

# 2006 BCSECCOM 550

## Notice of Hearing

### Albert Stephen Budai and StockDepot Information Services Corp.

#### Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions, and apply for orders against Albert Stephen Budai (Budai), and StockDepot Information Services Corp. (StockDepot) (collectively, the Respondents) under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418, based on the following facts.

#### **Background**

1. Budai is a resident of British Columbia and has never been registered under the Act.
2. StockDepot is a British Columbia company. Budai is the majority shareholder, president, secretary, and a director of StockDepot. StockDepot has never been registered or filed a prospectus under the Act.

#### **Misconduct**

##### ***Sale of StockDepot Shares***

3. Between December 2001 and January 2004, Budai and StockDepot issued shares in StockDepot to forty-nine investors (the Investors). Twenty-five of the Investors were from British Columbia. The Investors paid a total of \$1,450,911 for the shares.
4. By distributing StockDepot shares without registration or prospectus exemptions under the Act, StockDepot and Budai contravened sections 34 and 61 of the Act.

#### **Misrepresentations**

5. StockDepot and Budai gave promotional documents to people in order to induce them to become Investors (the Promotional Documents). Among other things, the Promotional Documents stated that:
  - (a) Canadian Online Investor.com, a company owned by StockDepot, was profitable and had significant revenues; and
  - (b) independent business valuers would consider the price StockDepot paid for Canadian Online Investor.com to be at the lower end of fair market value.

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6. These statements were untrue because:
  - (a) Canadian Online Investor.com had minimal revenues and was not profitable; and
  - (b) there was no business valuation of Canadian Online Investor.com.
7. StockDepot and Budai knew or ought reasonably to have known that the statements about Canadian Online Investor.com were misrepresentations under the Act and in making them they contravened section 50(1)(d) of the Act.

### ***Fraud - Scalping***

8. Budai is the president, secretary and sole shareholder and director of a British Columbia company named CanStock Information Services Corp. (Canstock).
9. Canstock published various subscription-based publications that profiled various companies as potential investments (the Publications). Budai was the editor and principal writer of the Publications. Most of the Investors were subscribers to the Publications.
10. Budai also profiled certain companies during his appearances on a Vancouver radio show and included shares in some of the companies in a virtual portfolio featured on the show.
11. Budai knew that profiling a company in the Publications and on the radio show would cause its share price to rise. At various times between January 2001 and December 2004 Budai purchased shares in certain companies, which he then profiled in the Publications or on the radio show. In each case, the share price of the company rose after being profiled, and Budai then sold some or all of his shares in the profiled company. Budai never informed readers of the Publications or radio show listeners that he was going to sell, or had sold, his shares after profiling the companies.
12. Budai also advised some individual Investors to purchase shares in certain companies he profiled in the Publications. By doing so Budai acted as an adviser without being registered, contrary to section 34(1)(c) of the Act.
13. By buying shares, profiling the companies, selling his shares in the rising market, and not disclosing this selling, Budai engaged in series of transactions, colloquially known in the securities industry as “scalping”, that perpetrated a fraud against Investors and subscribers to the Publications, contrary to section 57.1 of the Act.

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### ***Fraud - Domain Names***

14. Budai acquired various internet domain names, related to investing, for approximately \$76,000 (the Domain Names). Budai used his personal credit cards to acquire or renew registration for the Domain Names.
15. The Promotional Documents stated that the Domain Names were valued in an evaluation report (the Report) at \$750,000 and that Budai would contribute Domain Names to StockDepot.
16. These statements were untrue because:
  - (a) The Promotional Documents omitted to state any of the material limitations, assumptions, or disclaimers that applied to the evaluation in the Report, which resulted in the Domain Names being assessed in the report as having a value of no more than \$50,000; and
  - (b) Budai did not contribute Domain Names to StockDepot, but rather sold them to StockDepot for approximately \$1.1 million which StockDepot incurred as a debt to Budai.
17. StockDepot and Budai knew or ought reasonably to have known that the statements about the Domain Names were misrepresentations under the Act and in making them they contravened section 50(1)(d) of the Act.
18. Budai also caused StockDepot to pay down the relevant balances on the credit cards he had used to pay for the Domain Names. As a result, StockDepot paid for the Domain Names twice.
19. In causing StockDepot to pay for the Domain Names, twice, and at an inflated price, Budai perpetrated a fraud against the Investors, contrary to section 57.1 of the Act.

### **Use of Investors' Money**

20. The Promotional Documents stated that Budai had elected not to receive or accrue any salary, remuneration, benefits, or compensation from StockDepot.
21. This statement was untrue because Budai, Canstock and Budai's girlfriend took over \$1,000,000 in benefits from StockDepot. StockDepot and Budai knew or ought reasonably to have known that this statement was a misrepresentation under the Act and in making it they contravened section 50(1)(d) of the Act.

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22. By causing StockDepot to provide benefits to Budai, Canstock and Budai's girlfriend, Budai perpetrated a fraud on the Investors, contrary to section 57.1 of the Act.

### **Liability as Officer and Director**

23. As an officer and director of StockDepot, Budai authorized, permitted or acquiesced in StockDepot's contraventions of sections 34(1), 50(1)(d), 57.1, and 61 of the Act and, therefore, pursuant to section 168.2 of the Act Budai also contravened the same provisions.

### **Conduct Contrary to the Public Interest**

24. The Respondents' conduct as set out in this Notice was contrary to the public interest.

- ¶ 2 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, October 11, 2006, at 9:00 am if they wish to be heard before the Commission sets a date for the Hearing.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 5 September 14, 2006
- ¶ 6 Brenda M. Leong  
Executive Director