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## **Train Manufacturer Sues Wisconsin Over Default on Train Contract**

On November 1, 2012, the Walker administration forced Talgo, Inc., to terminate its contract with the State of Wisconsin to build passenger trains to be used by the State for Amtrak's Hiawatha line between Milwaukee and Chicago. Talgo has substantially completed the trains under its contract, but the State has arbitrarily decided not to put the trains in service and has refused to pay Talgo the millions of dollars that it still owes for them. Talgo has filed a lawsuit in Dane County against Governor Scott Walker and Secretary of Transportation Mark Gottlieb, asking the court to review the State's course of conduct, determine that the State defaulted on the contract, and rule that Talgo properly terminated it.

As a result of the Walker administration's actions, once the court rules in favor of Talgo, the State of Wisconsin will have no further rights under the contract and will lose the almost \$50 million it has already spent on the project. This amount includes only part of the contracted price for the trains, the State's payments to consultants and its investment in a Milwaukee facility for temporary maintenance work.

Talgo gave the State of Wisconsin ample opportunity to avoid this catastrophic loss of taxpayer funds. In July, Talgo formally notified the State that it was in default of the purchase contract. The State had thirty days to cure its default, but it did not do so. After Talgo provided another seventy days to cure and engaged in a day long mediation, the State still made no effort to resolve the dispute, despite knowing the consequences of its failure to do so.

Antonio Perez, Talgo's CEO, made this statement regarding Talgo's termination of the contract:

"We invested in the State of Wisconsin by building a manufacturing facility in Milwaukee and creating manufacturing jobs. We built the trains and otherwise performed our obligations under our agreements with the State of Wisconsin. In return, rather than being "open for business" the State used every conceivable excuse, whether fair or not and whether lawful or not, to ensure that Talgo did not receive what it bargained for, including by refusing to pay for the trains that Talgo completed. I don't see how any company would in the future choose to do business with the State of Wisconsin when the State has shown that it cannot be trusted to honor contracts that it signed."

“Talgo has become the innocent victim of a political agenda. Before Governor Walker was inaugurated, he wrote an open letter to President Obama saying, “Governor Doyle and Secretary La Hood say we can’t stop the train. *I say, just watch us.*” The Governor chose to “stop the train” by breaching its contract with Talgo.”

“Talgo is not in the business of politics. Talgo builds and maintains trains. It prefers to resolve disputes amicably. But the State’s behavior made any negotiated resolution impossible. Terminating a contract and filing a lawsuit like this is an extraordinary and unprecedented action for us, one which we have taken reluctantly but with resolve.”

A copy of Talgo’s lawsuit is attached.