

PEI 055 2013-001

REC'D BY	JOAN MACKAY
ATTY FOR THE	Secretary to the Superintendent
DATED	June 4, 2013
BY	Joan Mac Kay

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.P.E.I. 1988, Cap. S-3.1

AND IN THE MATTER OF

**PAUL EDWARD MAINES,
CAPITAL MARKETS TECHNOLOGIES, INC., and
7645686 CANADA INC. carrying on business as
"FINANCIAL MARKET TECHNOLOGIES" and
"TRINITY BAY TECHNOLOGIES"**

(Respondents)

SETTLEMENT AGREEMENT

Part I

1. STAFF TO RECOMMEND SETTLEMENT

Staff of the Superintendent of Securities ("Staff") agree to recommend approval of settlement of this matter with respect to the respondent PAUL EDWARD MAINES, CAPITAL MARKETS TECHNOLOGIES, INC., 7645686 CANADA INC. carrying on business as "FINANCIAL MARKET TECHNOLOGIES" and "TRINITY BAY TECHNOLOGIES" (herein collectively referred to as "the respondents") to the Superintendent of Securities pursuant to section 13(2) of the *Securities Act*, in accordance with the following terms and conditions:

- a. The respondents agree to the Statement of Facts set out in Part II hereof, and consent to the making of an order on the basis of those facts, as set out in Schedule "A"; and
- b. The terms of any settlement will become public information only if, and when, the settlement is approved by the Superintendent.

2. RESPONDENTS' OBLIGATIONS IF SETTLEMENT APPROVED

If the Settlement Agreement is approved, the respondents undertake and agree as follows:

- a. Not to make any statement, either directly or through any of their counsel, representatives, partners, associates or agents, which is inconsistent with the

Agreed Statement of Facts herein. Any such statement will constitute a breach of this Settlement Agreement;

- b. That an Order from the Superintendent will issue, substantively in the form set out in Schedule "A" hereto, including provisions that:
 - i. Except for the securities to be issued on the conversion of the Convertible Loan Agreements, pursuant to section 60(1)(d) of the *Securities Act*, the exemptions set out in National Instrument 45-106 do not apply to the respondent Capital Markets Technologies Inc. in Prince Edward Island for a period of 5 years;
 - ii. Pursuant to section 60(1)(m) of the *Securities Act*, the respondent Capital Markets Technologies Inc. will pay an administrative penalty in the amount of ten thousand dollars (\$10,000.00);
 - iii. The respondent Capital Markets Technologies Inc. will offer a right of rescission and refund to investors set out at Schedule "B" hereto, being investors whom Staff has identified as investors who do not meet the criteria of an "accredited investor" defined in National Instrument 45-106 and for whom Capital Markets Technologies Inc. has provided no contrary evidence independently of the representations contained in the Convertible Loan Agreements or from whom Staff has been unable to obtain verification that the investors meet the criteria of an "accredited investor", and Capital Markets Technologies Inc. will comply with the investors' wishes in response thereto, in accordance with section 5 of this Settlement Agreement;
 - iv. Pursuant to section 63 of the *Securities Act*, the respondent Capital Markets Technologies Inc. will pay costs of the investigation in the amount of five thousand dollars (\$5,000.00);
 - v. Pursuant to section 60(1)(e) and (f) of the *Securities Act*, the respondent Capital Markets Technologies Inc. will engage an independent and duly qualified accountant to prepare audited financial statements of Capital Markets Technologies Inc. for the fiscal years 2010, 2011 and 2012 and deliver a duly certified copy thereof to the Superintendent no later than December 31, 2013.

3. PROCEDURE FOR APPROVAL OF SETTLEMENT

- a. Upon execution of the Settlement Agreement by Staff and by the respondents, Staff will apply to the Superintendent for an order approving the Settlement Agreement.

- b. Immediately after execution of the Settlement Agreement and in any event prior to the hearing to seek approval of the Settlement Agreement, the respondent Capital Markets Technologies Inc. will provide the aggregate sum of fifteen thousand dollars (\$15,000.00) to the Superintendent in escrow. If the Settlement Agreement is approved, these funds will immediately become the property of and be retained by the Superintendent. If the Settlement Agreement is not approved, these funds will be returned to the respondent Capital Markets Technologies Inc.
- c. If the Settlement Agreement is approved by the Superintendent, it will constitute the entirety of the evidence submitted respecting the respondents in relation to the violations of Prince Edward Island securities laws as set out in the Agreed Statement of Facts herein.
- d. If the Settlement Agreement is approved by the Superintendent, the respondents agree to waive any right to a hearing and/or appeal with respect to this matter.
- e. If, for any reason whatsoever, this settlement is not approved by the Superintendent and the order set forth in Schedule "A" is not made by the Superintendent:
 - i. Staff and the respondents will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing, unaffected by the Settlement Agreement or any of the settlement negotiations;
 - ii. The terms of this agreement will not be referred to in any subsequent proceeding or disclosed to any person, except with the written consent of both Staff and the respondents or as may be required by law; and
 - iii. The respondents further agree that they will not raise, in any proceeding, the Settlement Agreement or the negotiation or process of approval thereof, as a basis for any attack on the jurisdiction of the Superintendent.

4. DISCLOSURE OF SETTLEMENT AGREEMENT

- a. The terms of the Settlement Agreement will be treated as confidential by the parties hereto until approved by the Superintendent and forever if, for any reason, the Settlement Agreement is not approved by the Superintendent; and

- b. Upon the approval of the Settlement Agreement by the Superintendent, any obligation as to confidentiality shall terminate and the Settlement Agreement will become public information.

5. PROCEDURE FOR EFFECTING OFFER OF RESCISSION

- a. Upon the approval of the Settlement Agreement by the Superintendent, Capital Markets Technologies Inc. will immediately prepare an Offer of Rescission and Refund in the form set out in Schedule "C" hereto, addressed to each of the investors set out in Schedule "B" hereto, being all those investors Staff has identified are not "accredited investors" as defined in National Instrument 45-106 and for whom Capital Markets Technologies Inc. has provided no contrary evidence, independently of the Convertible Loan Agreements or from whom Staff has been unable to obtain verification that the investors meet the criteria of an "accredited investor", save and except for the three investors to whom an Offer of Rescission and Refund has been made and declined, referred to in paragraph 11 of the Statement of Facts.
- b. The respondents will then deliver, by registered mail with signature confirmation required, the Offer of Rescission and Refund to all remaining persons set out in Schedule "B" hereto.
- c. Within thirty (30) days after expiry of the deadline for reply to the Offer of Rescission and Refund, any person who has not expressed the wish to retain their investment shall be issued a full refund of their investment and Capital Markets Technologies Inc. will forthwith issue a certified cheque to that person and within 14 days thereafter provide a summary of cheques issued together with copies of responses received from investors, to Staff of the Superintendent.

6. BREACH OF SETTLEMENT AGREEMENT

- a. If any of the respondents breach or fail to comply with any term of this Settlement Agreement, for any reason, then the provisions of section 7 (Staff Commitment) of this agreement will be inapplicable, of no force and effect, fully revoked and deemed severed from this Settlement Agreement.
- b. In the event of a breach or failure to comply, Staff may commence proceedings on the basis of the said breach or on the basis of the facts admitted in this Settlement Agreement and any additional facts relating thereto and seek any order available under the *Securities Act*, including an order for administrative penalties and costs (subject to any set-off for amounts paid under this Settlement Agreement).

- c. For the purpose of any such proceeding, the respondents agree to toll any applicable statute of limitations for any violation of *the Securities Act* alleged or otherwise relating to conduct during the period from 1 July 2010 to the date of execution of this agreement.

7. STAFF COMMITMENT

- a. If this settlement is approved by the Superintendent, Staff will not initiate any other proceeding under the *Securities Act* against the respondents, including any of their officers and directors, in relation to the facts set out in Part II of this Settlement Agreement.
- b. This agreement to not initiate any other proceeding does not extend to any proceeding which may arise from a review of the use of the proceeds from the distribution of securities by Capital Markets Technologies, Inc., including the review of its audited financial statements to be provided pursuant to subsection 2(b)(v) herein.
- c. Upon approval of the Settlement Agreement, Staff will fully withdraw the preliminary motion filed by Staff in this matter on 14 February 2013. Such withdrawal will not constitute any form of estoppel with respect to any potential proceeding which may arise further to the provisions of section 7. b. of this Settlement Agreement.

8. INDEPENDENT LEGAL ADVICE

The respondents acknowledge having received full and proper independent legal advice with respect to their entry into this Settlement Agreement.

9. EXECUTION OF SETTLEMENT AGREEMENT

The Settlement Agreement shall constitute a binding agreement and a facsimile copy of any signature will be as effective as an original.

DATED at the City of Charlottetown, PEI, this 31st day of May, 2013.

"original signed by" "Steven Dowling"
On behalf of Staff of the Superintendent

DATED at the City of _____ this _____ day of May, 2013.

"original signed by"
Paul Edward Maines

Witness:

DATED at the City of **Charlottetown** this 31st day of May, 2013.

Capital Markets Technologies Inc.
Per:

"original signed by"
"Gary Jessop"

DATED at the City of **Ottawa** this 4th day of ~~May~~ **June**, 2013.

7645686 Canada Inc.
Per:

"original signed by"
"signing authority"

Part II
STATEMENT OF FACTS

1. Capital Markets Technologies, Inc. ("CMT") is a corporation incorporated in accordance with the laws of the State of Florida on 29 June 1995, and has an office at Chicago, Illinois and at Ottawa, Ontario.
2. 7645686 Canada Inc. ("7645686") is a corporation incorporated in accordance with the laws of Canada on 10 September 2010, and has an office at Chicago, Illinois and Ottawa, Ontario.
3. 7645686 is, and was at all material times, wholly owned by CMT. At no time did 7645686 solicit investments from or issue its shares to any person other than its parent company, CMT.
4. Paul Edward Maines is, and was at all material times, an officer of CMT.
5. CMT has never filed, sought to file, or obtained a receipt for a prospectus with the Superintendent.
6. Between 1 July 2010 and 17 December 2012, CMT raised \$701,030 from 36 Prince Edward Island investors through the distribution of securities by way of private placements in the form of "Convertible Loan Agreements" ("the investment").
7. The investment involved a loan of funds by the investors to CMT for, inter alia, the purpose of acquiring ownership control of the common shares of a public company shell ("TargetCo"), following which the loan is to be converted into the common shares of TargetCo. Among the representations and warranties contained in the Convertible Loan Agreement was a representation by the investor that s/he satisfied the criteria for an "accredited investor" as defined in National Instrument 45-106.
8. CMT initially was of the view that, since the investment described in the Convertible Loan Agreements was strictly a loan to CMT, it was not necessary to submit a Report of Exempt Distribution to the Superintendent and that such a Report would not be required to be filed until the acquisition of the common shares of TargetCo was completed by CMT and the loans were thereby converted into shares of TargetCo.
9. However, CMT agreed to file the Report of Exempt Distributions on March 5, 2013, which Report indicated that all 36 Prince Edward Island investors were accredited investors.
10. A subsequent review of the investors by Staff revealed that six of the 36 Prince Edward Island investors did not meet the definition of an "accredited investor". In addition, Staff has been unable to obtain verification that a further nine of the Prince

Edward Island investors met the criteria of an "accredited investor".

11. CMT has offered a right of rescission of his or her investment to three of the investors whom Staff identified as failing to meet the criteria for an "accredited investor" in accordance with section 5 of this Agreement. Each of the three investors who received an offer of rescission elected to keep their investment with CMT.

Agreement that acts constitute violations of Prince Edward Island securities law

12. The respondent CMT agrees that it has contravened section 94 of the *Securities Act* by distributing a security without having obtained a receipt for a prospectus with respect thereto or, having, in all instances, properly relied on the accredited investor exemption from the prospectus requirement as set out in National Instrument 45-106.
13. CMT agrees that it has contravened section 6.1 of National Instrument 45-106 by failing to file a Report of Exempt Distribution on or before the 10th day after the distribution.

Schedule "A"

IN THE MATTER OF THE *SECURITIES ACT*,
R.S.P.E.I. 1988, Cap. S-3.1

AND IN THE MATTER OF

**PAUL EDWARD MAINES,
CAPITAL MARKETS TECHNOLOGIES, INC., and
7645686 CANADA INC. carrying on business as
"FINANCIAL MARKET TECHNOLOGIES" and
"TRINITY BAY TECHNOLOGIES"**

(Respondents)

ORDER

WHEREAS Staff of the Superintendent has conducted an investigation into the activities of PAUL EDWARD MAINES, CAPITAL MARKETS TECHNOLOGIES INC., 7645686 CANADA INC. carrying on business as "FINANCIAL MARKET TECHNOLOGIES" and "TRINITY BAY TECHNOLOGIES" ("the respondents").

AND WHEREAS Staff filed a Preliminary Motion for interim relief against the said respondents on 14 February, 2013.

AND WHEREAS the said respondents entered into a Settlement Agreement dated ~ May 2013 (the "Agreement") in which it agreed to a proposed settlement of contraventions of Prince Edward Island securities law, subject to the approval of the Superintendent.

AND UPON REVIEWING the said Agreement and the Agreed Statement of Facts therein.

AND WHEREAS the Superintendent is of the opinion that it is in the public interest to make this Order.

NOW THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to Section 13(2) of the Act, the Settlement Agreement entered into on ~ May 2013 with respect to the respondents is hereby approved.

2. Except for the securities to be issued on the conversion of the Convertible Loan Agreements, pursuant to section 60(1)(d) of the *Securities Act*, the exemptions set out in National Instrument 45-106 do not apply to Capital Markets Technologies Inc. in Prince Edward Island for a period of 5 years;
3. Pursuant to section 60(1)(m) of the *Securities Act*, the respondent Capital Markets Technologies, Inc. will pay an administrative penalty in the amount of ten thousand dollars (\$10,000.00);
4. The respondent Capital Markets Technologies Inc. will offer a right of rescission and refund to investors set out at Schedule "B", being all those investors Staff has identified are not "accredited investors" as defined in National Instrument 45-106 and for whom Capital Markets Technologies, Inc. has provided no contrary evidence, independently of the Convertible Loan Agreements or from whom Staff has been unable to obtain verification that the investors meet the criteria of an "accredited investor" (save and except for the three investors to whom an Offer of Rescission and Refund has been made by CMT and declined), and CMT will comply with the investors' wishes in response thereto, in accordance with section 5 of the Settlement Agreement;
5. Pursuant to section 63 of the *Securities Act*, the respondent Capital Markets Technologies, Inc. will pay costs of the investigation in the amount of five thousand dollars (\$5,000.00);
6. Pursuant to section 60(1)(e) and (f) of the *Securities Act*, the respondent Capital Market Technologies, Inc. will engage an independent and duly qualified accountant to prepare audited financial statements of Capital Market Technologies, Inc. for the fiscal years 2010, 2011 and 2012 and deliver a duly certified copy thereof to the Superintendent no later than December 31, 2013.

DATED at the City of Charlottetown, Prince Edward Island, this day of ~, 2013.

Superintendent of Securities
Province of Prince Edward Island

Schedule "B"

List of investors not "accredited" offered rescission and who declined

[REDACTED]

List of investors not "accredited" to be offered rescission

[REDACTED]

List of investors whom Staff has been unable to determine are "accredited"
to be offered rescission

[REDACTED]

Schedule "C"

RESCISSION AND REFUND OFFER

To:

Capital Markets Technologies Inc. ("CMT") hereby offers to you (the "Investor") the right to rescind the Convertible Loan Agreement which you have entered into with CMT, and to receive a refund of your investment.

This offer is made pursuant to a Settlement Agreement made between the Prince Edward Island Superintendent of *Securities* ("the Superintendent") and CMT dated ~ May, 2013 (the "Settlement Agreement") and is subject to the terms set out therein. A copy of the Settlement Agreement and the related Order of the Superintendent are attached to this offer.

This offer expires at _____ (Atlantic Standard Time) on _____ (the "Expiration Time").

Investors who wish to keep their investment in CMT must complete the enclosed Letter of Confirmation and follow the instructions set out therein for delivery to CMT. The Letter of Confirmation must be transmitted to CMT by the Expiration Time.

If you wish to receive a refund, you need not do anything. Upon expiry of the Expiration Time you will be deemed to not have responded to this offer and will automatically receive a refund of the principal amount of your investment. Please note that no interest will be paid on any funds that you invested that are repaid to you.

Neither CMT nor its board of directors makes any recommendation to any investor as to whether to exercise the rescission right in accordance with this offer.

Each investor must make his, her or its own decision and are urged to conduct the necessary research and consult their own financial advisor, lawyer or accountant.

All investors who do not respond pursuant to this offer will have no further rights under the Convertible Loan Agreement into which they have entered and any such

agreement shall be void upon delivery of the refund by CMT to the investor.

The proper delivery of the Letter of Confirmation to CMT will constitute a binding agreement between the investor and CMT, effective immediately following the Expiration Time, upon the terms and subject to the conditions of this offer.

All exercises of the rescission right pursuant to this offer will be irrevocable.

Dated:

Capital Markets Technologies Inc.

Per: _____

Name:

Title:

Letter of Confirmation

TO:

Capital Markets Technologies Inc.

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The undersigned hereby confirms that he/she does not wish to take advantage of an Offer of Rescission and Refund extended by CMT in its Rescission and Refund Offer dated ~, as it relates to a Convertible Loan Agreement entered into between the undersigned and Capital Markets Technologies Inc. on _____, and further to which the undersigned provided funds to Capital Markets Technologies, Inc., in the amount of \$ _____ (~ dollars).

Dated:

Signature:

Witness:

Name:

Street Address:

City:

Province:

Postal Code:

Telephone: (business)

(home)

Email address: