

Bond Case Briefs

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Rhode Island Reaches Settlements Over Curt Schilling Bonds.

Rhode Island struck a settlement with Wells Fargo & Co. and Barclays Plc, agreeing to accept about \$26 million to drop litigation over a municipal-bond sale that benefited the video-game startup led by former baseball pitcher Curt Schilling that later failed.

The deal with the banks, who deny wrongdoing, must be approved by Rhode Island Superior Court, according to a statement by the state's Commerce Corporation. The economic development agency is still pursuing lawsuits with other defendants over the \$75 million bond offering.

This settlement is the biggest and brings the total garnered through such deals to more than \$42 million, the agency said.

"It's our job to be as aggressive as we can in recovering as much taxpayer money as possible," Governor Gina Raimondo said in a statement. "Rhode Islanders understandably feel hurt by this deal — and I do too — but I want everyone to know that we are demanding accountability, getting money back, and moving the state forward."

SEC Litigation

The Commerce Corporation, formerly known as the Rhode Island Economic Development Corp., and Wells Fargo still face a lawsuit by the U.S. Securities and Exchange Commission. The SEC said in March that the agency and bank misled investors about how much money was needed by Schilling's video-game company, called 38 Studios LLC, after his Boston Red Sox uniform number.

In 2010, Schilling's company was developing a multi-player online game that it estimated it would need at least \$75 million to complete, according to an SEC statement in March. When 38 Studios couldn't obtain additional financing following the bond sale, it failed to produce the game and defaulted on the loan.

The state had sold the debt for 38 Studios as a way to lure the company to Providence from Massachusetts. 38 Studios entered bankruptcy in 2012, leaving taxpayers on the hook.

"We are pleased to have reached an agreement in this case. We are not admitting liability, nor did we do anything improper," Gabriel Boehmer, a spokesman for Wells Fargo, said in a statement. "It is simply in our shareholders' best interest to minimize the risk that accompanies lengthy litigation."

Barclays spokesman Marc Hazleton declined to comment.

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