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Juster Acquisition Co., LLC v. North Hudson Sewerage Authority

United States District Court, D. New Jersey - January 23, 2014 - Slip Copy - 2014 WL 268652

Juster Acquisition Co., LLC entered into an agreement with the North Hudson Sewerage Authority to restructure and refinance the Authority's 2003 leveraged lease debt. The agreement contained an 18-month exclusivity period.

In 2012 – six months into Juster's eighteen-month exclusivity period – the Authority closed on a COPs transaction with NW Financial, restructuring and refinancing the same debt at issue in the exclusivity provision. Juster had previously proposed, among other options, a COPs transaction, which the Authority rejected.

Juster sued, asserting four causes of action: (1) breach of contract, (2) breach of the implied covenant of good faith and fair dealing, (3) restitution and unjust enrichment, and (4) quantum meruit.

The Authority responded that: a) the Exclusivity Provision did not apply to the COPs transaction that it ultimately entered into with NW Financial, due to the fact that the initial RFQ referred to an "equity investment," while the COPs transaction did not feature an equity investor, and b) the agreement at issue (containing the Exclusivity Provision) is, in any event, unenforceable because, inter alia, it violated public policy.

The District Court rejected the Authority's argument that the COPs transaction was somehow outside the scope of its agreement with Juster, finding no provision in the Term Sheet, or, in particular, in the binding Exclusivity Provision contained therein, limiting the restructuring and refinancing of the Authority's debt under the 2003 Leveraged Lease to a private equity deal.

The Court also found that enforcement of the Exclusivity Provision would not violate public policy because: (1) the Authority voluntarily agreed to be legally bound to the discrete terms of the Exclusivity Provision; (2) said provision did not require the Authority to accept any particular proposal, deal or rate increase by Juster; it merely required the Authority to work exclusively with Juster in refinancing and restructuring its already existing debt for a period of eighteen months; (3) after the expiration of the agreed-upon eighteen month exclusivity period, the Authority was free to refinance its 2003 leveraged lease debt in any manner (and with any entity) that it deemed fit; (4) there is no indication that enforcement of said provision would have the direct effect of violating any existing law; and (5) enforcement of said provision encouraged the performance of the contract between the parties, promoted efficiency in the sense that it sought to refinance the Authority's already existing debt, and was consistent with fair and honorable dealing between two sophisticated parties and their respective financial and legal advisors. Thus, the court declined to hold the Exclusivity Provision void as against public policy.

The matter was set for trial solely as to: (1) the issue of damages as to the breach of contract claim, and (2) breach of the implied covenant of good faith and fair dealing in its entirety.