

Citizens Bank sues Schilling for \$2.4 million over 38 Studios debt

Comments 31 | Recommend  2
June 14, 2012 11:43 am
By Paul Grimaldi

PROVIDENCE, R.I. -- Citizens Bank has sued Curt Schilling seeking \$2.4 million from the ex-baseball player and founder of videogame company 38 Studios LLC.

Providence-based Citizens filed the lawsuit last week in Suffolk Superior Court in Boston under its parent name of RBS Citizens. The bank now joins a list of other creditors seeking money from Schilling and his videogame company.

Rhode Island officials persuaded Schilling to bring 38 Studios to Providence in 2011 with a \$75-million loan guarantee. The company filed for Chapter 7 federal bankruptcy earlier in June, leaving the state on the hook for up to \$102 million in bond-related payments.

Citizens sued Schilling, of Medfield, Mass., in Massachusetts state court in an attempt to recoup its money from the ex-ballplayer's personal assets. The lawsuit also names as defendant Morgan Stanley Smith Barney, where it believes Schilling has accounts.

The money includes a \$2-million letter of credit for 38 Studios, backed by Schilling, and nearly \$374,000 due on the company's corporate credit card. Schilling drew \$371,484.40 on the credit letter May 21, just three days after the company made good on a \$1.1-million overdue payment to Rhode Island.

PROVIDENCE, R.I. -- 38 Studios is back in default on its \$75-million loan because it didn't give the state advance notice it was laying off its whole staff Thursday, Governor Chafee said at a Friday-afternoon news conference.

Chafee said Curt Schilling's videogame company has 30 days to cure the default and become eligible for millions of dollars in tax credits it wants. He said he is doing everything he can to help the company find outside investors, but is "very pessimistic."

Chafee said he wants a forensic audit of the company. He said he is confident its records are secure, but wouldn't say why he's confident.

The governor said he didn't know at the time that Keith Stokes, his former economic-development director, had signed an agreement to let IBM submit oral reports monitoring the company's status, rather than the written reports originally required.

"I did not know, and I assume the [Economic Development Corporation] board did not know," Chafee said.

Chafee chairs the board.

-- reports from Kate Bramson, Journal staff writer

Former EDC head Stokes to get \$63,955 in severance agreement with RI

Comments 109 | Recommend  5

June 13, 2012 4:53 pm

By Kate Bramson



Stokes

PROVIDENCE, R.I. -- Keith W. Stokes is entitled to receive \$63,955 in severance pay, which includes 13 weeks of pay beyond the date of his departure from the Rhode Island Economic Development Corporation, from which he resigned as executive director amid the financial collapse of Curt Schilling's video-game company.

Stokes' severance package -- including \$46,250 in extra salary -- is outlined in a separation agreement he signed with the state agency on June 6, according to records released by the EDC in response to a public-records request from The Providence Journal.

The total amount of severance includes medical and dental benefits and accrued vacation and personal time, EDC spokeswoman Judy Chong said Wednesday.

Stokes agreed not to disclose any confidential information about the EDC and not to make any derogatory or disparaging comments about the agency, the state of Rhode Island, the governor or the governor's office.

Stokes, 53, could not be reached for comment.

CLARIFICATION: An earlier version of this story reported only the extra salary, giving a lower total figure.

The original version of this story was posted at 2:26 p.m.

Lawyer: R.I. EDC board has quorum even without Senate confirming new appointees

Comments 2 | Recommend  0

June 13, 2012 5:28 pm

By Kate Bramson

PROVIDENCE, R.I. -- Even though the state Senate recessed without confirming Governor Chafee's six nominees to fill seats on the Rhode Island Economic Development Corporation's board, the agency still has enough directors to conduct business.

That's important because a lot of issues are likely to come before the board in coming months. They include approving bonds for dredging the Port of Davisville, improving T.F. Green Airport and buying the land for Route 195 redevelopment.

The agency is supposed to have 13 directors. It currently has 9 plus Chafee, who as board chairman votes only if there's a tie, says Thomas E. Carlotto, a partner in the law firm serving as the EDC's legal counsel.

"So there is a quorum," Carlotto said. "It would be five."

R.I., feds probing loan 38 Studios got against tax credits never issued

Comments 104 | Recommend  5

June 8, 2012 2:01 pm

By News staff



COL. STEVEN O'DONNELL

JOURNAL FILES / CONNIE GROSCH

By Mike Stanton and Kate Bramson
Journal Staff Writers

PROVIDENCE, R.I. -- It's \$8.5 million in loans that Curt Schilling's bankrupt 38 Studios got early this year from Bank Rhode Island -- secured by anticipated tax credits that ended up not being issued -- that have caught the eye of law enforcement.

Related

- [Read 38 Studios' bankruptcy filing](#)
- [Bankruptcy petition](#)
- [List, amounts of unsecured creditors, list of agreements with various companies and individuals for services, products](#)
- [Names, addresses of creditors in columns](#)
- [Statement of financial affairs](#)

Col. Steven G. O'Donnell, state police superintendent, said Thursday that his agency, the state's attorney general, the U.S. Attorney and the FBI were working together to investigate Schilling's videogame company, the \$75 million in state bonds that guaranteed a loan to it, and the Bank RI loans of \$1.5 million in January and \$7 million in February.

The loans came to light in a story in Saturday's Journal.

"We're looking into any activity around those transactions -- the use of state money and federally insured banks surrounding 38 Studios," said O'Donnell.

The federal criminal statute for bank fraud states that it is a crime to obtain money from a financial institution "by means of false or fraudulent pretenses, representations or promises."

Schilling: Chafee 'had an agenda and executed it'

Comments 19 | Recommend  0
June 22, 2012 7:44 am
By Maria Armental

BOSTON -- Admitting he made some mistakes, Curt Schilling, the founder and president of the now failed 38 Studios gaming company, told "The Dennis & Callahan Morning Show" that he realized failure "was always a potential, but never in my wildest dreams I thought I would be here."

"It's been kind of a surreal 60 days or 65 days," Schilling said appearing on the radio show Friday morning.

"One of the many mistakes that I made or that we made as a leadership team is that this came out of nowhere," Schilling said. "The employees had no idea. Payday was the following day. They didn't get a paycheck, and it sort of went downhill from there."

Among his mistakes, Schilling said, were that he trusted the state of Rhode Island -- the company's main partner under a \$75-million state-guaranteed loan that gave the state first-in-line rights to collect debt in case of a failure -- would have the company's best interests in mind.

Of Governor Chafee, who opposed the deal as a candidate for governor in 2010, Schilling said: "I think he had an agenda and executed it."

Court sets Sept. 21 deadline for claims in 38 Studios bankruptcy case

Comments 0 | Recommend  0

June 21, 2012 9:50 am

By Paul Grimaldi

People seeking money from the remains of the shuttered 38 Studios videogame company have until Sept. 21 to file a claim with the U.S. Bankruptcy Court in Wilmington, Del.

The federal court set the deadline at the request of Jeffrey L. Burtch, the lawyer appointed by the court to oversee the Providence company's assets.

The company founded by ex-ballplayer Curt Schilling collapsed in May after it used up the money it got from a \$75-million loan guaranteed by the state of Rhode Island. 38 Studios filed a Chapter 7 federal bankruptcy petition June 7 in Delaware, where the company was incorporated.

Creditors -- employees seeking unpaid wages among them -- have until the September deadline to file a claim with the court.

R.I. Labor Dept. suspends investigation into 38 Studios because of bankruptcy filing

Comments 5 | Recommend  1

June 14, 2012 4:25 pm

By Kate Bramson

PROVIDENCE, R.I. -- The Rhode Island Department of Labor and Training has suspended its investigation into whether 38 Studios employees were not paid in the weeks after the company missed a \$1.12-million payment to the state May 1.

That's because of the company's bankruptcy filing, spokeswoman Laura Hart said Thursday. Unpaid wage claims become a matter for the courts when a company declares bankruptcy or is placed into receivership, she has said.

A suspension doesn't mean the investigation is closed, she said. State law prevents the department from talking more about such an investigation until it is closed.

"I still can't confirm if we received any complaints on unpaid wages of 38 Studios," Hart said.

Lawyer: R.I. EDC board has quorum even without Senate confirming new appointees

Comments 2 | Recommend  0

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Schilling: State broke financial promises as governor scared away investors

Comments 85 | Recommend  6
May 29, 2012 5:00 am
By Mike Stanton

By Mike Stanton
and Andy Smith
Journal Staff Writers



Curt Schilling in his empty 38 Studio's offices.

CONNIE GROSCH

PROVIDENCE -- Curt Schilling says 38 Studios is hanging by a thread in large part because of broken promises by the state and damaging public comments by Governor Chafee regarding the finances of the video-game company.

In exclusive interviews with The Providence Journal, Schilling broke his silence, defending his beleaguered company and denying that he sought a government "bailout."

Schilling's controversial partnership with the State of Rhode Island was forged with \$75 million in taxpayer-backed bonds two years ago. If 38 Studios fails, Rhode Island taxpayers will be liable to repay more than \$100 million. Also, Schilling says, he stands to lose \$50 million of the fortune he earned as a professional baseball player and committed to the venture.

Schilling says that state economic-development officials reneged on a deal to approve film tax credits to which 38 Studios was legally entitled, and to allow the company to defer a \$1.12-million payment that was due the state on May 1 so that 38 Studios could meet its May 15 payroll.

Schilling also criticized Chafee's "devastating" public remarks about 38 Studios' financial health, which he says scared off private investors.

Within 72 hours of Chafee's May 14 statement that the state was trying to keep 38 Studios "solvent," Schilling says, a video-game publisher pulled out of a \$35-million deal to finance a sequel to Kingdoms of Amalur: Reckoning, the fantasy game that 38 Studios released in February.

On Thursday, 38 Studios was forced to lay off its 291 workers in downtown Providence and 100 more in Maryland.

Subpoenas go out in 38 Studios probe / Poll

Comments 81 | Recommend  3

June 13, 2012 5:33 pm

By Mike Stanton

PROVIDENCE, R.I. -- Law-enforcement subpoenas have gone out in the 38 Studios investigation.

Related

- **Poll:** [38 Studios subpoenas have gone out. Who do you want to hear from?](#)
- [Former EDC head Stokes to get \\$63,955 in severance agreement with RI](#)

Bank Rhode Island, which loaned \$8.5 million early this year to help Curt Schilling's now-bankrupt video game company stay afloat, confirmed receiving a subpoena for records in a probe by the Rhode Island State Police, FBI and U.S. attorney's office in Providence.

The Rhode Island Economic Development Corporation, which sold \$75 million in taxpayer-backed bonds to lure 38 Studios to Providence in 2010, also has received a subpoena requesting records, according to Jonathan Savage, the EDC's lawyer.

Bank RI loaned the money to companies affiliated with Providence lawyer Michael Corso, a broker in film tax credits and friend of House Speaker Gordon Fox.

The loans were secured by Rhode Island film tax credits 38 Studios had applied for, but ultimately did not receive. As added collateral, Schilling put up a personal collection of 3,200 gold coins valued at up to \$5.5 million.