

The Virgin Islands Consortium

Law Firm In Jeffery Prosser Bankruptcy Case Settles \$400,000 Tax Dispute With VI Government

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ST. CROIX -- In July 2015, The Consortium [reported](#) that when Jeffery Prosser, the former owner of then-Innovative Communications Corporation (I.C.C.), lost the company in bankruptcy to Rural Telephone Finance Cooperative (R.T.F.C.) in 2008, a number of firms and persons connected with the bankruptcy proceedings received millions of dollars for their work. However, these parties, eight in total, had not paid taxes owed to the Government of the Virgin Islands (G.V.I.).

Court documents obtained by The Consortium revealed the names and earnings of the companies and persons involved in the bankruptcy process, with parties receiving payments ranging from \$500,000 to \$312 million. They are:

- Rural Telephone Finance Cooperative – \$312 million
- Vinson & Elkins – \$28 million
- Greenlight – \$27.5 million
- Alvarez and Marsal – \$17 million
- Fox Rothschild – \$8 million
- Stan Springel – \$2.5 million
- Christies Auction House – \$1.5 million
- James P. Carroll – \$500,000

Last week, one of the companies, Fox Rothschild -- a Pennsylvania-based law firm that provided legal services to the bankruptcy estates of Mr. Prosser -- settled a nearly \$400,000 gross receipt tax dispute with the G.V.I. for an undisclosed amount, according to an order closing out the case in the Eastern District of Pennsylvania, first reported by [The Legal Intelligence](#).

U.S. District Senior Judge Berle Schiller of the Eastern District of Pennsylvania ordered the case be dismissed with prejudice after the parties in Fox Rothschild v. The U.S. Virgin Islands informed the court they settled the matter over whether the firm's work in the islands on a Prosser bankruptcies required it pay taxes to the territory.

Rothschild was represented by William Stassen, who declined to comment on the case, noting that the terms of the settlement were confidential. And Hugh J. Hutchison of Leonard, Sciolla, Hutchison, Leonard & Tinari in Philadelphia, who represented the G.V.I., said that in his role as strictly local counsel, he did not know the terms of the agreement and therefore could not comment on the matter, according to Legal Intelligence.

The settlement shows that the Bureau of Internal Revenue (B.I.R.), which has been slow in moving on these cases, has been making process. And though only one of eight cases, it could set a precedent that may cause the other firms involved to follow Rothschild's lead to settle.

R.T.F.C. is a firm that provides loans to telephone companies. Innovative and R.T.F.C. had a longstanding relationship dating back to 1999. The \$312 million R.T.F.C. received from Innovative from 1999 to 2007 was accrued on interest.

According to court documents, James P. Carroll, the Chapter 7 trustee of I.C.C., was paid for selling Mr. Prosser's assets. A percentage of the sales would go directly to Carroll every time assets were sold; and R.T.F.C. paid New York-based Greenlight to become its partner in the lawsuits against Mr. Prosser.

Christies Auction House, also based in New York, was hired to sell the property of the estates, including furniture, jewelry and other items. Stan Springel was the Chapter 11 trustee; Vinson & Elkins provided legal services to Springel, and Alvarez & Marsal was the consulting/accounting firm hired by Springel to perform accounting work on the bankruptcies.

Court documents show that the parties were paid a combined total of more than \$405 million issued in U.S. Virgin Islands checks from either VITELCO or I.C.C. Local gross receipt taxes are at 5 percent, while corporate income tax at this level would be 35

percent with a 10 percent surcharge.

Without accounting for interest and other taxes, the government's coffers could gain \$175 million if the owed taxes are paid. Even if there were to be a settlement between the government and the parties involved, where half of the monies owed the government were to be paid, the government would still be due \$87.5 million.

On June 10, 2013 -- nearly three year ago -- two whistle blowers filed suit with the B.I.R. and the Internal Revenue Service against the companies, but the B.I.R. has been moving in an unhurried manner with the cases.

The complete breakdown of payments received by the firms and persons involved in the Prosser-Innovative bankruptcy cases can be seen [here](#). I.C.C. interest payments to RTFC are [here](#), and other related documents can be viewed [here](#), [here](#) and [here](#).

Feature Image: Inside the Innovative building in St. Croix, which was once owned by Mr. Prosser and is now in the process of being sold. (Ernice Gilbert, VIC).