
BONDS - LOUISIANA

Bluebonnet Hotel Ventures, L.L.C. v. Wells Fargo Bank, N.A.

United States Court of Appeals, Fifth Circuit - June 6, 2014 - F.3d - 2014 WL 2565661

Prospective issuer of variable rate tax-exempt bonds brought action against bank under Louisiana law, seeking rescission of interest-rate swap agreement it had entered into with bank, as prospective issuer of letter of credit for the bonds, which were issued without the letter of credit. The District Court granted summary judgment to bank. Borrower appealed.

The Court of Appeals held that inability of borrower to obtain letter of credit was not failure of cause constituting error, as would provide basis for rescission of swap agreement.

The swap agreement specifically obliged borrower to pay bank any unfavorable difference between fixed interest rate amount and floating interest rate amount as such payments became due, irrespective of whether borrower was able to obtain a letter of credit from bank or any other financial institution.

Interest-rate swap agreement was not ambiguous regarding parties' intent, as would be required under Louisiana law for admission of parol evidence, as swap agreement specifically obliged borrower to pay bank any unfavorable difference between fixed interest rate amount and floating interest rate amount as such payments became due, irrespective of whether borrower was able to obtain a letter of credit from bank or any other financial institution.

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