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Southern District of New York*

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**CANADIAN INTERNET PAYMENT COMPANY ADMITS CRIMINAL  
WRONGDOING AND AGREES TO PAY \$9.1 MILLION FOR  
CONSPIRING TO PROMOTE INTERNET GAMBLING BUSINESSES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that ESI Entertainment Systems, Inc. ("ESI") -- an Internet payment business based in Canada and publicly traded on the Toronto Stock Exchange ("TSX") -- has admitted to criminal wrongdoing and agreed to disgorge over \$9.1 million in criminal proceeds as part of an Deferred Prosecution Agreement ("DPA") with the United States Attorney's Office. ESI is charged in connection with its participation in a conspiracy to conduct illegal Internet gambling and operate an unlicensed money transmitting business. From 2002 until January, 2007, ESI's wholly owned subsidiary -- Citadel Commerce Corporation ("Citadel") -- processed more than \$2 billion worth of illegal gambling transactions for United States customers. According to the felony Information, Statement of Admitted Facts, and DPA filed today in Manhattan federal court:

On December 9, 1999, MICHAEL MEEKS and TONY GREENING incorporated a Canadian federal company called e-Success Incorporated ("e-Success"), which changed its name to ESI when it went public in March, 2006. GREENING serves as CEO of ESI and Chairman of the Board; MEEKS serves as President and as a director.

Citadel, one of ESI's wholly owned subsidiaries, processed payments for the internet gambling websites from 2002 until January, 2007. Though those websites -- which provided real-money gambling services such as sports betting, casino, and poker games -- were mostly located outside the United States, the primary users of Citadel's payment processing services were customers in the United States. Citadel provided a system for United States customers to log on to an Internet gambling website and transfer United States currency from the customers' United States bank accounts to accounts maintained by or on the behalf of the particular Internet gambling business. The customer could then use those funds to place bets.

At the time ESI went public in 2006, approximately 80 percent of its revenues were derived from the operation of Citadel. Approximately 90 to 95 percent of Citadel's revenues, in turn, were from payment processing services provided to United States customers betting via Internet gambling web sites. In total, Citadel processed more than \$2 billion in internet gambling payments for hundreds of thousands of customers in the United States, from which Citadel received tens of millions of dollars in revenue.

In its Statement of Admitted Facts issued in connection with the DPA, ESI admitted that Citadel's payment processing services for United States customers of Internet gambling businesses violated United States law.

As part of the DPA, ESI has agreed to disgorge \$9,114,342 million in profits from its wrongdoing to the United States in a civil forfeiture proceeding. ESI has also agreed to cooperate fully with the Government. Under the Agreement, prosecution of the criminal charges against ESI will be deferred for a period of eighteen months, until December 2009, if specified conditions are met. At the end of that period, if ESI has fully complied with all the terms of the Agreement, the Government will move to dismiss the Information.

The DPA also imposes permanent restrictions and controls on the operations of ESI, including, among other things, that: (i) ESI will not participate in illegal gambling transactions involving persons located in the United States; (ii) ESI will maintain procedures and controls designed to prevent its services from being used to conduct U.S. gambling transactions; and (iii) ESI will monitor regularly the effectiveness of its procedures and controls designed to prevent its services from being used to conduct U.S. gambling transactions, and will revise and update its procedures and controls as necessary to achieve that purpose. In order to ensure ESI's compliance, the Agreement also requires ESI to retain a monitor for a period of at least eighteen months. The restrictions and controls on the company's operations in the United States are to remain in effect and the company's cooperation is to continue even if the charge against the company is dismissed after 18 months as contemplated.

ESI is charged in the felony Information with conspiring to: use the wires to transmit in interstate and foreign commerce bets and wagers on behalf of persons engaged in the business of betting and wagering, conduct an illegal gambling business, conduct international monetary transactions for

purposes of promoting illegal gambling, and operate an unlicensed money transmitting business. The Information also contains a criminal Forfeiture Allegation against all property used in or derived from the criminal wrongdoing.

Mr. GARCIA said that the decision to file a charge against ESI was based on several factors set forth in the Department of Justice Principles of Federal Prosecutions of Business Organizations (the "Principles"), including: (i) the seriousness and duration of ESI's conduct involving the processing of billions of dollars of gambling transactions in violation of state and federal law, and (ii) the involvement of senior corporate officers in the company's criminal conduct.

The decision to enter into the Deferred Prosecution Agreement with ESI, Mr. GARCIA continued, was based on a variety of factors and considerations also set out in the Principles, including: (i) the company's frank acknowledgment of its misconduct and its willingness to cooperate with the investigation; and (ii) the company's remedial actions, including cessation of its participation in illegal gambling transactions involving persons located in the United States; implementation of procedures and controls to prevent its services from being used to conduct U.S. gambling transactions; retention of a monitor to ensure compliance with those procedures and controls; and disgorgement of criminal proceeds.

Mr. GARCIA praised the investigative work of the Federal Bureau of Investigation in this case.

Assistant United States Attorneys ARLO DEVLIN-BROWN, JONATHAN NEW and JOHN ZACH are in charge of the prosecution, and Assistant United States Attorney SHARON COHEN LEVIN is in charge of the forfeiture proceedings.

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