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## WITNESS STATEMENT

**DATE:** September 5, 2013

**TIME:** 8:05 a.m.

**INTERVIEW OF:** Mr. Stephen Lane, DOB: [REDACTED]

[REDACTED]  
[REDACTED]

**Cell #:** [REDACTED]

**INTERVIEW BY:** Detective Sergeant Kenneth Buonaiuto  
and  
Investigator Lori Tellier  
Rhode Island State Police Financial Crimes Unit

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

**SUBJECT:**

1. Q. Mr. Lane, can you state your first name and spell your last, please?

A. Stephen with a "ph," Lane, L-a-n-e.

2. Q. And your date of birth?

A. [REDACTED]

3. Q. And your address, please?

A. [REDACTED]

4. Q. And your cell phone number?

A. [REDACTED]

5. Q. Mr. Lane, where are you presently employed?

A. Ximedica.

6. Q. And in what capacity are you employed there?

**A. Founder / chairman / owner.**

7. **Q.** And what is Ximedica, what type of company is that...?

**A. Ximedica is a medical device development company. We develop surgical and therapeutic devices for all the major medical multi-nationals all over the world.**

8. **Q.** And how long have you worked there?

**A. I started in 1985.**

9. **Q.** Okay. It sounds like it must be --

**A. A while. I got one line on resume. (Laughing)**

10. **Q.** Ha ha ha ha ha. That makes things easy.

INVESTIGATOR TELLIER: That's not so bad.

**A. Yup.**

11. **Q.** And in addition to Ximedica, did you have the occasion to work for the Economic Development Corporation?

**A. Well I sat on their Board. I sat on - I've sat on several economic development boards over the years. Ximedica was birthed out of RISD, so we - we were very -- we were tapped as the poster child, if you will, for talent - nurturing talent by the colleges. So any board that was interested in advancing that incredibly simple control economic development strategy, I was going to volunteer my time. So I've been on the Economic Development Board, Chamber of Boards, IPIC, which is Innovation Providence, Providence Economic Development Partnership Board, as well as other institutions like the Board of Trustees for RISD and others advocating for pretty much what I've described to you.**

12. **Q.** Okay. So to make sure that we understand correctly, as far as the EDC, -

**A. Yes.**

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13. Q. -- were you on - were you --

A. **The Board.**

14. Q. -- appointed to that Board during one term or several terms throughout your career...?

A. **I bridged - I was appointed during the Carcieri administration, and so I bridge two administrations, and I believe I was teed up for a four-year term --**

15. Q. Okay.

A. **-- of which I was not term-oriented, but that's what I - that's what they put me down**

...

16. Q. And do you recall the timeframe of that? So you were appointed by Governor Carcieri, --

A. **Yes.**

17. Q. -- and do you know the timeframe of that when that was?

A. **Oh boy. So I - I would say that I was probably about a year or - or more at the tail end of the Carcieri administration, and ... a year or ish into the - into the Chafee. Yeah.**

18. Q. Okay. So -

A. **I - I - I bridged in there, and --**

19. Q. Okay.

A. **I - I - I don't remember the exact dates.**

20. Q. So if I throw you out some dates. Maybe in January of 2010? Do - do you know--

A. **Yeah, I started - I think he --**

21. Q. -- who started the program (phonetic)...?

A. **Yeah, because there was a big s-- ... It's blurry to me, because I was on the search committee for a new head. So I was really immersed in the - in the Board. I had never sat on a - on a State board at that point, so --**

22. Q. Okay.

A. -- I was immersed in the search process. And then many of the people who were in the search process were asked to join the Board. And I do believe that they teed that up in January; there was no election cycle--

23. Q. Right.

A. -- per se, it was kind of dormant for a while.

24. Q. So that would have been with --

A. It - it --

25. Q. -- Mr. Vecchia (phonetic).

A. Yeah; I'm sure it's well documented, right?

26. Q. Right. Correct. Right.

A. Or, it was - it was that whole wave --

27. Q. Yup.

A. -- you know, all the - all the guys you're interviewing.

28. Q. Okay. Yeah. All right. And, and as a Board member for EDC, what --

A. Yeah.

29. Q. -- what was your job requirements, what did the Board do? What was the purpose of the Board?

A. Well I won't give you the - the smug answer, because I think that's a big issue at the end of the day, so - It was not clear --

30. Q. Well maybe we'll go back to that. So let's go back ...

A. Yeah. But, but, but it - the Board in many ways, which was characterized under the Carcieri administration as a performance board, meaning that the Board would be more

influential in policy, strategy, execution, and the boards and committees invested enormous amounts of time, volunteer time, to effectively make a board that never actually did anything, to begin to form itself to be more action and performance-oriented. And in the change of the administration, it was- a re-set button was hit and it started all over again with roughly 50-percent or so new Board members, and it was just a whole pile of making plans to do something. So you're - you're asking a - a c- a, a - you're - you're a-- philosophically, I think our - our - our job was to approve recommendations or programs or policies that were brought to the Board. The Board was not active in shaping those at the time. Which is kind of, I think, --

31. Q. Mm hmm.

A. -- unfortunate for our state. But, lots of smart people on that Board.

32. Q. Right. Okay.

A. I - I don't know if that's, you know, I don't know if that's a clear answer.

33. Q. No, I --

A. I'm asking I think --

34. Q. - I think so.

A. -- maybe --

35. Q. Yup.

A. I don't know. If it's not clear, I can ask - I can break it down or?

36. Q. So the - the Board wasn't asked to come up with ideas to develop the economy in Rhode Island, they were just asked to approve plans that have already been developed by somebody else.

A. Well, yes and no. The - the - the, the - the - Uh, the Board was asked to do that, it was never actually allowed to do that. So there was a lot of movement towards doing that and a lot of time was invested in coming up with thorough, you know, well - well thought out plans

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mirrored on best practices in other parts of the country.

37. Q. Mm hmm.

A. So whether we did that or not is a totally different story. That's what the Board set out to do.

38. Q. Right.

A. We didn't do that.

39. Q. Okay.

A. But the Board intended to do that and invested a lot of work to do that. And so we were really in a - in a uh, approval capacity for the most part. That was really what it boiled down to when you pointed to what the Board did. So stuff would come in from the - from the Energy Fund, and it would be approved; something would come in from the ... a certain loan fund or - or a - or a bond for a YMCA, and it would be approved. And all the work would be done by EDC staff.

40. Q. Mm hmm.

A. It would be presented, it - And, and that was pretty much the - the - the mode.

41. Q. All right. And - and you --

A. But - but ...

42. Q. -- and you word - used the word "approved" after every one of those examples. And --

A. Yeah.

43. Q. -- was it - was it because the Board was expected to approve these things as they came forward, or - or - or was the Board ...?

A. Well we - we were aware of the process, and by the time they came - the - By the time things came to the Board - The 38 Studios is different, that was a much more - there was

more involvement in that process for sure, and I'm sure we'll talk about that.

44. Q. Yeah. Right.

A. It wasn't like -- But if someone's, you know, getting a \$5,000 credit for a - putting a solar thing on their thing, the vast majority of what that Board did was say, yup, and uh, and the - the - the presentations to the Board were advocating on why - By the time they went to the Board of Directors, it was an advoc- advocacy for why they - we should approve that. There was never ever a point / counterpoint mode. It's the EDC, you know, it's not like a - someone's - It's not like a bank where someone's arguing to not approve something, by the time it got to the Board, it was, hey, we vetted this; this looks like a good thing. And sometimes we'd get push back, and we - we'd want a presentation by the actual maybe person who's installing it, we'd want to understand a bigger picture of it, or there were more questions, it wasn't rubber-stampee (phonetic).

45. Q. Okay. So you had the power to ask them tough questions if you had to.

A. Yeah, totally. Abs- Yeah. Yup.

46. Q. Okay.

A. Absolutely right.

47. Q. Okay. All right. So at some point in time though you s- Well, I think ... we agree that you were probably sworn in sometime January of 2010. At some point in time 38 Studios came to the Board, the idea of 38 Studios --

A. Right.

48. Q. -- was presented to the Board?

A. Right.

49. Q. C- can - Do you remember about the timeframe?

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A. You're - I'm - I'm the wor- I'm gonna be the worst date person, so --

50. Q. That's - that's fine.

A. If you tell me the - the - I mean, I - you know, I - I don't remember, I'm sorry ...

51. Q. Well on ... as far as --

A. (Indiscernible / cross talk) on that if I - I mean, if we're - you - I mean, you know the dates.

52. Q. Well - well, as far as meeting minutes --

A. Yeah.

53. Q. -- for open sessions, --

A. Yup.

54. Q. -- it looks like sometime mid-June maybe of 2010.

A. Right.

55. Q. I don't know if - And were there any closed-door sessions or was there any discussion prior to --

A. The first I've heard of it was at a meeting where the governor told his story about going to a fundraiser.

56. Q. Okay. And if you can--

A. That's - that's the first I heard of it.

57. Q. And can - can you explain that a little more in detail?

A. Well, if I - if I recall, I mean, it was - it was uh - uh - He told a story that I've heard him repeat over and over, you know, in different public settings that --

58. Q. And just to be clear, when you say --

A. Yup.

59. Q. -- "governor," you mean Governor Carcieri.

A. Governor Carcieri.

60. Q. Okay.

A. Yeah. And he was at a - an event, you know, World War II or something historical / historian kind of thing, and they got to talking, and um - and uh - uh - and, you know, again, as well reported, it - it - you know, um, he uh was talking about his video game company and he wasn't getting any love from Massachusetts: hey, why don't you come and see us, blah blah blah.

61. Q. And - and who is "he?"

A. Governor Carcieri's saying to Curt Schilling,--

62. Q. Schilling.

A. -- why don't you come and - and visit our Economic Development Board and see if we can help you.

63. Q. Okay.

A. That was the - that was the - I was like, okay.

64. Q. Okay. And that was - that was just a discussion amongst the Board or were there people from 38 Studios or Curt Schilling--

A. Oh, no, no, no, no, no--

65. Q. -- at this particular meeting?

A. I - This was - I - I believe - Oh yeah, this was a - this was a - he was sending this out I believe for the first time to the Board --

66. Q. Okay.

A. -- asking, hey, here's something that I'm interested in - in getting going.

67. Q. And was this a closed-door betw- just between the Board, or was this something that was open?

A. Uh no, I don't remember any closed-door. No, it - it could have been, but I don't remember any executive session meetings, ever. Again, I don't remember. We have had had them, but --

68. Q. Mm hmm.

A. Executive Session was sort of when we got into details, it wasn't a - No, I don't think the concept, but you know, maybe - maybe - maybe we did go into Executive Session. I don't - I don't remember exactly.

69. Q. I'm going to show you meeting minutes for the directors; it was a public session, June 14th, 2010.

A. Yup.

70. Q. Will you just take a minute or two just to kind of review that and let me know if that - this is the meeting that we're speaking about or was it a different meeting, and if so, was it prior or after that particular one, if you can remember?

A. Um. Do they mention it in - in here? I'm just .. it'll take me an half-an-hour to review this...

71. Q. Well they - they - they do - they do mention inside there, but they also during that same meeting in this particular one, there were presentations also, I believe. So I'm not sure if we're talking about the same meeting.

A. Oh, this is the video -- Okay. So this--

INVESTIGATOR TELLIER - INDISCERNIBLE

72. Q. I think. I believe this particular -- These two presentations were given to the Board --

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**A. In this meeting?**

**73. Q.** At - at that meeting, same date, June 14th, 2010. So speaking of, you know, you - what you just mentioned about --

**A. I -**

**74. Q.** -- the Governor first bringing it to the attention of the Board.

**A. Yeah.**

**75. Q.** I just want to turn--

**A. I don't think it was a - I don't think it was at the same moment as this, I --**

**76. Q.** Mm.

**A. -- I think it was --**

**77. Q.** It must have been prior?

**A. Yeah. I -**

**78. Q.** Okay.

**A. - Uh, it - I would - I - I'm - Again, I'm not - I'm not -- It's hard - it's hard for me to remember the exact dates. There was a lot of action, --**

**79. Q.** Mm hmm.

**A. -- there was a, you know, a lot - there were many more meetings being scheduled at that time, it wasn't like at one month meeting or something like that.**

**80. Q.** Okay.

**A. But um, uh - I - I - I think I would be a lot more surprised if not only did I hear it from him if a presentation was prepared in the same meeting, that would irritate me. So--**

**81. Q.** (Indiscernible)

**A. -- that - I, I would be more - I would member (phonetic) - I would remember the**

irritation factor.

82. Q. Yeah. Okay.

A. Which I don't. Which suggests to me that I - that it was trialed - trial-ballooned or brought up in a--

83. Q. Right.

A. -- previous meeting.

84. Q. All right. Which makes sense. Okay.

A. Yeah.

85. Q. Okay. And - and do you remember this particular meeting?

A. Um --

86. Q. And this one seems like there was - 38 Studios was brought to the table apparently. It spent a lot of time during this meeting.

A. Yup.

87. Q. And then there was a presentation by Wells Fargo. And then this Strategy Analytics, who kind of went over some of the plusses and minuses, pros and cons of --

A. Yup.

88. Q. -- the gaming industry, --

A. Yup.

89. Q. -- not necessarily 38 Studios.

A. Right.

90. Q. But did you remember that particular meeting?

A. Oh yeah.

91. Q. Okay.

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A. Yeah.

92. Q. And was there anybody from 38 Studios at that particular meeting that you're aware of?

A. I - for - Again, you know, I don't want to - I don't want to be inaccurate by mistake, you know, but I think they had come in maybe towards the end, like.

93. Q. Okay.

A. So there was a neutral zone, and then maybe--

94. Q. Right.

A. -- they came in for some other Q & A. And they were hypersensitive about talking about anything detailed on public record, you know, publics - in a public meeting because they didn't want to show their strategic hand or anything like that.

95. Q. Mm hmm. Okay.

A. So the questions to 38 I believe, if they did come in, it was more of a - I think I remember Curt coming in and talking about his team-building philosophy, we were --

96. Q. Mm hmm.

A. -- meeting some key members of his -- It was just a meet and greet feel good kind of thing, it wasn't a deep dive or due diligence into 38 Studios --

97. Q. Okay. And - and --

A. -- in the early - in the early discussions.

98. Q. And was there - And, and I realize they didn't get into detail of the technical part of it, or maybe even the financial part of it, but did they at least ask - explain what they were asking for?

A. ...38?

99. Q. Yes. And / or anybody on the - on the EDC staff. But - Well, let's stick to 38 Studios --

A. Oh yeah, I mean they were--

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100. Q. -- at least first.

A. They were - they were looking for the - for the 75 million dollar loan guarantee.

101. Q. And did they use that number?

A. That's the only number I ever heard them use and it's the only number -- it's the number that repeated: it was - it was what they needed; it was what was more or less getting carved out of 125. That was a very knowledgeable, you know, thing through that whole process.

102. Q. Okay. If you - if you can specifically remember, did 38 Studios' peoples (phonetic) represent that number to you, or to the Board, do you remember? (Brief pause) Or were they present even when - when that number was presented to the Board?

A. For the first time, or (indiscernible)?

103. Q. Anytime. Anytime during that time period.

A. Sometimes, yes. Sometimes it was Mike Saul.

104. Q. Okay.

A. I mean --

105. Q. All right.

A. -- Mike Saul was really the - the deal front guy, he did way more explaining about what this was than anybody at 38 Studios.

106. Q. Okay.

A. And 38 Studios, who was asking for the money, was just providing whatever they needed to provide to get approval.

107. Q. Right.

A. And - and I - I would - I would characterize it as, you know, Mike Saul - Mike Saul was really kind of, whether he was supposed to be or was, you know, there's a lot of hindsight

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obviously now, but Mike Saul was supposed to be a sort of objective -- keeping in mind, no one comes to EDC arguing to not do something. I mean that's - People have to remember there's --

108. Q. Mm.

A. -- and, and people are advocating for whatever they're bringing, and that it's either going to be rejected or not. So - so - so Mike was presenting in- information in a supposedly objective light to the - to the things that were of interest to the Board: safety, security. And I definitely want to talk about that, because that's a - there's a, you know, the, the Board gets an unfair rap on a couple of deal - on a couple of details here.

109. Q. Mm hmm.

A. So um, uh - so, so Mike was presenting and advocating for the deal, that was his job. Just like the guy who presents for the solar tax credit for somebody, --

110. Q. Right.

A. -- they're advocating to - to - to - to have the thing approved. So Mike did a lot more of the talking and presenting than 38 Studios did. 38 Studios talked about their business: Mike Saul talked about the deal, if I had to put it into --

111. Q. Okay.

A. -- macro buckets.

112. Q. So is it safe to say that the Board understood that 38 Studios was looking for and needed 75 million dollars--

A. Yes.

113. Q. -- to make their company--

A. Yeah.

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114. Q. -- work.

A. Yeah, that's the biggest in the world. I put it in my interviews. And again, I don't know if I'm --

115. Q. Mm hmm.

A. -- you know, made this error (phonetic), um. In my conversations with Max Wistow, I'm not a big note-taker, and but I do remember the things that really irritate me that I observed, and those are the - those are sharp, sharp memories. And a sharp memory is that Board maybe thought he'd net 73 out of 75. Period. And that was the - that is obviously coming out in - in - in more of the assessment and everything--

116. Q. Right.

A. -- like that, but that's why that number was so critical. And you got business leaders saying, will that get you to your key finish line, whatever--

117. Q. Mm.

A. -- that was. That doesn't mean that would be all the money they would ever need till the end of time, that means is - was this going to create success for you in this phase of your business.

118. Q. And ... you say--

A. (Indiscernible)

119. Q. And - and you're as- -- you believe they were going to net somewhere around 75 million dollars.

A. Yeah, it was (indiscernible / cross talk)

120. Q. I mean, 'cause there were some closing costs.

A. -- closing costs, exactly.

121. Q. Right.

A. But 75 was like, you know, was - was the number.

122. Q. Was there an understanding by the part of the Board that they're going to get maybe around 73, but some of that money --

A. That was never -- No, no, no, there was no understanding of anything, it was a presumption --

123. Q. Presumption.

A. No - no one said they're gonna net 73, they - no one ever said they were gonna net 49. Everyone - everyone - Not -- I mean the - the cost of money, if you will, was never to that scale. I mean, --

124. Q. Right.

A. -- a third in reserve, you know.

125. Q. But. Okay. So --

A. (Inaudible)

126. Q. -- you - you mentioned "reserve," was there an understanding that there was going to be some money put in reserve?

A. Well, s- Okay, so again, your - You have to look at that - there was almost a blackout period for the Board, so - I'm - I'm being very, very, you know, open.

127. Q. Mm hmm.

A. As you read - As we've learned more details, and I read a lot more of those details, you know, you - you - you bring them back to your prior experience. So there were--

128. Q. Right.

A. -- things going on that we weren't aware of that I know now, so I'm trying to - to

answer your question in - in real time. The deal was simple and elegant and risk-managed when the Board approved the deal. And then there were these - there was a stall period of cancelled meetings and memorandum updates from Keith. So the Board was not being - the Board was not watching the sausage being made of this deal after it was approved. And the Board laid out very clear risk-mitigating gates in this - in that process. So --

129. Q. And - and what were those, if you can -- What do you mean by that?

A. Well, I - I can't - I can tell you -- I - I - I - I would in no way legally represent the - the um specifics, but I'll give you the philosophy, okay. Because again, you've got lieutenants around this table that have built businesses, and everyone knows how to mitigate risk, what gates are important, et cetera. But the one thing I - I will remember, as I told Max, as I told others in the - in the - in this entire experience is that the Board - Everyone knew there was risk. This is a new venture; there's risk in every new venture. It is period, the end. That's - or we wouldn't be helping start-ups at Betaspring or --

130. Q. Mm hmm.

A. -- or anything like that, there's risk. So the question is - is - is de-risking the situation mitigating the risk in as many stages as possible. So this was a big chunk of change. And what the Board approved is to have - I believe the number was five or six very specific milestones that had to be met based on the timeline that 38 Studios represented, roughly. So if they had a year-and-a-half of development or two years of development, that there would be key milestones to know that the money was doing what it was supposed to be doing and achieving progress as an investment should in a risky situation. And at each of those gates, a third party hard core analyst in IBM would be the gatekeeper. And I'll never forget how important that was to everybody to truly objectify the staging of that process. That's what the

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Board approved; that's in the Minutes; that's what we - that's the - the deal structure. You know like if you're buying a house, here are the conditions of the pre-qualified pre-approval, right?

131. Q. Right.

A. There was never any post approval, there was never any review of what the actual terms were. And the - the part that irritates me is a - not only a - a - a native taxpayer, but someone who's come up the hard way, is that all the rules were changed and the Board was not informed of that, and the deal folds. I find that personally disgraced - like I'm disgraced by it, literally.

132. Q. And - and what do you mean, what - what rules were changed, what do you mean?

A. The rules. I mean none of the gates were there: IBM was never actually hired; there was no approval; and the milestones were as weak as we could be, moving. Here's 14 million dollars. When I (phonetic) was signing the lease, here's 14 million dollars. They were - they were fixated on head count.

133. Q. Right.

A. So they would - they rent (phonetic) the head count to make up a quota, if you will, and - and - and --

134. Q. (Indiscernible)

A. -- add another tranche. But the - but the - whatever the tranches were, I don't remember them, and I haven't reviewed them, but they had nothing -- the tranches had nothing to do with de-risking the outflow of that money, and the - and the gates were never monitored by an objective third party company like IBM. Which is noted. I've read all that paperwork that - I mean, read the paperwork: they're secure, we have the contract, they're on board. The Board

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- when the meetings were being cancelled, the Board members were saying, like, what's going on with IBM? They're the - they're - that's not Mike Saul, that's not 38, that's not someone's job at a desk at EDC, it's a third party. And that - that as a person who lives in a risky world, you know, um - I'll say this again, I'm waiting for the mother of all editorials when this c- when the dust settles on this thing. Because there are a lot of lessons to be learned. But if we're going to foster any new businesses in this state and we're going to listen to entrepreneurial optimists with their plans, as I said to Max Wistow, I would say to this entire process, business plans are one of two things: always wrong and never right. That's the truth. No one wants to - everyone wants to allude that they were cooking the numbers or whatever, or suggest that.

135. Q. Mm hmm.

A. Plans are always wrong and never right. And the - the minute educated people acknowledge that, then they get onto actually how new businesses get off the ground, and that is about managing and de-risking important gates, important milestones. And that, like - like that Board was a responsible, sensitive, argumentative, you know, fist-pounding kind of performance board; that they knew that, yeah, we're going to take this risk, or yes, we've decided to take this risk based on these things; now it's the EDC staff's job to make it happen. And they just bungled it. Which - which again, --

136. Q. So do you - do you think they - the money that they put in - eventually they put into reserve - not eventually, --

A. Yup.

137. Q. -- they put it in reserve once these - these bonds were approved and all, --

A. Right.

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138. Q. -- which seems to be somewhere in the 20 - low 20 million dollar range, was that part of the mitigation, mitigating the risk?

A. **Not at the beginning. Nope, I said no. Um uh at - Again,**

139. Q. Well, ...

A. **-- if you're asking me ... you're asking - you're - I'm gonna --**

140. Q. Yeah.

A. **Eventually it was, but that wasn't part of the mitigation discussions on those states. I don't recall that being a specific one. Because, there would be an immediate question of well, what's happening to the 75? And philosophically, if we're going to have a guaranteed loan fund that's remotely relative to all the other funds in all the other greats states who are doing this very, very well, we need to take the risk and give them the money that they need, not give them 75 and take 25, because people are just going start asking for 100, you know, and - and there goes all the money. So think about that, 125 million dollar fund, and we're going to put a third of it in the bank. That's stupid. That's just - you're not actually doing what the intention of the program is.**

141. Q. Were they eventually going to get that money?

A. **Were they ever --**

142. Q. .... Would they ever-

A. **From ... reserve?**

143. Q. Had - had - had --

A. **I have no ...**

144. Q. -- had those not failed?

A. **No. Would they...? Say that again.**

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145. Q. Had a business, let's say the company was still in - still in business, --

A. Had the business not failed, --

146. Q. -- today, let's say, was that re f- that reserve fund ... eventually go to that?

A. Uh, that's a - that's a -- I - I don't know, you're a-- 'Cause I don't know if that was reserving for the bond holders or maybe when the bonds were paid or something maybe? I - I have --

147. Q. Mm hmm.

A. I have no idea. I have no idea.

148. Q. Okay.

A. I - My - my - my thought - my thinking is that it - it netted at 49 and that's what they were going to get, and the rest was an insurance policy. But--

149. Q. S--

A. -- I know - I really don't know the -- I don't know. .

150. Q. So it seems like you feel like the Board was misled. Is that true?

A. Oh, I've been consistent. The - the presentation - there's nothing wrong with waxing optimistic on a presentation. That's what they're doing, they're in a sell mode.

151. Q. Mm hmm.

A. But in - in - When in hindsight as you see the - the true, again, looking at a lot of the evidence that's been published, the fact that I think meaningful information from the - I think the Strategy Analytics folks, whatever, was removed from that presentation, and the counterpoint voice at the table, there was no - if, if it was a few degrees louder, I think that that would have been better. And I think coming from Strategy Analytics, --

152. Q. Mm hmm.

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A. -- that would have been a um, that would have been a tiny little light, you know, that either someone was going to pick up on or not. And that was removed from the presentation. And I saw those notes, and it really does irritate me. I - We're all, I don't want to say big boys, but we're big boys and girls at that table; I think knowing that would have shaped the process. I don't know if it would have not - would have ended in not approving it, there's no way you can say that.

153. Q. Mm hmm.

A. But - but the - the Board - the - everything was - everyone waxed optimistic in the - in the selling side of it. When the Board approved and talked about these important principals, these gates, I think that's when the Board was really just, p-whoosh, okay, we got the Board's approval, let's do no harm and get to closing as fast as possible. That's where the Board - That - that's more what a Board - And that's - that's been evidenced, you know.

154. Q. Is--

A. There's - there's - there's - there's like, stuff on paper that blows me away.

155. Q. Now Governor Carcieri was the Chairman of the - of the Board.

A. Right.

156. Q. Did - Was he in - Did you have any knowledge that he was involved with these - these benchmarks that they set after the approval of, you know, this m-

A. I have no --

157. Q. -- the release on the --

A. I have - I --

158. Q. -- building, the certain number of employees, which really w--

A. I have a hard time thinking he wasn't being kept up to date by Mike Saul, the

Executive Director. I mean, it's - there's no - it's no secret, he wanted to see this go through. I mean --

159. Q. Right.

A. -- he - You know, the Governor was advocating for it. And again, the - the uh - you wonder how much of this is in the air and how much of it is opportunity or whatever. But um, again, as someone who's been in this town for a long time and does their business everywhere else in the world and is advocating for, you know, a good economic development policy, you had the democratic general assembly leader, a republican governor on the same page to create a cluster. I mean, that - when is the last time that happened?

160. Q. Mm. So did - did he more feel the pressure that (indiscernible)...?

A. Well, I don't think pressure, absolutely not. Was - was there energy? I think that's a very absolutely legitimate word. There was energy to do something, and you had alignment, you had commitment, you had, like meaning commitment to the funds, this was happening at - in record time in a solution-oriented way. Like the Board finally got to, you know - again, this was roughly June - the Board was finally getting traction, and - and stuff was actually happening. So that energy, that momentum was in the air, but there was never a pressure or a - or a arm-twisting, or - or a anything like that. I never felt anything like that. Ever.

161. Q. Okay. I mean in light of this whole thing, I mean, you - you said you felt like maybe the Board was misinformed or mis--

A. It was--

162. Q. -- intentionally misled?

A. Not when we approved it. I think everyone was doing -- When we - I - You know, people would point - I - I don't know. When we approved it, no one felt anyone was

**intentionally misleading about anything, --**

**163. Q. Mm hmm.**

**A. -- we were p- we - they were - we were presenting an opportunity.**

**164. Q. Mm hmm.**

**A. Or they - they were presenting an opportunity; we were responding to that opportunity. And um, ... ev- you know, they were advocating for it. So the - that's --**

**165. Q. Right.**

**A. We were, you know, -- That's the - the - There was no duping. There may have been selling, --**

**166. Q. Mm hmm.**

**A. -- but there was - there was no duping.**

**167. Q. Right.**

**A. And I don't think the Board felt that at all. And there was a lot of nodding on these gates and how important they were. And I'll go - I'll go further ...**

**168. Q. When you say "the gates," you're mean---**

**A. Those - those -- When the Board approved it, it goes, okay, we'll approve these under these conditions: boom boom boom boom boom. That but you're - you're saying you need this money to get to this point to finish this game; there are key - I'm the development guy, I mean I - I run - it - we invent devices to, you know, fix major medical things where we don't even know what the solution is. But I can put a plan together and I can tell you exactly how we go from a blank sheet of paper to a finished product in a surgical - in a surgical suite.**

**169. Q. Mm hmm.**

**A. And before we even know what's on that paper, I know how to de-risk that**

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process. Which is why I was the - the - the product development kind of guy at the table. And I'm like, they have a plan and I - I, as - as - as many other people who went up to their studios, and their program planning was world class. The game that they were working on, whether it was theater or not, who knows, no one will ever know. But I know good program planning. And if you've heard of Microsoft Project, basically it's very task-oriented, if-then-go-to kind of stuff, and there are gates, there are approvals, there are milestones. And until all these things are done, you don't go to the next gate. Well that's how video games are produced, because they're so multi-faceted in terms of all the inputs that go into each stage. So they had their hand on that, which is why I was confident that if all we did was objectify that process, no one could play with the - the - the ingredients, you know, no one could play around. And - and this whole idea of IBM, you know, this third party objective world class company was going to monitor those things. So the - the duping happened when these were our standards, and they were systematically booted out. And we were uninformed, we were stalled, the meetings were cancelled, and there were absolute misrepresentations--

170. Q. Mm hmm.

A. -- in the memos from Keith to the Board that are in black and white, that are on - that are public documents. That's not an opinion, that's a fact in hindsight.

171. Q. And did the Board know about the other milestones, you know, on a certain date move into the - into 38 Studios or move into Rhode Island, a certain date for this number of employees, certain release of money for like average pay for employees? I mean, 'cause it sounds like and it looks like a lot of times they were getting released money when they met spending uh milestones...

A. (Indiscernible)

172. Q. -- versus.

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**A. I - And again, can we put this on the recording as political commentary? The minute we stopped putting money out for job creation, --**

**173. Q. Mm hmm.**

**A. -- and we put it out for opportunity creation of which jobs is an after effect, --**

**174. Q. Mm hmm.**

**A. -- we'll - we'll actually start going in the right direction. But this idea of job creation head count, I think pol- is a - is the wrong word; it's what everybody wants to hear. It's an outcome, it's not a - it - it's a - it's not the means to the end, it's, you know, it's an outcome.**

**175. Q. It shouldn't be the prerequisite you're saying...**

**A. Exactly. And if you - And I think they put so much on - on job creation that they made that a very important milestone. And I don' think the Board - I mean, I don't remember the Board being fixated, I think they were call backs, not - it wasn't like you get this and you get this job - this head count, it was way more about if you don't hit this head count, in two years we're going to call some money back. That - that's way different than incenting someone to hire too fast.**

**176. Q. Mm hmm.**

**A. Which, again, in hindsight they've described I think that they ... they did that. They were in a race to hit those milestones at an average of 90,000 a year instead of 68 or 9 or whatever they were aiming for.**

**177. Q. ... Who benefited from this? I mean if they - if they - if they took a loan for an amount of money that they knew wasn't going to be sufficient, so they had a hole, --**

**A. Yeah.**

**178. Q. -- was there any discussion on filling a hole? Like at first it's the Board - you - you said**

that you thought maybe they were probably going to get 73 versus the 75 million that--

**A. Yeah.**

**179. Q.** -- they needed, --

**A. Yup.**

**180. Q.** I mean, when we look at 2 million dollars, it seems like a lot of money: geez where are you going to find that?

**A. Well - Yup.**

**181. Q.** But - And so was there any question on how you're going to fill that hole, 'cause 2 million dollars could make you shut the doors?

**A. I - I believe that they were in - Curt Schilling was very open about how he was continuing to underwrite. You know. Whether - whether it was bridging or - or collateralizing, I didn't know or anyone I don't think knew what those details were, but he was - he was continuing to underwrite and bridge cash, you know, payroll and all that stuff from his own funds. And he was open about that.**

**182. Q.** So he - he discussed that with the Board.

**A. He discussed a - a lot more of it after the fact. I think he didn't - he - he talked about the amount of money he had in it, --**

**183. Q.** Mm hmm.

**A. -- and um, uh - um, and like that was obviously - So 2 million dollars, if you got 30 and the State's putting 75, like that number kept coming up, 30 million dollars.**

**184. Q.** Okay. That he had already or that he was able --

**A. That (indiscernible)**

**185. Q.** -- to still put in?

**A. Yeah but it - it - it - I think the words were - Like for example if I posted, whatever, 5 million dollars of gold, have I loaned, have I given the company 5 million or have I taken a line of credit with a guarantee? There was a lot of -**

**186. Q. Mm.**

**A. -- ambiguity in a lot of those words. But no question that he was investing his own money.**

**187. Q. Was there any talk of any outside investors that they were...?**

**A. They were always - They were in a fund raising mode, they were - they were in a fund raising mode. And - and this is where again, people are trying to. You know. I - I see both sides: you're always in a fund raising mode when you're a start-up. It's not like people are surprised that this was - This was not going to be all the money they ever needed, it was going to bring them to the launch of that game. That's what - Launch is different: you have a - a value inflection point.**

**188. Q. Right. And then--**

**A. And then you --**

**189. Q. -- the 75 --**

**A. And then the - Yeah, then you're - then you're raising more money. So whether they were - Whether they -- So - so they - let's say they net their 49, --**

**190. Q. Mm hmm.**

**A. -- I'm assume, I - no one -- there weren't many meetings after that -- I assume that they're going out and raising the difference, you know. And - and if - And that was the - the hand that they were dealt, you know, that was the --**

**191. Q. Right.**

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**A. -- situation, so.**

**192. Q.** So if they - if they - if they came to the Board and they came to EDC and said we need 75 million dollars, here's our financial projections, 75 million dollars is going to get us to the point where we're going to be able to release--

**A. Yeah.**

**193. Q.** -- this multi-media game,--

**A. Right.**

**194. Q.** -- start bringing in revenue.

**A. Right.**

**195. Q.** But then in fact, they accept a small amount - let's just say --

**A. Right.**

**196. Q.** -- 50 million dollars, --

**A. Would you?**

**197. Q.** Okay.

**A. What would you do, right? It's like a - in a little bit of a --**

**198. Q.** Right.

**A. We can't give you 75, you have no money, we can't give you 75, but we'll give you**

**50. There's not a --**

**199. Q.** But do you - do you see anything wrong with --

**A. Them adjusting**

**200. Q.** -- the term sheet --

**A. Oh.**

**201. Q.** -- a term sheet saying that you're going to be able to meet those milestones with the net

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proceeds when you're - when you're t- obviously know that you really need 75 million. Did you see anything wrong with that?

A. Well so I built --

202. Q. You know what I mean?

A. Well first of all, I didn't see that.

203. Q. Right. No, you're right.

A. So - so if you're asking me, conceptually?

204. Q. Right.

A. Um, not nearly as much as everybody else does because they may have changed their milestones. They may have changed their specification. They may have changed what they were going to deliver by that time. I don't know that, so I don't know if - I'll, I'll give you a perfect example: If a start-up comes into my business and wants the - a device to get to the finish line, let's say we could do that for 10 million dollars. If Johnson & Johnson comes into the building and they want it done to Johnson & Johnson standards, I can get it to the finish line; it'll cost Johnson & Johnson 25 million. Because Johnson & Johnson requires a different process to get to the same finish line. It's the same product, same spec, 50-percent of the cost. So whether they were adjusting based on the funds they had, I have no clue. But if I were an entrepreneurial start-up, that's what I would do, and that's what every entrepreneur would do. But this i- this idea - and I haven't looked at the - the numbers or analyzed it, --

205. Q. Mm hmm.

A. -- but this idea of them misleading, I - I find that like, ridiculous. Someone as uh - I - the pre- the people that say that have never built a business, I guaranty it, because you do that all the time.

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206. Q. So you don't think anybody obtained any money under false pretenses.

A. Absolutely not. And -and it - and - and the fact that people discount - again, I - I - I watched as -- don't forget, I was at the tail end as well, --

207. Q. Mm hmm.

A. -- and I -- There were people on that Board that believed Curt Schilling was lying about the roughly 38 or 40 million of his own money he put in. I ... I'm blown away. That - Like this guys's gonna lie? It's all eviden- It's all evidence or - or discoverable or whatever. You know, who lies about that? And - and so the - the guy lost his fortune right alongside the State of Rhode Island, and people think his money is worth less than, you know, you know what I'm saying, that - that --

INVESTIGATOR TELLIER: Mm hmm.

208. Q. Right.

A. -- it - that that money doesn't matter. That is the testimony to an entrepreneur who has literally risked everything, and ultimately lost everything from I guess from what you - what you read or whatever, but I haven't been up to date lately on it. But um, uh - But he was right there, he was doing exactly -- And, and to mislead or misrepresent or to take money under false pretenses, I wouldn't know - like, I don't know the inner -- I didn't see any of it. I don't believe anybody would be motivated by that, there was too much at risk. The jobs, the - the - the ego, his fortune, the State of Rhode Island. Who's going to do that? It - its too - it's too - too complicated; too much at risk in - in my opinion

209. Q. Certainly he had a lot to lose, and - and his --

A. Of course he did.

210. Q. -- and his executives had a lot to lose, 'cause they're you know, well-off people. So they--

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**A. Right.**

**211. Q.** -- came along and gave - and probably moved from a different state, you know, had to sell property, had to buy property. But do you see anybody on a - on a much smaller financial level that might have benefited from pushing this through? Whether - whether it be nefarious-

**A. Well ... Yeah, --**

**212. Q.** -- or, or?

**A. -- in the - I think when you - in, in the were people benefiting from the transactions? And uh, again, I'm not a lawyer, and the details are almost --**

**213. Q.** And I'm not talking about commissions or whatnot on - on closings of loans, I'm talking about ...

**A. Well, ... But there was - you - there was someone working both sides of the deal for like 600,000 -- forgive me if I'm mis-remembering that one. But like that - that's pretty irritating.**

**214. Q.** Mm.

**A. You know. That - that - that to me is - that's - that's irritating to me.**

**215. Q.** Yup.

**A. So - But you know, but I don't - I never saw, you know - Who knows if it happened? I don't - I haven't seen evidence of that...**

**216. Q.** (Indiscernible)...

**A. And I - and it - it wasn't in the wind. There were - there were too many people who wanted to see this succeed from Gordon Fox and, you know, I'm not a political person, but from - from ev- from Gordon Fox to everybody wanted to see this succeed after the deal was done.**

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217. Q. Mm. Okay.

A. Maybe not everybody. But.

DETECTIVE CORPORAL BUONAIUTO: Any questions, Lori?

INVESTIGATOR TELLIER: No.

218. Q. All right. I think we've pretty much co- Is there anything that we haven't asked you you think is important that you would like to put on record, or?

A. No. No, nothing that we didn't cover.

219. Q. Okay.

A. So.

DETECTIVE CORPORAL BUONAIUTO: Okay. This concludes the interview. It is now

8:58.

STATEMENT TAKEN BY:

WITNESSED BY: