The Virgin Islands Consortium

# VI Government Sues Law Firm For Over $13 Million For Lost Taxpayer Dollars

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The Government of the Virgin Islands, along with the Public Finance Authority (PFA) have filed a malpractice lawsuit against its former law firm Buchanan, Ingersoll & Rooney PC and its financial advisor, Bank of America, to the tune of $13.6 million for incorrectly advising the PFA and the V.I. Government in their issuance of over $219 million worth of bonds in 2006.

According to the lawsuit, Buchanan Ingersoll and Bank of America advised the V.I. Government that the bond would be tax exempt, but the IRS, in a recent audit, found that at least $80 million of the $291 million issue did not qualify for tax-exempt status. The IRS demanded a payment of $13.6 million to resolve the claim.

Governor John de Jongh, who also serves as the Chairman of the Public Finance Authority, said, "The V.I. Government has been financially penalized as a result of the poor advice of our former advisors. We have brought this lawsuit to ensure that the burden of this result is shouldered by those responsible and not by our local taxpayers."

The suit was filed in the U.S. District Court of the Virgin Islands on behalf of the PFA by David S. Stone, managing partner of Stone & Magnanini, as well as John Tober of The Tober Law Group, and Marie Thomas-Griffith and Samuel H. Hall, Jr. of Hall & Griffith, P.C.

Stone said Buchanan Ingersoll and Bank of America should have owned up to their miscalculation and pay the IRS; instead, the Government of the Virgin Islands and the Public Finance Authority were left to foot the bill.

"When advisors' failure to provide proper advice damages their client, those advisors must stand behind them," Stone said. "Our Complaint seeks to make, Buchanan Ingersoll and Bank of America take responsibility for their actions, which caused this result, rather than force the innocent citizens of the U.S. Virgin Islands to pay for their misconduct."

Commissioner of Finance Angel E. Dawson, Jr., who has also been at the helm of the efforts to recoup the $13.6 million as Executive Director of the PFA, said on Monday, "With the filing of this lawsuit today, the Public Finance Authority and the Government of the Virgin Islands have demonstrated seriousness of purpose in honoring their pledge to the People of the Virgin Islands to pursue this matter vigorously. We anticipate a successful outcome."