

TELEPHONIC WITNESS STATEMENT

DATE: [Not Provided]

TIME: [Not Provided]

INTERVIEW OF: Representative Donald Lally

INTERVIEW BY: Detective Corporal Kenneth Buonaiuto
Rhode Island State Police Financial Crimes Unit

LOCATION: Rhode Island State Police Headquarters
311 Danielson Pike
North Scituate, Rhode Island 02857

SUBJECT: 38 Studios Investigation

1. **Q.** How are you Representative Lally?

A. [No audible response]

2. **Q.** Good. Thank you. I appreciate you giving me a call back. Playing phone tag a little bit.

A. [No audible response]

3. **Q.** Yeah. I – Actually, I’m going to put the – do you mind if I put you on speaker – do you –
so I can move some paperwork around?

A. [No audible response]

4. **Q.** Okay. Are you there?

A. Yup, I’m here.

5. **Q.** Excellent. Okay. All right. I’m sure you’re aware by now the reason why we’re reaching
out to you and all the reps is just to kind of open the lines of communication in reference to our
investigation into 38 Studios.

A. Mm hmm. Yeah.

6. Q. All right. And nobody is – and nobody in particular is a target of any investigation, we just want to provide you the opportunity to give us any information you believe might be helpful to us. And so, that being said, how long have you been in the General Assembly?

A. **Nineteen eighty-nine.**

7. Q. Aah. Okay. That's a long one. I think that's – I think that's – so far, that's the longest I've – I've heard in – in the many people I've spoken to. Is that – is that true, are you the – the longest tenure?

A. **Well actually, Elaine Coderre was, but she just – she didn't run again. But Brian Kennedy was elected in 1988, so he's the – he has the most seniority.**

8. Q. Oh, okay. So you – you were elected in '89, and – and sworn in in '90?

A. **I was sworn in – It was a special election because ...**

9. Q. O – Okay.

A. **-- Gil Indeglia was my predecessor, and he – Diprete appointed him a judge, so there was a special election in '89 and I got sworn in in December of 1989.**

10. Q. Okay. So '89 through present.

A. **Yup.**

11. Q. All right. I'm, I'm – I'm sure throughout those many years you've been assigned to numerous committees.

A. **Yeah, just uh – Yeah, quite a few.**

12. Q. All right. How about like the last six, seven years, can you – can you recall the committees that you've been a part of?

A. **Judiciary ... all the time.**

13. Q. Okay.

A. House Rules.

14. **Q. All right.**

A. I don't know, let's see. And I just got appointed to Oversight.

15. **Q. Oh, Okay. All right.**

A. So after – When Mattiello came in, I got appointed to Oversight.

16. **Q. Okay. So you – you've sat in on – on a few interviews or hearings regarding 38 Studios?**

A. Yes.

17. **Q. All right. ... Okay. All right. Well, let's start off with that. Is there anything in particular that you've – you've heard there that you feel is something that we -- maybe we don't know already or of interest for us?**

A. Not from a ... point of view. I've heard a lot of stuff about, you know, the EDC, rumors, you know, as like, as far as that there may have been emails that the attorneys may have been sending back and forth saying that there was – certain steps had been taken and they – and told EDC members that they – that they were achieved and that they hadn't been? I mean, that's the rumor that I had heard. I – I heard a rumor that if we appropriated the 12.3 million this year that the two Rhode Island firms would turn over their malpractice insurance. One of them, I guess, has three – I heard had 3.5 million and the other one had 18.-something million.

18. **Q. Okay.**

A. Just that they want, you know, I think had said they'd like to get out of this. But, I mean, as ...

19. **Q. Yup.**

A. -- far as how – what EDC did with the money, no, I really can't help you. I mean, we

used to have people that would – reps that would sit on all these boards, and then with separation of powers, we lost our representation on those boards. So we pr- we appropriated the 125 million ...

20. Q. Right.

A. -- but EDC made a determination how they were going to split that money up to whatever companies.

21. Q. Okay. Now at a – in May of 2010 is when the Jobs Creation Guaranty Program bill came to the floor. Are – are you familiar with that?

A. Yeah, I remember vaguely. Yeah, I – I remember I voted for it.

22. Q. Okay. And well what can you tell me about, you know, that – that night, that day when – when the – when, when that bill was brought to the floor and I guess would be presented by somebody that was supporting the bill, I guess, is that correct?

A. I would – If I remember, I believe ... It probably was Costantino because he was Chairman of Finance back then.

23. Q. You - Do you remember him bringing it to the floor?

A. I ... Vaguely. I mean, I remember he was the one answering questions concerning it, and uh ...

24. Q. Mm hmm. Okay.

A. -- we had ... We were – The fact that we were in a really bad economic state, I mean, even compared to what we have now, ...

25. Q. Right.

A. -- and it was supposed to be provided for start-up companies, companies that existed in Rhode Island that were looking to expand.

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26. Q. Mm hmm.

A. But um, it didn't – You know, I mean, they weren't specific as to what companies would get that money, ...

27. Q. Okay.

A. -- just that w- they thought it was a good idea that we try to give Ec - EDC financial – finances so that they could help companies grow and produce jobs.

28. Q. All right. So at no point in time was any particular company mentioned as, as interested in the funds?

A. No. I mean, I had heard that Curt Shilling was around, you know, and – but I didn't – I'm not on Finance, so I really didn't – you know, I never ran into him or talked to him on the phone or – But at no time did anybody tell us, myself or any other members that I know of, how much money he was looking for to move to Rhode Island.

29. Q. Okay. You – do you know anybody that worked for the company, 38 Studios?

A. No. I don't ...

30. Q. Okay.

A. Nope. I don't know anybody that worked there or – I don't even know Corso.

31. Q. All right. That was – that was going to be my next question. You – do you know who he is?

A. No. If I bumped into him, I couldn't – I wouldn't know him.

32. Q. Right. Okay. All right, so why did you bring up his name, what – what's so interesting about him?

A. In – r- I've been read – I, I read the papers and I then read about what his cut was on the – I was amazed at how much money he was making off the arrangements he had with

38.

33. Q. Mm hmm.

A. I ki- I'm appalled actually. I mean, I had - we had no idea. Maybe other members did, but um, ugh. I just said that seemed like a windfall to him for ...

34. Q. Mm.

A. -- for whatever work he did.

35. Q. Now you - you said maybe other members do - did know how much he was making. Do you have any idea who those other members are or what makes you think that?

A. Hmm. Um, maybe people closer to the deal, you know what I mean. Maybe the Governor would know and perhaps the Speaker. I mean um, th- You know, I - I always thought that 38 Studios was pretty much the Governor's idea. And then and reading the paper, it seems like there was a lot of - there were other people, you know, the Speaker was aware of - that that's how money would go to him.

36. Q. Mm hmm.

A. I do remember on the floor Larry Ehrhardt ...

37. Q. Yup.

A. He was - He's a - He was trying to talk the other 125 million that we maximized the most that one company could get was, I believe 7 million. And I'm going back four years now.

38. Q. Yup. Okay.

A. I remember he said that. And I was like - Well, to me, I was like, well that's pretty much up to EDC as to how good an investment, what c- whatever company they were going to invest in. But he would be somebody that I would think you'd like to talk to because he was a, you know, and being a republican, I was - I just found it strange that he would want to limit

that. You know, maybe he thought it was a good idea that, you know, that we spread it out among a number of companies.

39. Q. Right.

A. Or maybe – you know, maybe he had some insider knowledge or, you know, that we were going to give 38 that much money.

40. Q. I have a telephone number for him, but it doesn't seem to be working. Do you have a uh, a contact number for him?

A. Oh. Wait a minute, let me look. I don't believe I – I mean, I don't really hang out with him, but he's in my "Contacts." Nope, I ... I only have two with "Es," and I don't have his contact number.

41. Q. Okay.

A. Um, I'm trying to think. I don't know who would be close with him, but I know he – he lived around Wickford.

42. Q. Okay.

A. You know, he's from North Kingstown.

43. Q. Yeah, okay. All right.

A. Mm. I don't know – Um.

44. Q. All right.

A. Yeah, ... I, I couldn't help you with that.

45. Q. That's fine. Is there anything else I haven't asked you or that you think is important? And – and it doesn't have to – it doesn't have to be just on the subject of 38 Studios, it can be on anything at all.

A. No, I really don't have – I mean, not being on Finance, I didn't hear the testimony,

and it seems like, you know, I'm down in South County, so ...

46. Q. Mm hmm.

A. -- I spend my time down here, so I -- I mean, that's probably one of the reasons why I didn't hang out with this uh, as many of the Providence reps as, you know, being from South County.

47. Q. Right. Right.

A. Just -- I mean, when I read things in the paper, it's the first time I've ever heard of him, you know.

48. Q. Okay. All right. You're -- you're not the only one that said that, so.

A. Yeah. I wish I had had more to give you because as a, you know, as a citizen, it kind of pisses me off, you know.

49. Q. Sure. Sure.

A. You know, I mean I just think like the whole thing was a -- I mean, I don't think they -- they did the um -- they had given 38 the money, I don't think they did their due diligence on EDC, and I don't know if somebody didn't cram it down their throat, you know.

50. Q. Right. Right.

A. But that's just as a citizen.

51. Q. Understood.

A. All right, Corporal.

52. Q. Okay. I thank you. If something comes to mind that you want to reach out to me, you have my telephone number, so don't hesitate.

A. Okay, you know, if I happen to hear somebody talking about, *oh, you know what really went on*, I'll give you a call and I'll just say, *look, here's what I picked up on the street*,

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...

53. Q. Yup.

A. -- *you can go follow it up, you know.*

54. Q. Excellent.

A. **All right, Corporal.**

55. Q. Appreciate it. Thank you.

A. **All right. Bye.**

56. Q. Bye bye.

STATEMENT TAKEN BY:

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