

NEWS RELEASE

For Additional Information Contact:
David DeAngelis, Village Manager; 262-782-6700
Neil Palmer, Village President; 414-640-9351

April 24, 2008

Elm Grove, WI; The Village of Elm Grove filed a lawsuit today for breach of contract and breach of duty to act in good faith against Michels Corporation, Michels Pipeline Construction Inc., and their bonding company, Continental Casualty Company, regarding their portion of the Village's 13.1 million dollar flood management program.

Michels was contracted by the Village in 2005 for the construction of a 2125 foot storm sewer of which 890 feet was to be tunneled through the middle of downtown Elm Grove. The contract called for the project to be substantially completed by August 1, 2006.

On April 26, 2006, after 5 days of tunneling, Michels left the job site claiming they were unable to continue. The Village unsuccessfully attempted to get Michels to return to work. Michels asserted that the Village should pay them for additional work. They subsequently did not return to the site to resume tunneling operations for 275 days, contrary to a contractual requirement to not suspend work during such disputes.

The downtown area of the Village was disrupted by an additional year of construction causing further hardship on area businesses and residents. Village President Neil Palmer stated, "It was an extremely difficult time for our businesses and residents due to prolonged construction, something we had intended to avoid by tunneling."

The delay and other construction issues have cost the Village additional engineering, legal and other expenses. The Village did attempt to mediate this dispute with Michels but to no avail.

Village President Palmer said, "This was the single largest construction project in the Village's history and it is unfortunate that we have encountered all of these difficulties. The Village thought it was hiring a local expert but that did not prove to be the case. By filing this lawsuit the Village Board of Trustees is fulfilling its fiduciary responsibility to recapture its damages and protect the citizens of the Village."

###