RDC RAILROAD DEVELOPMENT CORPORATION

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RDC Files Notice of Intent to Submit Claims for Arbitration under CAFTA Against the Republic of Guatemala

Pittsburgh, Pennsylvania, USA / March 13, 2007 – On the morning of Tuesday, March 13, Railroad Development Corporation (RDC) filed its Notice of Intent to Submit Claims to international arbitration against the Republic of Guatemala under the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA). RDC filed its Notice of Intent to Submit Claims against the Republic of Guatemala on behalf of itself and its Guatemalan affiliate, Ferrovias Guatemala.

RDC Chairman Henry Posner III, who also serves as Chairman of Ferrovias Guatemala, commented, "Recent actions by the Government of Guatemala have amounted to an indirect expropriation of our company's assets and direct interference with its contractual rights. Further, we believe that these actions were taken on behalf of private Guatemalan companies interested in selected assets contained in the "usufruct" (50-year concession) we won through a bid process in 1997. This has left us no choice but to seek remedies to the conflict at the international level, as it is clear that the legal system in Guatemala will continue to be manipulated against us. CAFTA was intended to promote private sector investment by affording protection to international investors, and we are now seeking that protection."

RDC's action is believed to be the first notice of intent to use investor-state dispute resolution under Chapter 10 of CAFTA. In August of 2006, following the effective date of CAFTA, the Government of Guatemala issued a Presidential Decree declaring the privatization of the national railway rolling stock "lesivo," or against the interests of the State. Since then, Ferrovias Guatemala has suffered increased losses due to inability to obtain credit; reluctance of freight transportation customers to do business with a private entity under attack by the Government of Guatemala; and inability to generate lease revenue from railway-related businesses such as lease of station facilities in urban areas and the railway's right-of-way between urban centers for businesses such as electricity distribution. RDC President Robert A. Pietrandrea commented, "As the first example of the restoration of a completely abandoned national railway by the private sector, the usufruct agreement was structured in such a way as to use revenue from businesses such as leases in order to fund the basic railway infrastructure. The Government of Guatemala's failure to treat Ferrovias Guatemala and its investors fairly as required under CAFTA has so undermined our ability to operate and meet our investment objectives that it constitutes an indirect expropriation of the company's assets and right to earn revenue."

With its filing, RDC has triggered the initiation of an arbitration process which will allow it to present its claims through arbitration at the end of a 3-month waiting period. In the meantime, RDC has signaled its intent to confront the "culture of corruption and denial" referenced in its August 2006 press release issued at the time of the Presidential "lesivo" decree. Posner added, "By taking this action we have made it clear that we are willing to commit substantial financial resources to this dispute resolution process, in addition to the substantially increased operating losses that we are currently suffering. We have engaged the finest legal talent available in both Guatemala and the international arena. Specifically, we are represented in Guatemala by Díaz-Durán & Asociados Central-Law (www.central-law.com) and at the

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international level by Greenberg Traurig LLP (www.gtlaw.com). Among our 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."

Ms. Vargo commented, "CAFTA will only bring economic opportunity to the people of Guatemala to the extent that its government is held accountable for its actions. Fortunately, CAFTA gives RDC the right to take this wrongful expropriation to impartial international arbitration. Another blow will be struck for the rule of law in Guatemala when the Government's lesivo declaration is forced to withstand the scrutiny of international standards of fairness and protection."

Posner concluded, "As we indicated in August, we are under tremendous pressure financially due to the chilling effect of the government's actions against us. At the same time, keeping an under-capitalized railroad open in an environment like Guatemala's has proven supremely challenging in any number of ways; this ranges from flooding to invasion by squatters to outright theft of our right-of-way by both private sector and public sector entities, with the tacit encouragement of the central government. For these reasons we have taken this drastic action in an environment where the government has not only ignored its responsibilities under the terms of the usufruct but has acted against us and is now taking steps to drive us out without paying fair compensation. We do so sustained by our fundamental belief in railways as a source of both economic and environmental benefits, and in the expectation that in the long run our efforts will be appreciated by our host country."

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.

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