RAILROAD DEVELOPMENT CORPORATION

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RDC Files Claim to Institute Binding International Arbitration under CAFTA Against the Republic of Guatemala

Pittsburgh, Pennsylvania, USA / June 15, 2007 – On Thursday, June 14, Railroad Development Corporation (RDC) filed its claim to institute arbitration proceedings against the Republic of Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA). RDC filed its claim against the Republic of Guatemala on behalf of itself and its Guatemalan affiliate, Ferrovias Guatemala (FVG), before the International Centre for the Settlement of Investment Disputes (ICSID) in Washington, D.C., as provided for under CAFTA.

RDC Chairman Henry Posner III, who also serves as Chairman of Ferrovias Guatemala, commented, "RDC has made heroic efforts to restore and operate the completely abandoned national railway in Guatemala and was on a solid financial path, despite the failures of Ferrocarriles de Guatemala (FEGUA), the government entity owning the assets that we are responsible for, to meet its own contract responsibilities. But the Government's declaration of "lesividad" effectively derailed our company and our business prospects. As an investor who has been subjected to this worst kind of political manipulation, RDC is fortunate that the CAFTA provides a fair and impartial forum outside the Guatemalan legal system that will provide compensation for the Government's wrongful actions." RDC is seeking compensation in excess of US$65 million.

In August of 2006, the Government of Guatemala issued a Presidential Decree declaring the rolling stock component of the 1998 privatization of the abandoned national railway "lesivo," or against the interests of the State. Since then, Ferrovias Guatemala has suffered rapidly mounting losses due to inability to obtain credit; the unwillingness of freight transportation customers to do business with a private entity under attack by the Government; and an inability to generate lease revenue from railway-related businesses such as lease of station facilities in urban areas and lease of the railway's right-of-way between urban centers for businesses such as electricity distribution.

The claim identifies three highly improper Government objectives in issuing the declaration of lesividad: (1) to force FVG to withdraw from arbitration processes in which FVG had charged FEGUA with breach of contract; (2) to appropriate FVG's rolling stock, making it impossible for FVG to perform under the basic usufruct (concession) contract and thereby appropriate all of FVG's business without paying compensation; and (3) to redistribute to certain Guatemalan private sector companies the benefits of the right-of-way, again without compensation. The Government's actions give rise to three claims under CAFTA: wrongful indirect expropriation; failure to accord a Minimum Standard of Treatment; and failure to provide National Treatment -- in other words, treatment equal to that afforded local investors.

RDC's claim is the first to use the investor-state dispute resolution mechanism under Chapter 10 of CAFTA. RDC President Robert A. Pietrandrea commented, "CAFTA provides for a 3-month 'cooling off' period for negotiations, which the Government of Guatemala declined to utilize while watching FVG's business prospects plummet. This has left us no choice but to pursue our remedies to this conflict at the international level."

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Posner added, “We have a high level of confidence that we will be vindicated in this arbitration process and have committed substantial financial resources to secure justice. Toward this end, we have engaged the finest legal talent available in both Guatemala and the international arena. Specifically, we have selected as our arbitrator a legal expert of the utmost integrity and tenacity, the Honorable Stuart Eizenstat. Additionally, we have engaged highly respected industry experts who will support our claims. We intend to pursue our rights to the fullest at ICSID.”

Regina Vargo, a member of RDC’s legal team and a former U.S. trade negotiator, concluded, “The Lesivo Declaration was a thinly disguised threat by the Government in response to FVG’s breach of contract filings against a state enterprise. And in a closed environment, it might have worked. But CAFTA now gives foreign investors new tools to confront arbitrary, capricious and discriminatory Government actions. In the long run, it is this ability that will help establish the rule of law and the credibility of institutions in developing countries like Guatemala. And in the long run, these actions will result in increased investment.”

RDC is a privately held Pittsburgh-based railway management and investment company, focusing on “Emerging Corridors in Emerging Markets.” For more information about RDC and its joint ventures in the USA, Argentina, Guatemala, Peru, Malawi and Mozambique, please visit www.RRDC.com.

RDC is represented in Guatemala by Díaz-Durán & Asociados Central-Law (www.central-law.com) and at the international level by Greenberg Traurig LLP (www.gtlaw.com). Among RDC’s legal team is Ms. Regina Vargo, who was personally involved in the negotiation of the CAFTA Treaty; Mr. Allen Foster, a well known and highly respected litigator and arbitration specialist; and Ms. Ruth Espey-Romero, who has been representing global companies and governments on legal and bilateral issues in Central America for the past 16 years. The Hon. Stuart Eizenstat is a partner at Covington and Burling LLP (www.cov.com) who has held top U.S. government posts, including Deputy Secretary of Treasury, Under Secretary of State, Under Secretary of Commerce, U.S. Ambassador to the European Union and Chief Domestic Policy Advisor at the White House. His book, *“Imperfect Justice: Looted Assets, Slave Labor, and the Unfinished Business of World War II”*, recounts his efforts as Special Representative of the President and the Secretary of State on Holocaust-Era Issues to provide belated justice for these victims through major agreements he successfully negotiated with the Swiss, German, Austrian and French, and other European countries.

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