

RHODE ISLAND STATE POLICE
 DETECTIVE BUREAU
 311 DANIELSON PIKE
 NORTH SCITUATE, RI 02857

CASE # : 12-3-IV
 LEAD #:

CONTACT REPORT

Case Identification (Name/Offense):		Michael Corso/38 Studios	
Person Interviewed:	Keith Stokes		
	First	Middle	Last
Address:	DOB		
	Street	City	Telephone #
Place Interviewed:	Attorney David Martland's Office, Portsmouth		
Was Person Previously Interviewed?	No	Formal Statement to be Taken?	Yes
	Yes/No		Yes/No
Juvenile or Adult?	Adult	Parent or Guardian Present if Juvenile?	
	Yes/No		Yes/No
Place of Employment:			
	Address	Telephone #	

Assignment:

Detective:	Corporal Buonaiuto	Supervisor:	
Date:	6/9/2014	Time:	10:00am

Report:

Narrative - On July 9, 2014, Corporal Buonaiuto and RI AAG Patrick Youngs interviewed Keith Stokes, former Director of the Rhode Island Economic Development Corporation (EDC). The interview took place in the presence of Stokes' attorney, David Martland, at Martland's law office located in Portsmouth, RI.

Stokes provided the following information.

Stokes was appointed to the EDC Board in 1994 by Governor Sundland and re-appointed by Governor's Almond and Carcieri during their time in office.

In 2009, Governor Carcieri nominated Stokes to become the Executive Director of the EDC and he was sworn in as director in January 2010 after legislative hearings were conducted.

Stokes explained that prior to his appointment as director of EDC, the EDC and the Legislative Branch did not communicate very well with each other and therefore it was difficult to move forward on many EDC initiatives. When Governor Carcieri appointed him as the new Director, their goal became to appoint a top-notch Board and create an agency that had accountability and continuity with the Legislative Branch.

Stokes noted the difference between the EDC and every other quasi-state agency as being the EDC is the only one in which the Governor is the Chairman of the Board. As a result, EDC initiatives are greatly affected by the vision of the sitting governor.

Stokes explained that when he became the EDC Director, the State's unemployment rate was 13.5%. As a result, the EDU's priority was job creation.

Stokes first heard about 38 Studios in early March of 2010 when he was contacted by Speaker Fox and asked to meet with 38 Studios representatives, who had an interested in moving to Rhode Island. During the phone call Fox described 38 Studios as a gaming company that was owned by Curt Schilling.

Stokes stated that receiving a call from Fox was not unusual. As the Director of EDC he often received calls from politicians regarding businesses. Additionally, Stokes stated that he had to consider the fact that the legislators are the people who budget funding for the EDC, so he had to listen when their members reached out to him.

Stokes met with Fox, Steve Constantino, Curt Schilling, Tom Zaccagnino and Michael Corso at Corso's law office on Chestnut Street, Providence, later that week. Stokes also took EDC Deputy Director Michael Saul and EDC Counsel Robert Stolzman with him to the meeting.

Stokes described the meeting as a 45 minute meet and greet. Stokes explained the services that EDC provided to Rhode Island businesses and Schilling explained his vision for 38 Studios and his vision of tapping into the pipeline of skilled and educated individuals coming out of Brown University and Rhode Island School of Design. Stokes stated that Schilling and Zaccagnino did most of the talking.

Michael Saul brought a baseball with him to the meeting to have signed by Schilling for his son. Stokes stated that he told Saul that it was not appropriate for him to have the baseball signed.

The day after this meeting, Stokes met Governor Carcieri on an unrelated matter and mentioned the meeting with 38 Studios representatives the evening before. Governor Carcieri told Stokes that he had met Curt Schilling at Schilling's home earlier in the month during a fund raising gathering and they had spoken about 38 Studios and the prospect of it moving to Rhode Island.

The following week, Michael Saul and Robert Stolzman met with 38 Studios to discuss their needs. After the meeting they reported back to Stokes that 38 Studios needed \$75 Million to move to Rhode Island and continue the development of their video games and bring it to market. Stokes stated that at the time the EDC did not have a program available to provide this amount of money.

Stokes met with House Finance Chairman Steve Constantino to discuss EDC programs and 38 Studios. During the meeting Constantino told Stokes that he would add \$75 million to the existing soft asset program that the House was proposing. Stokes explained that prior to 38 Studios discussions, he had been pushing for a new EDC program that would provide assets to companies that worked in the soft asset market (Jobs Creation Guarantee Program).

Stokes stated that 38 Studios got the attention of the legislature, which helped push the loan program through.

Stokes had the EDC Legal Counsel take a look at the proposed deal with 38 Studios. This included Stolzman, Southwest and Wells Fargo. All of which favored the program and loan to 38 Studios.

In late March/April 2010, EDC Board Member Al Verrecchia was asked to provide his opinion and expertise to evaluate the proposed 38 Studios deal. Stokes stated that Verrecchia did not express concerns about the deal.

Stokes stated that the risk was evident with the 38 Studios transaction and it was debated amongst EDC staff and Board Members more than any other EDC deal that he has ever experienced, but the unemployment rate was so high that it was decided that the benefits of job creation outweighed the risk the transaction presented.

Stokes stated that the timing of the transaction, which coincided with the Gubernatorial Election campaign, fueled political debate over the 38 Studios deal.

In May 2010, the Governor's Office called Stokes and asked him to speak with Representative Ehrhardt about the legislation that would provide businesses access to capital loans that would come from an EDC program

budgeted with a \$125 million fund (Jobs Creation Guarantee Program). Stokes stated that Rep. Ehrhardt had concerns about the program and wanted to cap the maximum loan amount one business could access to around \$5 million. Stokes stated that he explained to Ehrhardt that the EDC Board needed flexibility when approving loans to businesses and that in general, \$5 million does not provide enough capital to meet the needs of many businesses. Stokes did not mention 38 Studios during the meeting with Ehrhardt. He explained that as EDC Director, it was his practice to never disclose businesses private financial information outside the scope of direct EDC business and because the Jobs Creation Guarantee Program was not specific to 38 Studios. Stokes stated that he was successful in convincing Rep. Ehrhardt not to request an amendment to the Jobs Creation Guarantee Program bill.

Stokes stated that after his meeting with Rep. Ehrhardt, he received a call from Fox asking how the meeting went.

Stokes thought the Jobs Creation Guarantee Program was a good idea and testified in House and Senate Finance Committee hearing in favor of the legislation.

Stokes stated that his EDC Staff did their due diligence in reviewing the 38 Studios deal and reported back to him that they were in favor of closing the loan.

When asked about EDC employee Sean Esten's concern about the loan, Stokes stated that Esten was concerned because 38 Studios could not provide him with historical financial reports. Stokes further explained that 38 Studios could not provide these reports because they were a startup company and they did not have historical financial reports.

Stoke presented EDC Staff information to the EDC Board.

Stokes stated that neither he nor the EDC office had anything to do with 38 Studios choosing the Empire Street location as their headquarters. Stokes stated that he did receive multiple calls from politicians around the state that offered locations within their cities or towns that would be suitable for 38 Studios, but he told all of those callers that neither he or his office had any influence on where 38 Studios decided to relocate to. Stokes stated the 38 Studios representatives, including Schilling, always stated that they wanted to relocate to an urban setting close to Brown University and Rhode Island School of Design.

Stokes stated that in his opinion Governor Chaffee "hated" 38 Studios and focused his campaign around this fact. Stokes described this hatred as an obsession of Governor Chaffee's to destroy 38 Studios. Stokes believes Governor Chaffee wanted Curt Schilling out.

Stokes stated that as early as November 2011, 38 Studios representatives (Corso) contacted the EDC and asked to meet with the Board to discuss additional revenue because the company was starting to experience financial difficulties. Because the Board is chaired by the Governor, the meeting would have to be approved by the Governor and with each request Governor Chaffee refused to meet with 38 Studios.

Stokes described some of the possible avenues in which 38 Studios was suggesting they could access additional revenue as; bridge loans, tax credits, long term loan and distribution agreements. Stokes stated that 38 Studios needed the support and approval of EDC in order to access these options, but Governor Chaffee was not willing to call the EDC Board to executive order to discuss the matter. Stokes stated that Governor Chaffee eventually agreed to a meeting with 38 Studios after the Board's Vice-Chair told him she was going to call the Board into executive session if he did not. When he finally did OK the meeting he only agreed to a public hearing which Stokes explained would result in no meeting because 38 Studios was not going to discuss their financials in public.

Stokes stated that EDC Counsel David Gilden advised him that he needed to send 38 Studios a notification of

default letter after 38 Studios missed their May 1, 2012 payment and they would have to clear the default before they could discuss new money.

Stokes stated that he was dismissed of duties by Governor Chaffee.

Stokes stated that he attended two meeting regarding 38 Studios in which Michael Corso was present. Stokes did not know Corso prior to the 38 Studios deal and didn't know Corso's relationship with Fox until reading about it in the media. Stokes described Corso as legal counsel for 38 Studios.

Stokes stated that neither he nor EDC personnel had any involvement in tax credits. It was not the responsibility of EDC.

Stokes stated that Zaccagnino called him once and told him that Steve Feinberg from the Film & Television Office told him Governor Chaffee asked him not to work on the tax credits for 38 Studios.

Stokes stated that it was his understanding that 38 Studios never received tax credits from the State of Rhode Island.

Detective's
Signature

Supervisor's Signature