

The Virgin Islands Consortium

ABRVI Sues Arclight For 'Stealing' HOVENSA Deal

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ST. CROIX -- Atlantic Basin Refining of the Virgin Islands (ABRVI), the company [rebuked by the 30th Legislature](#) for presenting an operating agreement senators said would not have been beneficial to the territory and its residents, has filed suit against its former partner, ArcLight Capital Partners, LLC, for allegedly "stealing" the HOVENSA sale from under its nose, court documents reveal.

According the lawsuit, seen in full [here](#), ArcLight had no prior involvement with the HOVENSA refinery (now in the process of being auctioned off), including the terminal and storage facility. It says the company was introduced to the deal through ABRVI, because of an agreement that would see ArcLight becoming a financial partner and 50 percent stakeholder in the storage facility. ArcLight was chosen, then, the lawsuit says,

because ABRVI needed a financial backer that would place it in a stronger position to purchase the facility, located on the south shore of this island, and when facing the 30th Legislature. But following the [deal's rejection](#), Arc Light sought to break ties.

"ArcLight decided to co-opt the entire terminal and storage transaction for itself, and, to that end, took actions to pursue the terminal and storage facility for its own account, and eliminate ABR's ability to bid on the refinery facility, by strategically withdrawing its financial commitment at a time that left, and which ArcLight knew would leave, ABR without the ability to secure another financial partner and proceed with the project," reads the lawsuit.

According to ABRVI, its interest in purchasing HOVENSA to both store and refine oil persisted through 2015 -- even after the Senate's rejection -- and it continued its "negotiations" with ArcLight as a financial backer. But HOVENSA continued to invite all interested parties to put in their best proposals, facilitated through Lazard Asset Management.

ABRVI's lawsuit states that after HOVENSA opened the door for other companies -- not just ABRVI -- to participate in the sales process, through Lazard Asset Management, ABR and JP Energy, the latter of which ArcLight is the main stakeholder, entered into a letter agreement dated March 10, 2015, "which included a structure for partnering on the transaction, whereby at time of closing with HOVENSA, Atlantic Basin Refining Holdings, LLC ("ABRH"), a wholly-owned subsidiary of ABR, would acquire all of the membership interests of HOVENSA, HOVENSA (as of the closing owned by ABRH) would then lease the terminal facility to ABRH, and ABRH would sublease the terminal facilities to SCT for up to 42 years."

But, "ArcLight determined that it would use JP Energy, a partnership controlled by ArcLight and in which ArcLight is the majority owner of the general partner, as the entity to act as the financial partner and operator of the terminal and storage facility, as well as to own a 50 percent interest in St. Croix Terminal ("SCT"), the subtenant under the long term lease for the terminal and storage facility," the lawsuit reads.

The suit further alleges that ArcLight then proposed a new term sheet to ABR, "inconsistent with the structure of the transaction and the economic terms set forth in the letter agreement," and that ArcLight threatened to "withdraw their funding commitment unless ABR capitulated to their demands." And while ABR was willing to meet with ArcLight to discuss matters, it was unwilling to change the terms of what was agreed upon in the letter agreement.

ABR held to its stance that it would not change the terms of the agreement, and ArcLight proceeded to negotiate with HOVENSA, through a newly-formed ArcLight subsidiary, Limetree Bay Holdings (LBH), an asset purchase agreement to purchase the same marine terminal and storage facility that it had agreed to lease through ABRVI, according to the lawsuit.

The suit went on to describe ArcLight's current deal to purchase the oil storage terminal as having little benefit to this island's economy, as the company is only proposing to utilize the storage terminal; a reality that would diminish further the chances of the refining portion of the facility restarting.

"The LBH transaction now not only does not preserve the refinery, it removes critical infrastructure from any future refinery transaction, thus dooming any attempt to restore and restart the refinery, and thereby help restore and restart the Crucian economy by creating jobs. The LBH transaction will only preserve 70 jobs in connection with the terminal and storage. By separating the ownership of the terminal facility from the refinery, this effectively makes the restoration and restart of the refinery extremely unlikely, if not impossible," the suit reads.

ABRVI is suing ArcLight on five counts: Tortious interference with existing and prospective business relationships; unjust enrichment; quantum meruit, misappropriation; and breach of fiduciary duty. The company is also requesting a trial by jury.