenses to individual clients who incur them, rather than increasing the hourly rates and spreading the expenses among all clients.

15. Local Rule 2014-3 requires that a good faith estimate of a range of fees be set forth in retention applications, unless the range of fees is impossible to forecast. Based on regulatory, mass tort and environmental matters at issue in this Case and the Canadian Case, a fee range is impossible to forecast at this point.

NOTICE

16. Notice of this Amended Application was served on the following parties on the date and in the manner set forth in the certificate of service: (1) the United States Trustee; (2) the Debtor's counsel; (3) the non-insider holders of the twenty (20) largest unsecured claims against the Debtor or, if applicable, the lawyers representing such holders; (4) the holders of the secured claims against the Debtor, or, if applicable, the lawyers representing such holders; (5) applicable federal and state taxing authorities; and (6) others who have, as of the date of the Amended Application, entered an appearance and requested service of papers in the Case.

CONCLUSION

17. The services of Kugler Kandestin are necessary to enable the Trustee to execute faithfully his duties under the Bankruptcy Code. Based upon Kugler Kandestin's extensive experience and expertise, Kugler Kandestin is well-qualified to represent the Trustee as special counsel under the Bankruptcy Code in an efficient, cost-effective, and timely manner.

Dated: August 28, 2013

/s/ Robert J. Keach _____
Robert J. Keach
CHAPTER 11 TRUSTEE OF MAINE
MONTREAL & ATLANTIC RAILWAY,
LTD.