



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

AND

**IN THE MATTER OF
SULJA BROS. BUILDING SUPPLIES, LTD., PETAR VUCICEVICH,
KORE INTERNATIONAL MANAGEMENT INC., ANDREW DEVRIES,
STEVEN SULJA, PRANAB SHAH, TRACEY BANUMAS, AND SAM SULJA**

REASONS AND DECISION

Hearing: September 24, 2010

Decision: October 28, 2010

Panel: Patrick J. LeSage - Commissioner and Chair of the Panel
Sinan O. Akendiz - Commissioner

Appearances: Jonathon T. Feasby - For Staff of the Ontario Securities
Usman M. Sheikh Commission

Khalid Sheikh - For Steven Sulja and Sam Sulja

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REASONS AND DECISION

1. Overview

A. History of the Proceeding

[1] This was a hearing before the Ontario Securities Commission (the “Commission”) pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), to consider whether Sulja Bros. Building Supplies, Ltd., (Nevada) (“Sulja Nevada”), Petar Vucicevich (“Vucicevich”), Kore International Management Inc. (“Kore International”), Andrew DeVries (“DeVries”), Steven Sulja, Pranab Shah (“Shah”), Tracey Banumas (“Banumas”) and Sam Sulja breached the Act and acted contrary to the public interest.

[2] A temporary cease trade order was issued in this matter on December 22, 2006 with respect to Sulja Nevada, Sulja Bros. Building Supplies Ltd., (Ontario) (“Sulja Ontario”), Kore International, Vucicevich and DeVries. The Commission issued periodic extensions of the temporary cease trade order, which now continues until the completion of the hearing on the merits.

[3] On December 27, 2006, the Commission issued a Notice of Hearing and a Statement of Allegations with respect to Sulja Nevada, Sulja Ontario, Kore International, Vucicevich and DeVries. On June 16, 2008, a second Notice of Hearing and an Amended Statement of Allegations were issued to add the following respondents to this matter: Steven Sulja, Shah, Banumas and Sam Sulja. Staff of the Commission (“Staff”) removed Sulja Ontario as a respondent on the same day.

[4] The hearing on the merits in this matter commenced on September 13, 2010. Vucicevich and Banumas were present. Shah attended on September 14, 2010. During the hearing on September 14, 2010, Vucicevich, Banumas and Shah advised that they did not contest Staff’s allegations. The proceeding related to those three respondents was severed and dealt with on September 14, 2010.

[5] The hearing resumed on September 24, 2010. Counsel for Steven Sulja and Sam Sulja advised the Panel that they wished to proceed in the same manner as Vucicevich, Banumas and Shah. The proceeding related to those two respondents (the “Non-Contesting Respondents”) was severed and dealt with on September 24, 2010.

[6] In oral reasons, we made summary findings against the Non-Contesting Respondents with the understanding that more complete reasons would follow. These are those reasons.

2. Evidence

A. Modified Amended Statement of Allegations

[7] At the commencement of the hearing on September 13, 2010, Vucicevich and Banumas stated that they desired a timely resolution to this matter and would like to

move directly to a sanctions hearing. Vucicevich and Banumas indicated they would not be calling witnesses nor would they contest evidence put forward by Staff. In an effort to expedite the hearing, the Panel invited discussions between Staff and the respondents to allow the parties to identify relevant evidence that the respondents would not challenge. After some considerable discussion, first with Vucicevich and Banumas and later with Shah, the parties agreed that the uncontested evidence on which Staff would rely would be a modified version of the Amended Statement of Allegations.

[8] After reviewing the Amended Statement of Allegations, as modified and read into the record, the Panel invited Staff to provide submissions on the findings of fact that Staff was seeking to be drawn from the evidence. The Panel also invited Staff to revise the allegations to avoid duplication, in keeping with the principle articulated in *R. v. Kienapple*, [1975] 1 S.C.R. 729.

[9] When the hearing resumed against the remaining respondents on September 24, 2010, counsel for Sam Sulja and Steven Sulja requested that the Panel proceed with these two respondents in the same way as Vucicevich, Banumas and Shah. Upon leave of the Panel, Staff read in a modified version of the Amended Statement of Allegations (the “Modified Amended Statement of Allegations”) much in the same way as on September 13 and 14, 2010.

[10] This was a novel process arising from a set of unusual circumstances. We invited the parties to engage in discussions and on consent, evidence was put forward as already indicated by way of a Modified Amended Statement of Allegations. The Non-Contesting Respondents understood the Modified Amended Statement of Allegations was not an Agreed Statement of Facts but, rather, it was agreed it would be evidence upon which the Panel would make its findings.

[11] In agreeing with the parties to proceed in this manner, we took into consideration that tribunals are meant to operate in a less formal manner than courts. Further, we take comfort in the fact that the Non-Contesting Respondents and their counsel were present, and in fact, they were the ones who requested to proceed in this manner.

[12] The Modified Amended Statement of Allegations has been admitted on this hearing solely as it relates to the Non-Contesting Respondents, Sam Sulja and Steven Sulja.

B. Uncontested Evidence

[13] The evidence in this proceeding, namely, the Modified Amended Statement of Allegations, relates to a “pump and dump” scheme, a fraudulent behaviour in which promoters artificially inflate a stock’s price by making false claims about the issuer. A summary of the uncontested evidence, found below, is based on the Modified Amended Statement of Allegations.

i. The Non-Contesting Respondents

[14] Steven Sulja is a resident of Oldcastle, Ontario. He was the CEO of Sulja Nevada.

[15] Sam Sulja is a resident of McGregor, Ontario.

ii. Related Parties

[16] Vucicevich is a resident of Colchester, Ontario.

[17] Sulja Nevada is a company incorporated in the State of Nevada, U.S.A., with a registered office at CRA of America, Inc., 3638 N. Ranchero Drive, Suite 6, Las Vegas, Nevada. It was originally incorporated as Loftwerks, Inc. on April 19, 2005, and then changed its name to Loftwerks, Inc. (“Loftwerks”) on May 4, 2005. It was renamed Sulja Brothers Building Products, Inc. on July 20, 2006 and changed its name to Sulja Bros. Building Supplies, Ltd. on July 21, 2006. Loftwerks was quoted on Pink Sheets, an over-the-counter quotation system in the United States. It continued that quotation as Sulja Nevada and did not trade on any exchange or trading system in Canada.

iii. The Investment Scheme

Promotion of Sulja Nevada Shares

[18] The investment scheme in this case is alleged to have occurred over the period of February 6, 2006 to January 31, 2007 (the “Material Time”) and involved the promotion and sale of shares issued by Sulja Nevada and its predecessor companies (“Sulja Nevada Shares”). Approximately \$5.6 million (USD) of trading profit was incurred as a result of this scheme.

[19] The means by which Sulja Nevada Shares were promoted during the Material Time was press releases which would be broadcast to the market. These press releases contained statements about the company’s merger opportunities, revenue potential and audit arrangements which proved to be false.

[20] Press releases issued during the period between February 2006 and April 2006 made a number of claims about the Loftwerks’ merger opportunities. For example, these press releases claimed that Loftwerks would merge with Sulja Ontario and Consultech Management Inc. (“Consultech”), a company controlled by Vucicevich at all material times. The press releases claimed that the merging companies were negotiating, and would be entering into large and profitable urban renewal contracts in the United States. They also described Sulja Ontario as a division of Consultech and Steven Sulja as an employee of Consultech.

[21] Steven Sulja was not an employee of Consultech, Sulja Ontario was not a division of Consultech, Consultech was not involved in merger discussions with Loftwerks, and Loftwerks never did merge with Sulja Ontario.

[22] The press releases issued during this period also made statements announcing, among other things, that Steven Sulja was the Chief Executive Officer of Sulja Brothers Specialty Building Materials, Ltd. (“Sulja Specialty Building Materials”) and that Loftwerks would merge with variously named Sulja companies, when in fact, Sulja

Specialty Building Materials appeared never to have been incorporated, some of the Sulja companies named in the press releases did not exist, and Loftwerks never did merge with any of the Sulja companies. In the end, Loftwerks simply changed its name to Sulja Nevada.

[23] Press releases containing statements about Sulja Nevada's revenue potential were also issued. After Loftwerks changed its name to Sulja Nevada, press releases from April 2006 to November 2006 announced present and future business opportunities from which Sulja Nevada would earn large revenue. Many of these press releases spoke of contracts for building materials that Sulja Nevada had in the Middle East. However, Sulja Nevada had not entered into these contracts, nor did it ever earn revenue from them.

[24] For example, on September 5, 2006, a press release (the "September 5 Press Release") announced that Sulja Nevada had signed a contract (the "Cement Contract") to supply cement to Ramada General Contracting in Abu Dhabi, one of the United Arab Emirates. The press release stated that the Cement Contract would produce yearly revenues of \$350,000,000.

[25] In fact, the Cement Contract did not exist and Sulja Nevada earned no revenue from it. The September 5 Press Release was not corrected until December 5, 2006, when another press release was issued to announce that "concrete commodities mentioned in that release [the September 5 Press Release] were indeed cancelled and no contract, even if drafted to finality, was consummated".

[26] Yet another example of misleading press releases is a series of press releases beginning on December 6, 2006 announcing that Sulja Nevada was pursuing other cement deals in the Middle East. On December 11, 2006, there was a press release announcing a cement contract (the "Second Cement Contract"), totalling 25,300,000 tonnes over three years, paying a commission of \$0.90 USD per tonne to Sulja Nevada. In fact, the Second Cement Contract did not exist either, and Sulja Nevada never received the revenue set out.

[27] Finally, there were press releases which discussed Sulja Nevada's audit arrangements. These press releases stated that KPMG and PWC were Sulja Nevada's auditors, and that Sulja Nevada was negotiating with those firms to handle all of its future SEC filings and reporting. Those press releases were also untrue. Neither KPMG nor PWC had done any work for Sulja Nevada. When advised by those firms that its representations were untrue, Sulja Nevada did not advise investors of the true facts or correct its public disclosure.

Sale of Sulja Nevada Shares

[28] Sulja Nevada Shares were issued from the company's treasury through its transfer agent, Transfer Online, a transfer agent located in Portland, Oregon. After their issuance, the shares were sent electronically to nominee trading accounts controlled by Vucicevich (the "Nominee Accounts"), some of which were held in the name of Sam Sulja. The Nominee Accounts would then sell Sulja Nevada Shares in the market on Vucicevich's

instructions, at prices inflated by the misrepresentations in the press releases. The Nominee Accounts served to conceal Vucicevich's involvement in the trading of Sulja Nevada Shares.

[29] The practice of Nominee Accounts selling on behalf of Vucicevich continued until October 2006.

3. Issues

[30] This case raises the following issues:

- (i) Did Steven Sulja make statements in press releases of Sulja Nevada that he knew or reasonably ought to have known in a material respect and at the time and in light of all the circumstances under which they were made, were misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statement not misleading and would reasonably be expected to have a significant effect on the market price or value of Sulja Nevada Shares, contrary to subsection 126.2(1) of the Act?
- (ii) Did Sam Sulja directly or indirectly engage or participate in an act, practice, or course of conduct relating to Sulja Nevada Shares that he knew or reasonably ought to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for, Sulja Nevada Shares contrary to subsection 126.1(a) of the Act?

4. Analysis

A. Did Steven Sulja breach subsection 126.2(1) of the Act?

[31] Subsection 126.2(1) provides that:

126.2 (1) Misleading or untrue statements – A person or company shall not make a statement that the person or company knows or reasonably ought to know,

(a) in a material respect and at the time and in the light of the circumstances under which it is made, is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the statement not misleading; and

(b) would reasonably be expected to have a significant effect on the market price or value of a security.

[32] It is clear from the uncontested evidence that the press releases contained representations about, among other things, Sulja Nevada's merger opportunities, revenue potential and audit arrangements which were found to be false. As the CEO of Sulja Nevada, Steven Sulja ought to have taken sufficient steps to ascertain the accuracy of these press releases. However, he did nothing to stop the issuance of the press releases or

to correct the false statements contained in the press releases. As such, we find that Steven Sulja breached subsection 126.2(1) of the Act.

B. Did Sam Sulja breach subsection 126.1(a) of the Act?

[33] Subsection 126.1(a) of the Act provides that:

126.1 Fraud and market manipulation – A person or company shall not, directly or indirectly, engage or participate in any act, practice or course of conduct relating to securities or derivatives of securities that the person or company knows or reasonably ought to know,

(a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for, a security or derivative of a security;

...

[34] The uncontested evidence shows that Sam Sulja, by trading heavily as a nominee at Vucicevich’s behest, played a significant role in concealing Vucicevich’s involvement in the trading of Sulja Nevada Shares, which created a misleading appearance of trading activity. Therefore, we find that Sam Sulja breached subsection 126.1(a) of the Act.

5. Conclusion

[35] For the reasons stated above, we find that:

- (i) Steven Sulja breached subsection 126.2(1) of the Act; and
- (ii) Sam Sulja breached subsection 126.1(a) of the Act.

Dated at Toronto at this 28th day of October, 2010.

“Patrick J. Lesage”

“Sinan O. Akdeniz”

Patrick J. LeSage

Sinan O. Akdeniz