

Bond Case Briefs

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BONDS - ILLINOIS

Wells Fargo Bank, National Association v. Leafs Hockey Club, Inc.

United States District Court, N.D. Illinois, Eastern Division - July 31, 2014 - Not Reported in F.Supp.2d - 2014 WL 3855318

The Illinois Finance Authority raised \$20 million through the issue and sale of revenue bonds. The Illinois Finance Authority issued the bonds under a Trust Indenture and loaned the proceeds to LHC, LLC, an Illinois non-profit limited liability company, for the construction and operation of a hockey arena. Leafs Hockey was the guarantor.

Trustee sued LHC after it defaulted. It also sued Leafs Hockey as guarantor.

Leafs Hockey counterclaimed, alleging breach of contract, an equitable accounting claim, and conspiracy to defraud claim.

The District Court:

- Granted Trustee's motion to dismiss Leafs Hockey's conspiracy to defraud claim;
- Denied Trustee's motion to dismiss Leafs Hockey's breach of contract claim; and
- Denied Trustee's motion to dismiss Leafs Hockey's alternative equitable accounting claim.

As to the conspiracy to defraud claim, the court found that Leafs Hockey had failed to sufficiently allege that the Trustee knew of any fraudulent scheme, nor had it voluntarily participated in any such scheme.

As to the breach of contract claim, the court found that Leafs Hockey had provided sufficient, detailed allegations that the Trustee breached the Loan Agreement and Trust Indenture. These potential breaches included, Trustee's knowledge of a conflict of interest by an LHC board member, Trustee's failure to properly disburse funds, and Trustee's potential failure to keep proper books and records.

As to the equitable accounting claim, the court found that Leafs Hockey's contention that the \$20 million that the Trustee sought to recover from Leafs Hockey involved numerous transactions between the Trustee and LHC to which Leafs Hockey was not a party was sufficient to plead a claim.