

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE**

In re:)
)
 MONTREAL MAINE &) Chapter 11
 ATLANTIC RAILWAY, LTD.,) Case No.: 13-10670
)
 Debtor.)

**ORDER SUSTAINING IN PART AND OVERRULING IN PART TRUSTEE'S
OBJECTION TO PROOFS OF CLAIM FILED BY NEW BRUNSWICK SOUTHERN
RAILWAY COMPANY LIMITED AND MAINE NORTHERN RAILWAY COMPANY
LIMITED ON THE BASIS THAT CERTAIN OF SUCH CLAIMS ARE DUPLICATIVE
OF OTHERS, AND SUCH OTHERS ARE IMPROPERLY ASSERTED AS
ADMINISTRATIVE AND/OR PRIORITY CLAIMS**

This matter came before the Court on the *Trustee's Objection to Proofs of Claim Filed by New Brunswick Southern Railway Company Limited and Maine Northern Railway Company Limited on the Basis that Certain of Such Claims Are Duplicative of Others, and Such Others Are Improperly Asserted as Secured and/or Priority Claims* (the "Objection") (Docket Entry "DE" 1826) filed by Robert J. Keach, the chapter 11 trustee (the "Trustee") of Montreal Maine & Atlantic Railway, Ltd. (the "Debtor" or "MMA"), in relation to (a) Proofs of Claim No. No. 242-1 (the "MN Duplicate Claim") and 257-1 ("Claim 257") filed by Maine Northern Railway Company Limited ("MN Railway") and (b) Proofs of Claim No. 243-1 ("NB Duplicate Claim," and together with the MN Duplicate Claim, the "Duplicate Claims") and 259-1 ("Claim 259," and together with Claim 257, the "Asserted 1171(b) Claims") filed by New Brunswick Southern Railway Company Limited ("NB Railway", and together with MN Railway, the "Claimant Railways"). After such notice and opportunity for hearing as was required by the United States Bankruptcy Code (the "Code"), the Federal Rules of Bankruptcy Procedure, and the Local

Bankruptcy Rules for the District of Maine, and after due consideration of, among other things, the Objection, the Response of the Claimant Railways to the Objection (DE 1855), the Trustee's Reply (DE 1878), the Stipulations of the parties (the "Stipulations") (DE 1877), the admissions and other filings of the parties, and the testimony and documentary evidence presented at the November 20, 2015 evidentiary hearing held in this matter (the "Hearing"); and for the reasons set forth on the record by the Court on February 5, 2016¹, the Court made certain findings of fact and conclusions of law in accordance with Fed. R. Bankr. P. 7002. Several of those factual findings and conclusions of law are as follows²:

A. Pursuant to 28 U.S.C. §§ 157(a) and 1334(b), and Rule 83.6 of the Local Rules of the United States District Court for the District of Maine, this Court has jurisdiction over the Objection, including but not limited to, the Asserted 1171(b) Claims and the Duplicate Claims.

B. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and the Court has constitutional authority to enter judgment in this matter.

C. Pursuant to the Stipulations, the only issue addressed at the Hearing was whether the Asserted 1171(b) Claims claims qualify as "six-month" claims entitled to priority under 11 U.S.C. §1171(b) of the Code. If so, the amount of such claims would be determined at a subsequent hearing, if required.

D. Based upon the unique facts of this matter and the Court's analysis of the equities asserted by MMA, on the one hand, and the Claimant Railways, on the other, the Claimant Railways met their burden of establishing that the Asserted 1171(b) Claims qualify as claims that are entitled to priority under §1171(b) of the Code because:

¹ A transcript of the hearing is set forth at DE 1955.

² This Order does not enumerate all of the factual findings and conclusions of law set forth at the Hearing and no special significance is intended by that fact.

(1) the Asserted 1171(b) Claims represent current operating expenses that were necessarily incurred by MMA in connection with its on-going operations;

(2) the Asserted 1171(b) Claims were incurred within six months prior to the commencement of this case; and

(3) the services that are the subject of the Asserted 1171(b) Claims were provided to MMA with the expectation that they would be paid for out of the current operating revenues of MMA, and not in reliance on its general creditworthiness.

For these reasons, as well as those set forth on the record at the Hearing, it is hereby

ORDERED, ADJUDGED, and DECREED that:

1. The Objection is sustained in part and overruled in part, as set forth herein.
2. The Duplicate Claims shall be disallowed in their entireties and expunged from the Debtor's claims register.
3. The Asserted 1171(b) Claims, to the extent allowed, are afforded priority status under § 1171(b). The amount of the Asserted 1171(b) Claims is not determined by this Order, and thus those Asserted 1171(b) Claims are not allowed in any amount at this time. The Trustee's rights to object to the amount of the Asserted 1171(b) Claims are fully reserved.
4. Notwithstanding the minute entry at DE 1947, this Order constitutes the Court's ruling and judgment on the matters read into the record on February 5, 2016. The time period within which parties must appeal this Order in accordance with the Bankruptcy Rules thus runs from the date hereof.

Dated: February 26, 2016

/s/Peter G. Cary
Peter G. Cary
Chief Judge, United States Bankruptcy Court
District of Maine

District/Off: 0100-1

User: sdilios

Date Created: 2/26/2016

Case: 13-10670

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Recipients submitted to the BNC (Bankruptcy Noticing Center) without an address:

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cr Estate of Jefferson Troester
cr DPTS Marketing, LLC
cr Dakota Petroleum Transport Solutions, LLC

TOTAL: 4

Recipients of Notice of Electronic Filing:

ust Office of U.S. Trustee ustpreion01.po.ecf@usdoj.gov
aty Aaron P. Burns aburns@pearcedow.com
aty Adam Paul, Esq. adam.paul@kirkland.com
aty Adam J. Shub, Esq. ashub@preti.com
aty Alan R. Lepene, Esq. Alan.Lepene@ThompsonHine.com
aty Andrew Helman, Esq. ahelman@mcm-law.com
aty Anthony J. Manhart amanhart@preti.com
aty Benjamin E. Marcus, Esq. bmarcus@dwmlaw.com
aty Brian T. Henebry, Esq. bhenebry@carmodylaw.com
aty Bruce B. Hochman, Esq. bhochman@eatonpeabody.com
aty Craig Goldblatt craig.goldblatt@wilmerhale.com
aty Curtis E. Kimball, Esq. ckimball@rudman-winchell.com
aty D. Sam Anderson, Esq. sanderson@bernsteinshur.com
aty Daniel C. Cohn, Esq. dcohn@murthalaw.com
aty Daniel R. Felkel, Esq. dfelkel@troubhheisler.com
aty Darcie P.L. Beaudin, Esq. dbeaudin@sta-law.com
aty David C. Johnson bankruptcy@mcm-law.com
aty Debra A. Dandeneau debra.dandeneau@weil.com
aty Edward MacColl, Esq. emaccoll@thomport.com
aty Elizabeth J. Wyman, Esq. liz.wyman@maine.gov
aty Elizabeth L. Slaby bslyby@clarkhill.com
aty F. Bruce Sleeper, Esq. bankruptcy@jbgh.com
aty Frank J. Guadagnino fguadagnino@clarkhillthorpreed.com
aty Fred W. Bopp III., Esq. fbopp@perkinsthompson.com
aty Frederick C. Moore, Esq. frederick.moore@libertymutual.com
aty George J. Marcus, Esq. bankruptcy@mcm-law.com
aty George W. Kurr, Jr. gwkurr@grossminsky.com
aty Isaiah A. Fishman ifishman@krasnowsaunders.com
aty James F. Molleur, Esq. jim@molleurlaw.com
aty Jason C. Webster, Esq. jwebster@thewebsterlawfirm.com
aty Jay S. Geller jgeller@jaysgellerlaw.com
aty Jeffrey D. Sternklar, Esq. jeffrey@sternklarlaw.com
aty Jeffrey T. Piampiano, Esq. jpiampiano@dwmlaw.com
aty Jennifer H. Pincus, Esq. Jennifer.H.Pincus@usdoj.gov
aty Jeremy R. Fischer jfischer@dwmlaw.com
aty John Eggum jeggum@fgppr.com
aty John R McDonald, Esq. jmcdonald@briggs.com
aty Jordan M. Kaplan, Esq. jkaplan@zwerdning.com
aty Joshua R. Dow, Esq. jdow@pearcedow.com
aty Kameron W. Murphy, Esq. kmurphy@tuethkeeney.com
aty Keith J. Cunningham, Esq. kcunningham@pierceatwood.com
aty Kelley J. Friedman kfriedman@jandflaw.com
aty Kevin J. Crosman, Esq. kevin.crosman@maine.gov
aty Lindsay K. Zahradka lzahradka@bernsteinshur.com
aty Maire Bridin Corcoran Ragozzine, Esq. acumming@bernsteinshur.com
aty Marcus A. Helt mhelt@gardere.com
aty Matthew E. Linder, Esq. mlinder@sidley.com
aty Matthew Jordan Troy matthew.Troy@usdoj.gov
aty Michael K. Martin, Esq. mmartin@pmhlegal.com
aty Mitchell A. Touns matouns@wgttlaw.com
aty Nathaniel R. Hull, Esq. nhull@verrilldana.com
aty Patrick C. Maxcy, Esq. patrick.maxcy@dentons.com
aty Paul Joseph Hemming phemming@briggs.com
aty Peter J. Flowers pjf@meyers-flowers.com
aty Regan M. Haines, Esq. rhaines@curtisthaxter.com
aty Renee D. Smith renee.smith@kirkland.com
aty Richard Silver, Esq. rsilver@lanhamblackwell.com
aty Richard P. Olson, Esq. rolson@perkinsolson.com
aty Richard Paul Campbell rpcampbell@campbell-trial-lawyers.com
aty Robert J. Keach, Esq. rkeach@bernsteinshur.com
aty Roger A. Clement, Jr., Esq. rclement@verrilldana.com

aty Roma N. Desai, Esq. rdesai@bernsteinshur.com
 aty Ronald Stephen Louis Molteni, Esq. moltenir@stb.dot.gov
 aty Seth S. Holbrook holbrook_murphy@msn.com
 aty Stephen G. Morrell, Esq. stephen.g.morrell@usdoj.gov
 aty Steven E. Cope, Esq. scope@copelegal.com
 aty Susan N.K. Gummow, Esq. sgummow@fgppr.com
 aty Taruna Garg, Esq. tgarg@murthalaw.com
 aty Timothy H. Norton, Esq. tnorton@krz.com
 aty Timothy J. McKeon, Esq. tmckeon@bernsteinshur.com
 aty Timothy R. Thornton pvolk@briggs.com
 aty Tracie J. Renfroe, Esq. trenfroe@kslaw.com
 aty William C. Price wprice@clarkhill.com
 aty William H. Welte, Esq. wwelte@weltelaw.com

TOTAL: 74

Recipients submitted to the BNC (Bankruptcy Noticing Center):

db Montreal Maine & Atlantic Railway Ltd. 15 Iron Road Hermon, ME 04401
 cr Maine Department of Transportation c/o Victoria Morales 16 State House Station Augusta, ME
 04333
 cr Eastern Maine Railway Company c/o Alan Lepene 3900 Key Center 127 Public
 Square Cleveland, OH 44114-1291
 cr Maine Northern Railway Company c/o Alan Lepene 3900 Key Center 127 Public
 Square Cleveland, OH 44114-1291
 cr New Brunswick Southern Railway Company c/o Alan R. Lepene 3900 Key Center 127 Public
 Square Cleveland, OH 44114-1291
 cr Bangor Savings Bank P.O.Box 930 Bangor, ME 04402-0930
 cr United States of America c/o Department of Justice, Civil Divisio 1100 L Street, N.W. Room
 10052 Washington, DC 20005
 ea Robert J. Keach Bernstein Shur Sawyer & Nelson 100 Middle Street P.O. Box 9729 Portland,
 ME 04104
 cr Estates of Marie Alliance, et al c/o Murtha Cullina LLP 99 High Street Boston, ME 02110
 cr Estates of Stephanie Bolduc c/o Meyers & Flowers, LLC 3 North Second Street, Suite 300 St.
 Charles, IL 60174
 aty Bernstein, Shur, Sawyer & Nelson 100 Middle Street 6th Floor PO Box 9729 Portland, ME
 04104-5029
 intp Surface Transportation Board 395 E Street, S.W. Washington, DC 20423
 intp J.D. Irving, Limited c/o Pierce Atwood LLP 254 Commercial Street Portland, ME 04101
 intp Irving Pulp & Paper, Limited c/o Pierce Atwood LLP Attn: Keith J. Cunningham 254 Commercial
 Street Portland, ME 04101
 intp Irving Paper Limited c/o Pierce Atwood LLP Attn: Keith J. Cunningham 254 Commercial
 Street Portland, ME 04101
 cr GNP Maine Holdings, LLC 50 Main Street East Millinocket, ME 04430
 cr First Union Rail c/o Curtis Kimball, Esq. P.O. Box 1401 Bangor, ME 04401
 cr Center Beam Flat Car Company, Inc. c/o Curtis Kimball, Esq. P.O. Box 1401 Bangor, ME 04401
 cr Real Custeau Claimants et al c/o Mitchell A. Troups, Esq. PO Box 350 Beaumont, TX 77704
 aty Verrill Dana LLP One Portland Square P.O. Box 586 Portland, ME 04112-0586
 cr Frederick J. Williams 74 Bellevue Street Compton, QU J0B 1L0 CANADA
 cr Daniel Aube 308 St-Lambert Street Sherbrooke, QU J1C0N9 CANADA
 cr Robert D. Thomas 49 Park Street Dexter, ME 04930
 cr Fred's Plumbing & Heating, Inc. 328 Main Street Derby, VT 05829
 cr Clean Harbors 42 Lonwater Dr. Norwell, MA 02061
 cr Union Tank Car Company c/o Regan M. Haines PO Box 7320 Portland, ME 04112-7320
 cr Shell Oil Company c/o Jessica Lewis Molleur Law Office 95 Main Street Auburn, ME 04210
 fa Development Specialists, Inc. Fred Caruso Suite 2300 70 West Madison Street Chicago, IL
 60602
 intp Oasis Petroleum, Inc. c/o Timtohy H. Norton, Esq. P.O. Box 597 Portland, ME 04112
 cr Stephen C. Currie 17 Dodlin Road Enfield, ME 04493
 cr Jeffrey C. Durant 1029 Main Rd. Brownville, ME 04414
 cr Lexington Insurance Company c/o Marcus A. Helt, Esq. Gardere Wynne Sewell LLP 1601 Elm St
 Ste 3000 Dallas, TX 75201
 cr Sierra Liquidity Fund, LLC 19772 MacArthur Blvd. # 200 Irvine, CA 92612
 cr General Electric Railcar Services Corporation c/o Pierce Atwood LLP Attn: Keith J.
 Cunningham 254 Commercial Street Portland, ME 04101
 cr Trinity Rail Leasing 2012 LLC c/o One City Center Portland, ME 04101
 cr Trinity Tank Car, Inc. c/o One City Center Portland, ME 04101
 cr Trinity Industries Leasing, Inc. c/o One City Center Portland, ME 04101
 cr Trinity Industries, Inc. c/o One City Center Portland, ME 04101
 intp William R. Moorman, Jr. Partridge Snow & Hahn, LLP 30 Federal Street Boston, MA 02110
 sp Kugler Kandestin LLP c/o Gerald F. Kandestin 1 Place Ville-Marie Suite 2101 Montreal, QB
 H3B 2C6 CANADA
 aty Covington & Burling LLP One City Center 850 Tenth Street, N.W. Washington, DC 20001-4956
 acc Baker Newman & Noyes, LLC c/o Gregory Sanborn 280 Fore Street Portland, ME 04101
 aty Shaw Fishman Glantz & Towbin LLC 321 N. Clark Street Suite 800 Chicago, IL 60657
 op Prime Clerk LLC c/o Adam M. Adler 830 Third Avenue 9th Floor New York, NY 10022
 aty Paul Hastings LLP 75 East 55th St. New York, NY 10022
 aty Shaw Fishman Glantz & Towbin LLC 321 N. Clark Street, Suite 800 Chicago, IL 60654

PDF to BNC - All Parties: Notice Recipients Page 3 of 3

aty Verrill & Dana, LLP One Portland Square P.O. Box 586 Portland, ME 04112-0586
 aty Alan S. Gilbert Dentons US LLP 233 South Wacker Drive, Suite 7800 Chicago, IL 60606
 aty Allison M. Brown Weil, Gotshal & Manges LLP 301 Carnegie Center, Suite 303 Princeton, NJ
 08540
 aty Arvin Maskin Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, NY 10153
 aty Bill Kroger Baker Botts 910 Louisiana Street Houston, TX 77002
 aty Blaire Cahn Weil, Gotshal & Manges, LLP 767 Fifth Avenue New York, NY 10153
 aty Christopher Fong, Esq. Paul Hastings LLP 75 East 55th St. New York, NY 10022
 aty Christopher J. Panos Partridge Snow & Hahn 30 Federal Street Boston, MA 02110
 aty Craig D. Brown Meyers & Flowers, LLC 3 North Second Street, Suite 300 St. Charles, IL 60174
 aty Deborah L. Thorne, Esq. Barnes & Thornburg LLP 1 North Wacker Drive, Suite 4400 Chicago, IL
 60606
 aty Dennis M. Ryan, Esq. Faegre Baker Daniels LLP 90 South 7th St Ste 2200 Minneapolis, MN
 55402-3901
 aty Devon H. MacWilliam Partridge Snow & Hahn, LLP 30 Federal Street Boston, MA 02110
 aty Diane P. Sullivan Weil, Gotshal & Manges LLP 301 Carnegie Center, Suite 303 Princeton, NJ
 08540
 aty Elizabeth S. Whyman Murtha Cullina LLP 99 High Street Boston, MA 02110
 aty Eric M. Hocky Clark Hill Thorp Reed 2005 Market Street Suite 1000 Philadelphia, PA 19103
 aty Isley Markman Gostin WilmerHale 1875 Pennsylvania Avenue, NW Washington, DC 20006
 aty James K. Robertson, Jr., Esq. Carmody Torrance Sandak & Hennessey 50 Leavenworth
 Street Waterbury, CT 06702
 aty Jason R. Gagnon, Esq. Carmody Torrance Sandak & Hennessey 50 Leavenworth Street Waterbury,
 CT 06702
 aty Jeffrey C. Steen, Esq. Sidley Austin LLP One South Dearborn Chicago, IL 60603
 aty Ji Eun Kim Paul Hastings, LLP 75 East 55th Street New York, NY 10022
 aty John L. Scott Reed Smith LLP 599 Lexington Avenue New York, NY 10022
 aty Joseph M Bethony Gross, Minsky & Mogul, P.A. 23 Water Street, Suite 400 PO Box
 917 Bangor, ME 04402-0917
 aty Joseph P. Rovira Andrews Kurth LP 600 Travis St., Suite 4200 Houston, TX 77002
 aty Julie Alleen Hardin Reed Smith LLP 811 Main Street, Suite 1700 Houston, TX 77002
 aty Kyle J. Ortiz, Esq. Paul Hastings LLP 75 East 55th Street New York, NY 10022
 aty Luc A. Despins Paul Hastings, LLP 75 East 55th Street New York, NY 10022
 aty Marcia L. Goldstein Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, NY 10153
 aty Mark F. Rosenberg Sullivan & Cromwell LLP 125 Broad Street New York, NY 10004
 aty Mark W. Zimmerman Clausen Miller PC 10 South LaSalle Street Chicago, IL 60603
 aty Maureen Daneby Cox, Esq. Carmody Torrance Sandak & Hennessey 50 Leavenworth
 Street Waterbury, CT 06702
 aty Michael Siedband Bernstein, Shur, Sawyer & Nelson, PA 100 Middle Street P.O. Box
 9729 Portland, ME 04104
 aty Michael R. Enright Robinson & Cole, LLP 280 Trumbull Street Hartford, CT 06103
 aty Michael S. Wolly, Esq. Zwerdling, Paul, Kahn & Wolly, PC 1025 Connecticut Ave.,
 N.W. Washington, DC 20036
 aty Omar J. Alaniz Baker Botts 2001 Ross Avenue Dallas, TX 75201
 aty Randy L. Fairless Johanson & Fairless, LLC 1456 First Colony Blvd. Sugar Land, TX 77479
 aty Robert Jackstadt Tueth, Keeney, Cooper, Mohan & Jackstadt 101 West Vandalia, Suite
 210 Edwardsville, IL 62025
 aty Sarah R. Borders King & Spalding LLP 1180 Peachtree Street, NE Atlanta, GA 30309
 aty Stefanie Wowchuck McDonald 233 South Wacker Drive, Suite 7800 Chicago, IL 60606
 aty Stephen Wald Partridge Snow & Hahn, LLP 30 Federal Street Boston, MA 02110
 aty Stephen Edward Goldman Robinson & Cole LLP 280 Trumbull Street Hartford, CT 06103
 aty Steven J. Boyajian Robinson & Cole LLP One Financial Plaza, Suite 1430 Providence, RI 02903
 aty Terence M. Hynes, Esq. Sidley Austin LLP 1501 K. Street N.W. Washington, DC 20005
 aty Thomas A. Labuda, Jr. Sidley Austin, LLP One South Dearborn Chicago, IL 60603
 aty Timothy A. Davidson Andrews Kurth LP 600 Travis St., Suite 4200 Houston, TX 77002
 aty Victoria Morales, Esq. Maine Department of Transportation 16 State House Station Augusta, ME
 04333
 aty Victoria Vron Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, NY 10153
 aty Virginia Strasser Surface Transportation Board 395 E Street, S.W. Washington, DC 20423
 aty William K. McKinley, Esq. Troubh Heisler 511 Congress Street PO Box 9711 Portland, ME
 04104-5011
 aty William R. Moorman Partridge Snow & Hahn LLP 30 Federal Street Boston, MA 02110
 aty Wytan M. Ackerman Robinson & Cole LLP 280 Trumbull Street Hartford, CT 06103
 smg State of Maine Bureau of Revenue Services Compliance Division Bankruptcy Unit P.O. Box
 1060 Augusta, ME 04332

TOTAL: 97