

Ref: 12-3-IV

WITNESS STATEMENT

DATE: August 21, 2013

TIME: 2:20 p.m.

INTERVIEW OF: Mr. Paul Choquette
Vice Chairman
Gilbane, Incorporated

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

LOCATION: Gilbane, Incorporated
7 Jackson Walkway, Suite 2
Providence, Rhode Island

SUBJECT:

DETECTIVE BROWN:

1. **Q.** Mr. Choquette, if you can just spell your last name for the record.
A. Sure. C-h-o-... t-t-e.
2. **Q.** And what's your current employment at Gilbane?
A. Vice Chairman of the company.
3. **Q.** And how long have you been Vice Chairman at Gilbane?
A. It's probably six or seven years now.
4. **Q.** And were you at Gilbane prior to that?
A. Yes, from - since 1969.
5. **Q.** Nineteen sixty-nine. Very good. Okay. And at some time within the last couple of years, did you have the - or were you at some point on the EDC Board --

A. Yes, I was.

6. Q. -- for the State of Rhode Island? And EDC is the Economic Development --

A. That is correct.

DETECTIVE CORPORAL BUONAIUTO: Corporation.

7. Q. -- Corporation of Rhode Island. Do you remember, if you could think back, do you remember, just so we can get kind of a timeframe, when you were appointed to that Board or when you started on the EDC Board?

A. Help me with the - the dates, you must know.

DETECTIVE CORPORAL BUONAIUTO:

8. Q. Were you appointed by Governor Carcieri?

DETECTIVE BROWN: Carcieri.

A. Yes.

DETECTIVE BROWN: (Indiscernible).

9. Q. And was it - Do you remember if it was towards the beginning of his term or towards the end?

A. It was towards the end, because it came out of -- I was involved in - in the review of the ED-- of EDC.

10. Q. Along with Mr. Verrecchia?

A. Correct. He was the chairman of that review committee.

11. Q. Okay.

A. And I think I was vice chairman of it, actually. And we looked completely over how it operated: what its plusses and minuses were, more minuses than plusses, and made some recommendations about its future organization.

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12. Q. Made those recommendations with the governor...?

A. And the governor followed up on many of the recommendations, and some of them didn't happen. We never hired the professional economic development person that we had made as our number one recommendation. But it was out of that timeframe. So it was really towards the end of his - probably the sixth of his eight-year term where he had the study review done, and some of us that came out of that study review were appointed to the EDC.

13. Q. All right. So to - to get a little more accurate, would - would it have been right at the same time that Mr. Verrecchia was appointed?

A. Yes.

14. Q. Okay. So from what we understand from him, you were - you were nominated maybe the end of 2009, and then were sworn in January of 2010, does that make sense?

A. Sounds - it sounds about right.

DETECTIVE BROWN:

15. Q. And how long did you start - Are you currently still on the EDC?

A. No, no.

16. Q. H--

A. No, no. I had - I had a very short term, actually. And I wanted a short term, 'cause I'm - was one of the oldest guys appointed. I only had a one-year term. So when my one year was up, I was gone. And of course by that time, we had a new governor and a whole new environment for Studio 38.

17. Q. And if you can just give us kind of a - a background of what the Board actually did, what your position on the Board or what the activities of the Board entitled [sic]?

A. Well, it - it was a typical Board of Directors for an independent corporation. Even

though it was part of the - the State, it was still an independent corporation, and the actions on behalf of the corporation had to be approved and voted on by the Board of Directors.

18. Q. At some point while you were on the Board, the issue of 38 Studios came before the Board?

A. Yes.

19. Q. Gee, I know it's - I know it's been a couple of years, but was that - if you remember, was that towards the beginning right--

A. It was--

20. Q. -- when you got on the Board?

A. It was very early on.

21. Q. And do you remember how that - that issue came before the Board, how - who presented it initially to the Board, if you can remember?

A. If I remember, it was the governor who suggested that there was this possibility out there. And - and I think by that time we had our new executive director, Keith Stokes. So it probably would have come from either the governor or Keith Stokes saying that there was an e- exciting possibility of bringing some serious jobs to Rhode Island, and that it was associated with Curt Schilling.

22. Q. At any of those meetings, did somebody present a presentation, whether it be a Powerpoint or a verbal - an oral presentation about 38 Studios to the Board?

A. Oh, yes.

23. Q. Do you remember who that was? Was it Mr. Stokes?

A. Stokes was part of it, the - the, the chief financial officer was part of it.

24. Q. Of 38 Studios?

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A. Of 38-- of 38-- Thirty o- 38 Studios. And then they had some consultants that were involved, uh, the attorney for 38 Studios was also part of the presentation group. And as I say, they had some consultants who were financial consultants.

25. Q. Is it safe to say the - the presentation was more than one Board meeting?

A. Yes.

26. Q. Do you know if there were presentations at more than one Board meeting?

A. There certainly were. I can recall two. And I might have missed a third --

27. Q. Okay.

A. -- because I was still pretty active in the business at that time and was not able to make every meeting. So there was - there were a number of discussions.

28. Q. And Keith Stokes, to your recollection, definitely did one of the presentation, whether it be a Powerpoint, or?

A. Yes.

29. Q. Okay. How about Sean Esten? Do you know the name Sean Esten, an employee of EDC? He was an employee of EDC. Do you remember him ever doing any--?

A. I don't.

30. Q. Not at all. Okay. And during those - during those presentations, were there ever specific dollar amounts presented to the Board regarding 38 Studios? And I - I'm sure since it's happened you learned kind of the money issues of 38 Studios. Specifically the \$75 million dollar loan w--...

A. That was always on the table, the 75 million. Right from the first rumors that this perhaps was going to come before the Board. Because we were told that the legislature had contemplated a \$75 million dollar loan fund, but they turned it into a \$150 million dollar loan fund because they wanted to have 75 million be available for Studio 38.

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31. Q. Did the dollar figure, 78 million -- \$75 million dollars, did that come from the Stokes presentation, from 38 Studios presentation? Do you know who presented that \$75 million dollar amount to the Board?

A. It would have been a whole series of people that were involved in the transaction.

It w-- the 75 million.

32. Q. Was there any discussion in the Board meetings about the actual money that was going to 38 Studios? Was it your understanding that it was actually 75 million going to the ...?

A. I knew there was going to be - there was going to be something else --

33. Q. Okay.

A. -- taken out of the 75 million.

34. Q. Yup.

A. But it was my expectation that the great bulk of the 75 million was going to be available for Studio 38.

35. Q. But what they didn't tell you exactly how much was going directly to 38 Studios?

A. Right.

36. Q. Was there any talk, whether from Stokes or anyone from 38 Studios that 38 Studios actually required a certain dollar amount to make this - their business position work? For instance, if they didn't get the entire - Was that ever presented to the Board that if they didn't get the entire 75 million they may have some problems--

A. No.

37. Q. -- completing the projects?

A. No.

38. Q. It was your understanding, the Board's understanding, that the money from this loan was

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going to be ...

A. **Would get- Would - would get the job done.**

39. Q. To - to get the job done.

A. **Would get the job done. And, and it was expectation that the other game that was coming out of their Baltimore operation would also fund the Studio 38 initiative.**

40. Q. Okay.

A. **So --**

41. Q. So just so we're clear, there were going to be two. There was a team in Massachusetts and a team in Baltimore --

A. **Correct.**

42. Q. -- that were, for lack of a better terms, going to combine --

A. **Right.**

43. Q. -- and make the 38 Studios move in.

A. **Right.**

44. Q. And it was maybe they're - they were going to bring some capital with them from Baltimore as well.

A. **Or - or some earnings.**

45. Q. Somewhere else.

A. **Not capital. I don't know about capital, but um.**

DETECTIVE CORPORAL BUONAIUTO:

46. Q. So if I can ask you a question. That - that first game that you're talking about that they were going to earn - bring some income in, --

A. **Right.**

47. Q. -- and subsidize the business in Rhode Island, was that - that game hadn't been released yet prior to the (indiscernible)...?

A. **It was just about.**

48. Q. Okay.

A. **It was just about to be released.**

49. Q. Okay. So - so you - you - you didn't know if it was - if it met the expectations, if sales met the expectations or not, you were just thinking - you, you - the Board was not led to believe whether the Board felt comfortable that it was probably going to generate enough income --

A. **It would help.**

50. Q. -- to subsidize the (indiscernible) ...

A. **It would help.**

51. Q. Okay.

A. **But we also felt that the 75 million was going to get the job done to create this - uh, there's - there's a term for these international games.**

52. Q. Yeah, the multi-media--

A. **Yeah. Moose (phonetic), or something like that--**

DETECTIVE BROWN: MMO?

53. Q. Right. MM - Yeah, MMO.

A. **Yeah. We felt that the Baltimore would - would be a plus.**

54. Q. Right.

A. **But the 75 million would get the job done to get that game to - to - to market, the big game to market.**

55. Q. Right.

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DETECTIVE BROWN:

56. Q. How about Michael Corsa (phonetic), do you know Michael Corsa? Does that name ring a bell with any of the meetings?

A. I've since read newspapers about Michael Corso (phonetic). I think he was involved with a - a bank.

57. Q. He was involved with the - the film tax credits. Did that ever...?

A. We never talked about film - film tax credits.

58. Q. Michael Corso you've only learned of him after the fact --

A. Right.

59. Q. -- during this - the --

A. Right.

60. Q. -- 38 Studios presentation.

A. Right.

61. Q. He wasn't --

A. Right.

62. Q. -- present.

A. And I don't recall any discussion at the Board level about film tax credits.

DETECTIVE CORPORAL BUONAIUTO:

63. Q. Okay. Was there any discussion on - on - I know you said that you - you understood that there was probably going to be a lesser amount that they received, not the full 75 million, because there are some sort of closing costs and --

A. Right.

64. Q. -- commissions.

A. Right.

65. Q. Were - were you aware of - were discussions on a certain amount held in reserve that--

A. Yeah.

66. Q. -- would be --

A. I - You know, I - I've done enough - I've seen enough loans like this to know that there's always been something held back, but um, the amount held back in the end was a surprise to me, and I believe to a lot of the Board members that it was only 50 million that was advanced to Studio 38. If that's the right number. I think that's the right number.

67. Q. Right. Pretty close.

DETECTIVE BROWN: Yeah.

A. Yeah.

68. Q. It's right --

A. Yeah.

69. Q. -- right in that ball park. Now had - had you known that, would it have changed your...?

A. Well I would have --

70. Q. -- vote one way or the other, or?

A. I - I think there would have been some serious questions about where did the 75 come from and why is it only 50 now, and what assurances do we have that the gap is going to be filled, does there need to be a gap, and uh - The, the whole thing um, in addition to the fact that a lot of us would like to go back and re-do the vote, okay, the - the whole thing - the transition also from a administration that was in favor of this to an administration that was against it didn't help the whole transaction either. I mean we started, you know, the - there

were contrary negative things being said in an environment where people should have been trying to figure out positive things to say.

71. Q. Right.

A. And the policing of the transaction was a disappointment to us later on when we found out that it hadn't been policed.

72. Q. Was it being policed under the initial administration that you were - you're aware of?

A. I can't say for sure. I just know we felt on the Board, and Al Verrecchia in particular, as a very experienced guy in this gaming world with - with his background at Hasbro, felt that there needed to be third party that could make sure that Studio 38 was moving along a path that was going to get us to a successful conclusion. And that never happened.

73. Q. Similar to like a construction site where you may have a third party--

A. Yeah.

74. Q. -- monitoring the--

A. Yeah.

75. Q. -- progress so the --

A. And, you know, and the other thing that I'm disappointed to find out later on is that the monies were advanced to ... Studio 38 based on hiring of people as opposed to progress towards completing a game. You know, it's like construction, you know, you mentioned construction, we get paid work-in-place.

76. Q. Mm hmm. Right.

A. You know, so many tons of steel you get paid something. You don't get paid for

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hoping to do the tons of steel.

77. Q. Right.

A. So.

78. Q. And, and that's not something that the Board was aware of? Like you didn't - you didn't know the details of the terms of the agreement?

A. Exactly.

79. Q. Okay. Is it something that you felt you probably should have known? Or is it just something that the Board really isn't concerned with, they're more --

A. Well, --

80. Q. -- concerned with --

A. Yeah, you know, --

81. Q. -- really the big picture?

A. -- in - in - in, you know, second guessing is always -- I guess--

82. Q. Right.

A. -- you know, if we could do it all over again, --

83. Q. ... Monday morning quarterback.

A. Yeah, there'd be - there'd be a lot of questions if we - But I - And a- and again, we were - I was going off, because the other - the new governor was coming in, and he already made it clear you're outta here as soon as your term expires. I had a one-year term, so I was not preoccupied with what happened after I left.

84. Q. Right.

A. But um, if I stayed on would I have been? I don't know.

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85. Q. Do you feel that there was anything that the Board was - Do you feel that there was anything that was withheld from the Board that you definitely should have known?

A. I think some of the negative reports that have flushed out apparently, you know, through my conversations with Max - Max Wistow, there were some negative reports from some of the consultants and even some of the individuals within Stu- EDC itself, and those were never brought to our attention. I mean, it was always, you know, a positive story: jobs for Rhode Island, high paying jobs for Rhode Island, let's go, let's go, let's go. There was never any second-guessing: too much money, how are we going to do it, it was just - it was a - it was a - an environment where nobody was asking the hard questions in retrospect.

86. Q. And were - and were there any policies and procedures within the EDC that - that weren't met as a result of you not getting that information, or - or were there never really any step-by-step policies --

A. Yeah, the--

87. Q. -- and procedures?

A. -- EDC is - was not, is not, and will continue to be not the best at those kind of things I got to say, and I don't think it's really changed very much. That's why they're trying to re-shuffle EDC --

88. Q. Right.

A. -- at the legislature. I'm not aware if policies and procedures had - have been violated. I just don't - We don't think we had experienced people running, you know, this very significant committment to a start-up, basically, even though he had the Baltimore operation, --

89. Q. Right.

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A. -- start-up business in a very s- speculative world. I mean, it's like making a movie:
how many movies make money?

90. Q. Mm.

A. You know, very few. How many video games make money? Especially
international video games? It was - it was a high-risk that should have been more carefully
monitored. And I think the Board depended on hired staff and their consultants to do that
careful monitoring and make sure that the high-risk nature of this thing was - was carefully
watched out for.

DETECTIVE BROWN:

91. Q. When you say "hired staff," hired staff of the EDC, --

A. Yes.

92. Q. -- it was kind of their --

A. Yes.

93. Q. -- their --

A. Yeah.

94. Q. -- responsibility --

A. Right. Right.

95. Q. -- to present the facts to the Board.

A. Exactly.

DETECTIVE CORPORAL BUONAIUTO:

96. Q. But I mean it appears that, you know, in retrospect that maybe there was some
information that with withheld from the Board that might have changed the vote possibly, but we don't

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know that. But it looks like at least EDC employees and maybe - and probably 38 Studios representatives knew that they didn't have at least the \$75 million dollar loan they were getting from the bonds, it wasn't going to be enough because they weren't going to get the full amount. It wasn't going to be enough for them to be successful for long, they would have needed money somewhere else. Any reason why do you think that they would go along with it knowing that they were doomed to fail, or why members of the EDC or anybody else would push this along knowing that here are the numbers; they're probably not going to be successful? Did - did anybody benefit from this -- that you're aware of.

A. No, I think even the people that they hired, you know, it disrupted their lives: moved to Providence, moved to Rhode Island, and what have they got to show for it, an empty building over here. The landlord didn't get anything to show for it. I guess whoever did the construction and fixed the building up got something to show for it.

97. **Q. Right.**

A. I just - I, I - I think there was some rose-colored glasses that everybody had on that here's a chance to add -- I forget how many jobs we were talking about.

98. **Q. Four hundred or so?**

DETECTIVE BROWN: Yeah.

A. Yeah, 400 jobs at a average pay of 75 or \$80,000 --

DETECTIVE BROWN / INDISCERNIBLE

A -- in a state that has not only high unemployment, but the issue in Rhode Island is not just high unemployment, the issue in Rhode Island is under employment. We don't have enough good paying jobs like they have in Massachusetts. And that was the driver here is to - is to - is to try to -- And, and, and, and, and try to create - I think Hasbro already announced

they were going to move to where they have now located their building, and Trinity Square is across the street. You know, this - it was going to create a - a whole new high arts IT world here that was going to have long-term benefits, so. You know, sometimes when people get - believe in a dream so strongly --

99. Q. Mm hmm.

A. -- they don't want to suffer any distractions along the way.

100. Q. Right.

A. So I think that was kind of the - the environment that everybody was operating in here is this is - this is a home run.

101. Q. Right.

A. It's a chance for Carcieri to go out like a - like a winner, also. He had not had a good career as an economic development person --

102. Q. Yup.

A. -- for the State of Rhode Island. Here's a chance for him to go out as a - as Schilling, you know, --

103. Q. Mm hmm.

A. -- the bloody sock guy. You know.

104. Q. So star-struck a little bit maybe?

A. Yeah, I think that --

105. Q. Although, someone like yourself I'm sure is not star-struck by a --

A. Well, --

106. Q. -- baseball player.

we were advancing the funds.

112. Q. Mm hmm.

A. Job-by-job? I mean, I think that's ludicrous to advance money to people based on the jobs you bring with no relationship to work produced.

113. Q. Right.

A. And so I think if IBM had early on, the first two or three months said what - there's something wrong here guys, I think there could have been some adjustments made. And I - and I - I - I st- I'm still flabbergasted that 25 -- 1/3 of the 75 million had to be held back.

114. Q. And, and who held that back and where - where was it, do you know?

A. You know, it was all the, the lenders and I guess EDC itself wanted to have a good - a good strong cushion. Well that cushion turned out to be a - the wrong kind of cushion.

DETECTIVE BROWN:

115. Q. Too much of a cushion.

A. Yeah.

DETECTIVE CORPORAL BUONAIUTO:

116. Q. Yup.

A. Yeah.

117. Q. Okay. Well anything else you think we haven't asked or that you think is important for us to know?

(BRIEF PAUSE)

A. No, I think the uh um -- Well, just between the three of us, I wish that there'd been some harder negotiations with the holders of those bonds because, you know, they have a

very attractive interest rate.

118. Q. Mm hmm.

A. And they're getting paid 100-cents on the dollar. It seems to me there could have been something done to reduce either the interest rate or the face amount on the bonds instead of just going out and - it's going to hurt all of us over the ten years to pay out that \$75 million dollars. And as somebody who was involved in it, every time I think about a payment going out, it's two-and-a-half million this year, --

119. Q. Mm hmm.

A. -- it's gonna be like either four or five next year, um, a big piece of that, just interest.

120. Q. Yeah.

A. So I wish that -- Again, a hard-nosed business people, you gotta have people like that running an - an organization like EDC.

121. Q. Mm hmm.

A. And the guy that they brought in who was close to the senate president whispered in Carcieri's ear - he's a Chamber of Commerce guy, he's a very solid person, a very good person, okay, but he's not someone who has run this kind of a sophisticated economic development activity. And he had a financial guy that wasn't -

122. Q. Who was the financial guy, Mike Silva?

A. Yeah.

123. Q. The the uh second --

A. Right.

124. Q. -- in command or?

A. Right, second in command.

125. Q. Okay.

A. So. So I don't think he had the right professionals in place. And we didn't appoint those people, they were appointed by the governor on his way out the door.

126. Q. All right. So you don't think anybody was paid on the side or anything to get--

A. No.

127. Q. -- this thing pushed through.

A. No, it was stupidity.

129. Q. Yeah. Okay.

A. Lack of follow-through.

130. Q. Right.

A. Not hard nose enough.

131. Q. Mm hmm.

A. And we all wish we could change our vote. And I don't think there's a member of that - Even though we all think it could have - could have been different under a different governor with a little more enthusiasm for it, we'd all like to re-vote that in a min- in a mini-second.

132. Q. Okay.

DETECTIVE BROWN:

133. Q. And j- And my last question - I know we talked about this before. But there was never any doubt that the 75 million presented to the Board, there was no doubt in the Board that that was going to be enough --

A. Right.

134. Q. -- to finish the job.

A. Right.

135. Q. It was - whether they were --

A. Right.

136. Q. -- holding some back, it was the Board's understanding, whether from Saul or Stokes or from whomever, it was definitely the Board's understanding that whatever money the Board EDC was giving 38 Studios was --

A. Right.

137. Q. -- gonna be --

A. Right.

138. Q. -- adequate for them to --

A. Correct. Correct.

DETECTIVE BROWN: That will conclude the interview; it is now 2:43 p.m.

STATEMENT TAKEN BY:

WITNESSED BY:
