



Pacific Imperial Railroad Undertakes Chapter 11 Reorganization



San Diego – Pacific Imperial Railroad (“PIR”) announced today that it has filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code for the Southern District of California in order to facilitate the further development of its primary asset.

PIR owns a long term lease of a 70-mile railroad right-of-way which can connect maquiladoras in Mexico to rail shipping in the United States. PIR recently entered into a sublease of a significant portion of its 70-mile railway line with a major strategic partner, Baja California Railroad, Inc. (“BJRR”). The sublease with BJRR was an important step toward achieving PIR’s goal of developing a working rail line to connect Mexico and the United States in the crucial Cali-Baja Mega-Region.

According to Arturo Alemany, the recently appointed Chief Executive Officer of PIR, “the Chapter 11 petition will enable PIR to complete its goal by securing a strategic partner with the necessary capital and expertise to develop the remainder of PIR’s railway assets in a manner that will pay PIR’s creditors and further the interests of the public at large.” Various claims arising from before Mr. Alemany’s involvement with PIR had a chilling effect on PIR’s ability to raise capital. The Chapter 11 proceeding will enable PIR to maximize the value of its assets, while providing an effective forum for resolving any disputes regarding the claims.

Located in southeastern San Diego County, this currently dormant railway connects northwestern Mexico’s top manufacturing plants to rail shipping in the United States. When restored, the railroad will provide an economic boost to both sides of the border. According to a study done by the San Diego Association of Governments, the San Diego region and U.S.-Mexico economies lose \$6 billion

annually due to long delays in getting trucks carrying freight – such as new automobiles – across the U.S.-Mexico borders in San Diego. An operational Desert Line will ease congestion, reduce air pollution, promote commerce and create jobs.

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