

THE GLOBE AND MAIL

February 27, 2015

Small island, big bet: How PEI lost its online gambling gamble

By ROBYN DOOLITTLE AND JANE TABER

If the plan worked out, it was supposed to transform the birthplace of Confederation into the centre of a lucrative online gambling business in Canada. The five-year saga unfolded largely in secret, until it unravelled in securities court

John Shane MacEachern worked in finance. His wife was PEI's deputy minister of tourism. Jeff Trainor was a manager at a golf club, and his wife worked part-time at an investment firm in town. The couples lived next door to each other and had kids around the same age. They saw each other nearly every day.

So when Mr. MacEachern learned about a big money-making opportunity, he told the Trainors about it.

Mr. MacEachern was brought in by his pal Paul Jenkins, who'd gotten involved via his cousin, Garth Jenkins, who was dating the cousin of one of the main players, a man named Paul Maines.

The tip making its way around Charlottetown went like this: A U.S.-based tech firm wanted to open some sort of global banking platform on the island and the province was supposedly interested. If things played out the way boosters envisioned, a big payday was awaiting everyone involved.

Mr. Trainor wired \$10,000 to Capital Markets Technologies. He was one of 36 islanders to invest a combined \$701,030 in CMT.

Even those close to power got in on the gold rush. A Charlottetown lawyer – one of then-premier Robert Ghiz's close confidants – invested \$10,000, then later advised the government during a phase of the proposed deal. PEI's conflict of interest commissioner put in \$15,000. The premier's chief of staff also had an interest: Records show his wife invested in a dormant shell company that CMT was trying to buy.

The money flowed despite the fact that only a handful of CMT's investors knew the full plan behind the financial hub. Most had no idea that years before CMT landed on the island, the province had been trying to get into the online gambling business. The banking platform, it turned out, was to host an eGaming operation that the province hoped would generate as much as \$85-million a year.

The strange saga of how Canada's tiniest province tried to become an international gambling centre played out largely in secret over the past five years.

From its clandestine beginnings to its unravelling in a securities court – the first formal securities case in the island's history – PEI's foray into eGaming has laid bare the overlapping world of business, politics and personal investment in a province of just 145,000 people, where six degrees of separation is more like two, nearly everyone knows someone in power and government operates with minimal scrutiny.

The fact that the plan was illegal – and had elsewhere been used by the Mafia – is one of this story's more mundane details.

The Plan

Barely 50 families live in Scotchfort, a sparse reserve in rural PEI that's bordered by blueberry fields and the Hillsborough River. It's located about a half-hour's drive northeast from Charlottetown along the Veterans Memorial Highway, tucked behind a gas station and an auto-marine repair shop. Besides the Abegweit First Nation band office, there's not much else in the area.

There would have been, though, if things had gone as planned. This was the proposed ground zero for the gaming hub's servers. Locating the system on aboriginal land was key and here's why:

In September, 2008, then-finance minister Wes Sheridan released a report on the province's gaming strategy. He warned that the rapid growth of unregulated online gambling could threaten PEI's gaming revenue from its racetrack/casino and lotteries – "unless actions are taken." But the problem had no obvious solution. PEI was too small to launch a local eGaming operation. It would have to attract users from outside the island – and that was against the law.

In Canada, individual provinces are free to license online gambling, but only within their own jurisdictions. Trying to launch anything on a national or international scale violates the Criminal Code.

So while PEI had eGaming on its radar, it had no idea how to get in the market. That is, until Sept. 21, 2009, when the man who represents the island's 1,300 aboriginal residents walked into the finance minister's office with a proposal.

Many of the province's aboriginal residents live in poverty, without proper housing or clean drinking water. Elsewhere in Canada, First Nations supplement their resources with on-reserve casinos, but this wasn't a viable option given PEI's size. If a casino was built on Lennox Island, chances are the only people who'd use it would be those living on the reserve.

Native leaders needed to be creative. "Through our research we found out there was a void, if you will, in terms of the regulation of online gaming," said Don MacKenzie, the executive director and legal counsel for the Mi'kmaq Confederacy of Prince Edward Island.

There was already Canadian precedent in Quebec. For nearly 15 years, the Kahnawake reserve outside Montreal has been running an online gambling business without consequence by asserting its right to self-govern. Quebec police spent months investigating the operation in 2001, but ultimately the decision was made to sidestep a thorny debate about aboriginal sovereignty.

Mobsters had also found fertile ground for online gambling on native reserves. When the RCMP arrested more than 90 Montreal-based Mafiosi in 2006 – a probe police called "one of the most important police operations in the history of Canada" – the force released documents that showed organized crime had turned to Kahnawake to maintain the servers for its illegal sports-betting operations.

In PEI, officials knew the plan was provocative, but the province was game – provided it could be studied quietly.

Work started slowly. In the early days, the meetings were limited to Mr. MacKenzie, Mr. Sheridan and his deputy minister Paul Jelley (who has since died). Initial discussions focused on the basics: How does the money get collected and distributed? What kind of security would be needed? How do you ensure the games are fair? And then, of course, there was the problem of the Criminal Code.

By February, 2010, the trio realized the job was too big to manage in-house. A respected Charlottetown law firm, McInnes Cooper, was hired to stickhandle the file, adding two lawyers and a business consultant to the roster. This group would later become known as "the gaming committee."

It had a budget of just under a million dollars, but opted to manage the money in an unorthodox way. Instead of having a line item for eGaming research on the books, the province funded the work with a \$950,000 loan paid to the Mi'kmaq Confederacy. The loan was to be repaid out of any future profits from online gambling. If eGaming never materialized, the Mi'kmaq weren't liable. (Later, the finance minister would declare the government spent no money on eGaming.)

The committee typically met a few times a month, most often at McInnes Cooper's Charlottetown office. It became obvious early on that no one on PEI had the technical skills to build a virtual Las Vegas. They would need to find an industry expert.

What the committee didn't know was that on the other side of the ocean, a company called Simplex was looking to expand into North America. Simplex ran a "global transaction platform" in the United Kingdom, a place where high volumes of money could quickly be exchanged on a secure connection – technology typically used by banks.

Nor did the gaming committee know that, on a cloudy March afternoon in 2010, an executive with one of Simplex's primary shareholders was sitting in a Charlottetown pub, just around the corner from McInnes Cooper.

The Pitch

It was supposed to be a casual get-to-know-you lunch at the Pilot House. Paul Maines was protective of his cousin and wanted to meet her new boyfriend, Garth Jenkins, but Mr. Jenkins was a businessman and so was Mr. Maines, so the conversation quickly turned to business.

Mr. Maines primarily worked out of Toronto, but his family was from PEI. He had a summer house on the island. He's essentially a professional deal maker: He parachutes into companies, fixes them up, then goes on his way.

His latest venture involved a U.S.-based tech company called Capital Markets Technologies. CMT incorporated in Florida in 1995 and was now based in Chicago. It was also on its fifth name, leaving behind RLN Realty Associates, Fintech Group, Gentech Pharma and Netmaximizer.com. When the company was active, it specialized in e-commerce and operated on the penny stock circuit.

By the time Mr. Maines hooked up with CMT in 2009, it was in disarray, both financially and staff-wise. It did have one very valuable asset, however: a roughly 30-per-cent stake in Simplex, an accredited SWIFT provider, meaning it had a licence to operate on a high-level financial network.

Mr. Maines, a former broker with Morgan Stanley, doesn't look the part of Bay Street schmoozer. He typically prefers T-shirts to ties. Standing 6-foot-4, the 47-year-old looks more like the football player he once was – for the Saskatchewan Roughriders in the early 1990s.

Mr. Maines had also come through some controversy. In 2001, he was terminated from Morgan Stanley for violating firm financing policy. More than two years later, the New York Stock Exchange learned that – before he left the securities industry – Mr. Maines was alleged to have moved clients' money around without their knowledge and to have provided "fictitious" statements to hide the transfers. These customers were his soon-to-be ex-wife's relatives. A stock-exchange report summarizing the case doesn't say where the money was going. Mr. Maines was sanctioned for not co-operating with the investigation; the allegations weren't pursued.

"At the time I was young and did not have the assets to fight a U.S. lawsuit," Mr. Maines said. "This is just an exchange. It's just a club. It's not a regulatory body. However, in hindsight, it looks very bad on Google and it's something I've had to deal with through my professional life. ... I wish I would have went down and explained."

The meeting at the Pilot House set things in motion. Mr. Jenkins was excited about what CMT was doing and wanted to get involved. His girlfriend (soon-to-be wife) had shares in the company. Mr. Jenkins got in touch with his cousin, Paul, a pharmacist and wealthy entrepreneur who had connections with government.

The pair met up a few months later at a pancake house in Charlottetown and Garth Jenkins told Paul about CMT. By July, Mr. Maines, the Jenkinsees and Simplex CEO Philip Walsh were exchanging regular e-mails about how to bring Simplex's technology to North America.

PEI's size and location made it an ideal outpost. It was an hour closer to Europe than Quebec and Ontario and just a short flight from New York. The province's tiny population meant government was correspondingly small and nimble. Big decisions could be made quickly. Operating costs were low and PEI offered lucrative incentive programs – including a 25-per-cent labour cost rebate for new companies.

According to both Mr. Maines and CMT's lawyer Gary Jessop – who at the time was a partner with Blake, Cassels & Graydon in Ottawa – Paul Jenkins suggested CMT would have an easier time doing business on the island if it had a local connection. He recommended setting up a PEI subsidiary of which he would be president.

Records show that, in August, Garth Jenkins invested \$50,000 in CMT through a family business, as did his father. Shortly after, Paul Jenkins put in \$100,000. On Sept. 10, a numbered company – 7645686, a wholly owned subsidiary of CMT – was incorporated with Paul Jenkins as the sole director. (The evidence – corporation documents, more than a dozen e-mails obtained by The Globe and Mail, interviews with those involved – suggests Paul Jenkins is the person who brought CMT, Simplex and the PEI government together. When things fell apart, according to an affidavit filed during a securities hearing, he would claim he had nothing to do with the company.)

The business operated as Financial Market Technologies, or FMT. When CMT's credibility was later questioned, islanders eyed the different names – Simplex, CMT, FMT and 7645686 – and wondered whether the company was trying to hide something in all those layers. It didn't help that the way CMT went about raising money was also convoluted.

After the Jenkinsees came on board, CMT – which people on the island knew as FMT – began promoting itself.

CMT was no longer a publicly traded company, so it didn't have shares to sell. Instead, investors signed "convertible loan" agreements. This meant people would lend CMT money (at 12-per-cent interest) with the understanding that once the company went public those loans would be converted into shares. CMT was looking to do what's called a reverse takeover with a cheap listed shell company. It's a legal shortcut to the stock market – and the company had a target in mind.

That was Revolution Technologies, a Toronto-based technology outfit that had bounced around for decades. Originally set up in British Columbia in 1979 as a mineral and gas company, it was at the moment a business in name only.

With the stock market problem on its way to being solved, CMT ramped up its effort to woo government. In January, 2011, according to an affidavit filed in securities court, Paul Jenkins asked Mr. Maines to help the premier's chief of staff recruit new companies to PEI using his Bay Street "business network." Mr. Maines said Mr. Ghiz's chief of staff, Chris LeClair, promised him that CMT would be rewarded. "As a result, I was debriefed on a 'gaming file,'" Mr. Maines said in his affidavit. For Mr. Maines, it was an aha moment: The global transaction hub could easily include an eGaming branch.

(One of the firms Mr. Maines says he helped bring to PEI was Virgin Gaming, which the company's CEO, Rob Segal, confirmed. Virgin – which now goes by WorldGaming.com – moved its servers and a call centre to the island.)

Meanwhile, in early 2011, Paul Jenkins pitched the financial-service centre to Brad Mix at Innovation PEI, the province's economic development branch. He introduced the Simplex crew to Mr. LeClair, the premier's chief of staff – who happened to be a personal friend. With things in motion, CMT's subsidiary bought \$4,000 worth of tickets to the Annual Leader's fundraiser at the posh Delta Prince Edward.

"Financial Market Technologies is moving to PEI shortly. In support of the government they have spoken for 4 Premiers Dinners Tickets," Mr. Jenkins wrote in an e-mail to Liberal Party executive director Mark O'Halloran.

The day after the dinner, April 21, 2011, Paul Jenkins made a \$30,000 investment in Revolution Technologies, the shell company that CMT was planning to buy. Mr. Jenkins had already bought 100,000 shares in RevTech for \$15,001.27.

By the books, the stock was nearly worthless. Shares were cheap. If the company's fortunes changed, though, Mr. Jenkins' investments could be worth a small fortune. Others wanted in.

A week after the premier's gala, RevTech's lawyer, Colin James, received a fax from the chief of staff's wife, Christine DaPrat. She wanted to make a \$1,500 investment in RevTech. This document, which was obtained by The Globe, was sent to Mr. LeClair and Ms. DaPrat for comment.

In an e-mail to The Globe, Mr. LeClair said they made the investment "because we heard it was a company that could be used for a variety of purposes, including financial services." He added that "it was a small sum of money that we invested into a debenture, perhaps mistakenly on our part, without a lot of due diligence. ... However, in the event that any investment in any company ever posed a potential conflict of interest to me, we would have forfeited any potential benefit."

Asked if he's ever worked on a file before that intersected with his private life, Mr. LeClair said, "There were no files that I can think of, but in a small place it is always a consideration."

PEI has legislation governing conflict of interest for elected officials as well as cabinet ministers, but there's nothing that covers the behaviour of political staff, explained conflict of interest commissioner Neil Robinson – who was also one of CMT's investors. Mr. Robinson gave \$15,000 to the company in August, 2012. (There is no suggestion he was involved in any of the negotiations.)

"I asked specifically, 'Was government involved?' and I was told, 'No, it's going to be financed through the company.' That to me seemed to be enough," Mr. Robinson explained, adding that if at some point a complaint is raised, "obviously I would be recusing myself."

By spring, 2011, CMT's business with the government was expanding. The province was actively talking with CMT and Simplex about using the latter's technology to develop a loyalty card program. In May, the deputy minister of tourism, Melissa MacEachern, sent Mr. Maines an e-mail about the card – the plan was to offer discounts at participating restaurants, shops and sightseeing attractions. (Ms. MacEachern, mentioned at the beginning of this story as the wife of the man who told the Trainors about the deal, had since divorced John Shane MacEachern.)

This was also the month that the company and the gaming committee officially connected.

The three-day meet and greet was organized by Paul Jenkins. According to an itinerary he prepared, the festivities began on a Wednesday with evening drinks at the historic Great George hotel followed by surf and turf. Over the next two days there would be rounds of golf, steak dinners and meetings with Innovation PEI. On Friday, May 20, Simplex would make a formal presentation to the gaming committee.

Once back in London, Simplex's CEO, Mr. Walsh, sent a formal follow-up e-mail to McInnes Cooper with a preliminary outline of how things could go forward. Mr. Sheridan replied the same day: "I look forward to a good read this evening and as well to the possibility of a strong win-win situation that could develop from a financial relationship."

The chief of staff, Mr. LeClair, also wrote to Mr. Walsh: "Philip, it was a real pleasure meeting you. I really hope that business materializes and that we have occasion to welcome you (and your wife, child and soon to be child) to PEI."

Talks continued throughout the summer. The list of investors grew. On July 28, 2011, local lawyer Bill Dow, Mr. Ghiz's former campaign manager and a friend of 25 years, wired \$10,000 to CMT.

And finally in September, Simplex reported back with a 41-page road map that would see the birthplace of Confederation transformed. The report included a 36-week timeline, plus revenue estimates and legal hurdles – including a detailed section about how the Kahnawake reserve was operating without government interference by declaring itself a "sovereign" nation.

In a telephone interview, Mr. Walsh said they came up with two paths forward. Plan A was to regulate eGaming at a provincial level and recruit other provinces to join the PEI hub; provinces would receive a cut of the revenue. If that didn't work, Plan B was to base the centre on Mi'kmaq territory, using the Kahnawake model; the constitutionally entrenched treaty rights of First Nations would "supersede" the Criminal Code, said the Mi'kmaq's Mr. MacKenzie. And unlike the situation in Quebec, PEI's centre would be done in partnership with the government, adding a layer of legitimacy that would appeal to large gaming companies.

Mr. MacKenzie stressed that PEI wasn't planning to open an online casino of its own, but to collect licensing fees from established gaming outfits. "I think it's important to recognize that ... we were not in the gaming business," he said. "We were trying to get involved in the regulation of gaming business." It was really about public safety, he added.

PEI's global transaction platform could have been up and running by the end of 2012, if everything went according to plan.

But, of course, nothing went according to plan. In fact, the undoing of PEI's eGaming project was well under way.

The Unravelling

Around 35,000 people live in the capital of PEI. On any given night in Charlottetown, the province's power brokers are likely sitting in one of half a dozen restaurants or bars, all within walking distance of each other.

Out-of-towners stick out. Even people who live on the island but weren't born there are labelled "come from aways." So when Mr. Maines began showing up with guys speaking in English accents, people noticed. One of their favourite spots was the Gahan House brewery. Eddie Francis, the manager at the restaurant, got to know Mr. Maines and the Simplex crew so well that he started working for them as a consultant on the loyalty card program.

It was also around this time in 2011 that Mr. Maines became acquainted with a man named Mark Rodd, president of Rodd Hotels and Resorts.

Mr. Rodd met Mr. Maines through a mutual friend. It turned out the two men were practically neighbours, their cottages on the island about a kilometre apart. Soon Mr. Rodd got to know the men from Simplex and got excited about bringing a financial hub to PEI. In September, 2011, he invested \$50,000 in CMT.

He met with his financial adviser, Yousef Hashmi at ScotiaMcLeod, and told Mr. Hashmi to wire the money to CMT's lawyer. To Mr. Rodd's annoyance, Mr. Hashmi tried to talk him out of it.

"It appeared to me he didn't want to move the money out of ScotiaMcLeod," Mr. Rodd said. "He was asking me questions I was uncomfortable with. He wanted to know what CMT does. 'Well what's their business?' and it's like, I'm not there to tell him about CMT. I just want him to move my money." Eventually, he did.

After that meeting, whispers started to circulate in Charlottetown that CMT was bad news.

When word got to Mr. Francis at the Gahan House that Mr. Hashmi was possibly the source, he offered to visit the ScotiaMcLeod adviser, whom he knew socially, to set the record straight. Mr. Maines came along. The conversation quickly went sideways.

"Yousef suggested that any company 'going public' through a Reverse Takeover [which is what CMT was planning to do with RevTech] was considered a scam," Mr. Francis said in an affidavit. Mr. Maines challenged Mr. Hashmi on this, but it was useless. He didn't want to hear anything about what CMT was doing, Mr. Francis

added in an interview.

The meeting lasted 10 minutes. Once they left, Mr. Hashmi – who declined to be interviewed for this story – made two phone calls: one to his branch manager, Eddie Curran, and another to the finance minister, Mr. Sheridan. Shortly after speaking with Mr. Hashmi, the finance minister sent the CEO of Simplex, Mr. Walsh, a furious BlackBerry message.

"Paul Maines has been distributing the Simplex report for the province on our project around to perspective investors on behalf of FMT!! I can't believe first that Paul has the report, which was for our eyes only and secondly that he has left copies of this report in offices around Charlottetown! One 'wrong' office and this whole project is in total jeopardy!" He added, "I would never have believed that a member of your team would jeopardize our two year project."

Mr. Walsh calmed Mr. Sheridan down, but the damage was done now that ScotiaMcLeod was involved. That same fall, Scotia's Mr. Curran did a financial portfolio review for one of his part-time staff members – Kelli Trainor. That's when he noticed that the Trainors had a \$10,000 stake in CMT, and Mr. Curran didn't like it. He told her he'd been hearing negative things about the company.

After their meeting, Mr. Curran began pressing Ms. Trainor for information about CMT, but she was firm: This had nothing to do with ScotiaMcLeod, and they were comfortable with their investment. This went on for months, until some time in late 2011, when the branch manager told Ms. Trainor that one of his clients, a woman about to retire, was planning to invest her life savings in CMT. He was "awfully concerned" and hoped to give the woman some informed advice.

This time, Ms. Trainor obliged. On Jan. 3, 2012, she had her husband send over all the paperwork they had about CMT to her boss. Nine months later, the branch manager would use the information Ms. Trainor provided to complain to PEI's securities commission about CMT.

Meanwhile, things were progressing rapidly on the gaming file, to a point where "we could officially move forward and start the regulatory process," recalled the Mi'kmaq's Mr. MacKenzie.

Around the end of February, 2012, he said, all the players were summoned to a meeting. There were about 15 people in all, including various deputy ministers and officials from the Justice Department.

"The provincial government backed out," Mr. MacKenzie said.

After two-and-a-half years of study, the government determined that Plan A – bringing other provinces aboard – was unrealistic, and Plan B – going it alone on aboriginal land – was too legally thorny to proceed. Mr. MacKenzie and the Mi'kmaq's involvement stopped here.

Prince Edward Island was not going to become an international online gaming hub after all – but the story was hardly over.

The province was still interested in pushing ahead with the broader global transaction platform and loyalty card program. But now it had a new problem, one that's as much a part of island culture as potatoes and Anne of Green Gables – gossip.

By the spring of 2012, rumours were circulating that CMT was a scam. Someone ran Mr. Maines's name through a Google search and found the New York Stock Exchange allegations.

The business had a "brand" problem, Mr. Maines said, so it changed the numbered company's name to Trinity Bay Technologies. This was the company with which Innovation PEI signed a 60-day memorandum of understanding to work on bringing a "financial services centre" to PEI. Charlottetown lawyer – and CMT investor – Bill Dow advised Innovation PEI on the agreement. The deal with Trinity Bay Technologies/7645686 was finalized on July 6, 2012.

In an e-mail to The Globe, Mr. Dow said that "I have practised law in good standing with the Law Society of PEI

for over 23 years.... Any suggestions of wrongdoing, especially in my profession, are hurtful and extremely damaging to my firm and me."

Mr. Dow said he initially didn't realize that the numbered company and CMT were related. Once he noticed the "potential conflict," he closed the file "and no invoice was rendered."

The MOU didn't stand a chance anyway.

In August, 2012, Ed Mr. Curran organized a securities seminar for ScotiaMcLeod employees. The discussion, which was led by government lawyer Steven Dowling, focused on financial institutions' "gatekeeper" obligations, which requires officials to report suspicious activity. Less than two weeks later, Mr. Curran phoned Mr. Dowling about CMT, triggering an investigation.

That same week, the MOU between the province and CMT was set to expire. Deputy minister Melissa Ms. MacEachern extended it for 30 days. Almost immediately after, she learned about the investigation. Word had it that CMT had stolen a sick woman's money. When CMT's lawyer, Mr. Jessop, showed up that fall to discuss the deal, Innovation PEI's lawyer, Mr. Dow, told him everything was on hold pending the investigation by the superintendent of securities, according to an affidavit filed by Mr. Jessop.

Mr. Jessop said it was around this time that Mr. Dow told him he had "forgotten" about his \$10,000 investment in CMT. He wanted to see if he could get out of the deal in light of his work with Innovation PEI. (Mr. Dow was given his money back.)

The securities probe pressed on. Paul Jenkins told Mr. Dowling he had no idea how he'd become a director with CMT's subsidiary. By this point, Mr. Jenkins was working on a new business with government involving a seniors' long-term care facility. He did not respond to repeated interview requests from The Globe.

In January, 2013, Mr. Dowling reached out to Mark Rodd. The hotelier was furious. He e-mailed Mr. Hashmi at ScotiaMcLeod, demanding to know how Mr. Dowling knew about his investment.

Scotiabank's compliance officer John De Pompa replied. He told Mr. Rodd the firm had received a request from PEI's superintendent of securities and they were legally obligated to co-operate. He assured Mr. Rodd "a complaint was not initiated by our office."

However, in an interview, a Scotiabank spokesperson acknowledged Mr. Curran was the instigator, but said there is a "whistleblower" element to the gatekeeper obligations, which require confidentiality. Also, it was not a formal complaint, just a tipoff.

Nevertheless, word got around on PEI that Mr. Rodd, Kelli Trainor and another person – a mystery woman with cancer, the story went – had gone to the regulator. Mr. Rodd and Ms. Trainor confirm they heard this rumour, although neither is sure how it started.

When the official securities hearing notice was filed on Feb. 14, 2013, there was no mention of a woman with cancer – she doesn't exist – or swindled investors. Rather, CMT stood accused of not registering to sell stocks on the island. Later, the securities office tacked on allegations that six of the company's 36 PEI investors were not "accredited," meaning they weren't wealthy enough to make a risky financial investment.

The case was docket 001, the first formal securities case in PEI's history. In 2008, the province revamped its act and this is the first case since then. Prior to that, securities issues were handled in the court system.

CMT initially tried to fight the allegations. It argued that because they were dealing with convertible loans, not shares, the company was not required to register with the province. On the accredited investor claim, CMT said each investor had signed a form declaring he met the qualifications. The company argued it had no reason to suspect anyone wasn't being truthful.

But in the end, CMT decided it wasn't worth fighting. It agreed to pay a \$10,000 fine for late filing and selling to unaccredited investors, plus \$5,000 in fees. Ontario's regulator issued a reciprocal order, which is common,

since a handful of CMT's 45 investors lived in Ontario.

CMT's litigation lawyer, Mary Biggar, said it was a "relatively minor infraction in the context." Added lawyer Gary Mr. Jessop: "It was a business decision, made at the time, to settle it and move on."

Between the legal bills and lack of money coming in, CMT sold its shares of Simplex to Bottomline Technologies in August, 2013. After the sale, the company held a meeting for investors: Anyone who wanted their money back got it – with 12-per-cent interest. Some, including Mr. Rodd, chose to keep their money with the company.

Mr. Maines said he has "retained counsel to review all of our legal options" with regards to Scotiabank and the government of PEI. Mr. LeClair, who left the premier's office in October, 2011, said that because of potential litigation, he is limited in what he can say about his involvement with CMT.

The securities probe was the first time many people on the island had heard about PEI's eGaming pipe dream and the connection with CMT. When news hit local media, government officials scrambled to distance themselves from the company at the centre of the securities storm.

On May 1, 2013, Mr. Sheridan was asked in the House how much the government paid for the Simplex blueprint for online gaming. "It is very clear that the government of Prince Edward Island has not paid any money for a report from Simplex," he replied.

CMT hired a private investigator to put together a report about the company's business dealings on the island. Those findings were tabled in the legislature last November.

In a December interview with The Globe, the finance minister said he had no idea CMT and Simplex were connected. "I to this day do not know that Paul Maines and Philip Walsh had a business relationship. And he wasn't part of any of our work," Mr. Sheridan said.

Mr. Sheridan resigned a few weeks after the interview. Premier Ghiz resigned the day before CMT's investigator released his report, saying he wanted to spend more time with his family. On numerous occasions, a government spokesperson told The Globe, both Mr. Ghiz and Mr. Sheridan have said their decisions to leave public office have nothing to do with the proposed deal.

The Globe reached out to all 36 PEI investors with CMT. Nine agreed to be interviewed. Gary Evans, a lawyer on the island, is frustrated about what happened. In his view, the doomed gambling scheme hijacked a lucrative business opportunity not only for investors but for the province – a province that relies on more than \$600-million in federal transfer payments to survive. A financial hub could have changed PEI, he said.

"The industry that would have developed around that technology would have been a vital economic lifeline," Mr. Evans said.

Mr. Evans hasn't given up. He left his money with the company.

Contact Robyn Doolittle by email at rdoolittle@globeandmail.com

The Globe and Mail, Inc.



The Globe and Mail Inc. All Rights Reserved.. Permission granted for up to 5 copies. All rights reserved.
You may forward this article or get additional permissions by typing http://license.icopyright.net/3.8425?icx_id=23237214 into any web browser. The Globe and Mail, Inc. and The Globe and Mail logos are registered trademarks of The Globe and Mail, Inc. The iCopyright logo is a registered trademark of iCopyright, Inc.