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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 ON SANCTIONS AND COSTS
(Sections 127 and 127.1 of the Act)**

Hearing: November 30, 2010

Decision: June 29, 2011

Panel: Patrick J. LeSage, Q.C. - Commissioner and Chair of the Panel
Sinan O. Akdeniz - Commissioner

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

Petar Vucicevich - For himself

Khalid Sheikh - For Steven Sulja and Sam Sulja

Pranab Shah - For himself

Tracey Banumas - For herself

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REASONS AND DECISION ON SANCTIONS AND COSTS

I. BACKGROUND

[1] This was a bifurcated hearing before the Ontario Securities Commission (the “**Commission**”) pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”), to consider whether it is in the public interest to make an order with respect to sanctions and costs against Sulja Bros. Building Supplies, Ltd., (Nevada) (“**Sulja Nevada**”), Petar Vucicevich (“**Vucicevich**”), Kore International Management Inc. (“**Kore Canada**”), Andrew DeVries (“**DeVries**”), Steven Sulja, Pranab Shah (“**Shah**”), Tracey Banumas (“**Banumas**”) and Sam Sulja (collectively, the “**Respondents**”).

[2] The hearing on the merits commenced on September 13, 2010. Vucicevich, Shah and Banumas agreed to have read into the record uncontested evidence upon which the Panel would make its findings. The proceeding relating to these Respondents was severed and dealt with on September 14, 2010. On September 14, 2010, Steven Sulja and Sam Sulja agreed to proceed in the same expedited manner. The proceeding relating to these two Respondents was severed and dealt with on September 24, 2010 (Vucicevich, Steven Sulja, Shah, Banumas and Sam Sulja will be collectively referred to as the “**Non-Contesting Respondents**”). The hearing on the merits for the remaining Respondents, Sulja Nevada, Kore Canada and DeVries, was held on September 24 and 29, 2010.

[3] The reasons and decisions for the proceeding relating to Vucicevich, Shah and Banumas (2010), 33 O.S.C.B. 10173 (the “**Vucicevich Merits Decision**”) and the proceeding relating to Steven Sulja and Sam Sulja (2010), 33 O.S.C.B. 10180 (the “**Sulja Merits Decision**”) were issued separately on October 28, 2010. The reasons and decision relating to Sulja Nevada, Kore Canada and DeVries (2011), 34 O.S.B.C. 6356 were delivered on May 25, 2011 (the “**Sulja Nevada Merits Decision**”). Collectively, the Vucicevich Merits Decision, the Sulja Merits Decision and the Sulja Nevada Merits Decision will be referred to as the “**Merits Decisions**”.

[4] On November 30, 2010, a hearing was held to consider submissions from Staff of the Commission (“**Staff**”) and the Respondents regarding sanctions and costs (the “**Sanctions and Costs Hearing**”). Staff and the Non-Contesting Respondents appeared before the Commission and made submissions. Sulja Nevada, Kore Canada and DeVries did not appear in person or by counsel and made no submissions. On June 2, 2011, following the issuance of the Sulja Nevada Merits Decision, the Panel invited Sulja Nevada, Kore Canada and DeVries to make submissions on sanctions and costs. We received no response from these Respondents.

[5] These are our reasons and decision as to the appropriate sanctions and costs to be ordered against the Respondents.

II. THE MERITS DECISIONS

[6] The Respondents in this matter were involved in a “pump and dump” scheme. They profited from issuing and subsequently trading Sulja Nevada shares in a market that was

inflated by overwhelmingly positive but false press releases about the company's prospects that the Respondents participated in issuing. The Respondents further sought to conceal the true extent of their involvement by way of nominee account trading which created a misleading appearance of trading activity in Sulja Nevada securities. The Respondents obtained trading profits of US \$5.6 million as a result of this fraudulent scheme.

[7] We found that the Respondents' involvement in this "pump and dump" scheme constituted a violation of a number of key provisions of the Act. More specifically, we made the following findings:

- (i) Vucicevich and DeVries traded Sulja Nevada securities or directed trading in Sulja Nevada securities in nominee trading accounts without registration, contrary to subsection 25(1)(a) of the Act;
- (ii) Vucicevich and DeVries distributed previously unissued Sulja Nevada securities without a prospectus, contrary to subsection 53(1) of the Act;
- (iii) Kore Canada, Shah, Banumas and Sam Sulja engaged in acts, practices or a course of conduct relating to Sulja Nevada securities that they knew or reasonably ought to have known resulted in or contributed to a misleading appearance of trading activity in Sulja Nevada securities, contrary to subsection 126.1(a) of the Act;
- (iv) Vucicevich and DeVries participated in acts, practices or a course of conduct relating to Sulja Nevada securities that they knew or reasonably ought to have known perpetrated a fraud on investors, contrary to subsection 126.1(b) of the Act; and
- (v) Sulja Nevada and Steven Sulja issued statements in press releases that they knew or reasonably ought to have known in a material respect and at the time and in the light of 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 securities, contrary to subsection 126.2(1) of the Act.

III. SUBMISSIONS OF THE PARTIES ON SANCTIONS AND COSTS

A. Staff's Position

1. Specific Sanctions and Costs Requested

[8] Staff requests the following sanctions and costs orders against the Respondents.

[9] With respect to Vucicevich and DeVries, Staff requests:

- (a) an order that Vucicevich and DeVries cease trading in securities permanently pursuant to clause 2 of subsection 127(1) of the Act;
- (b) an order that the acquisition of any securities by Vucicevich and DeVries is prohibited permanently pursuant to clause 2.1 of subsection 127(1) of the Act;
- (c) an order that any exemptions contained in Ontario securities law do not apply to Vucicevich and DeVries permanently pursuant to clause 3 of subsection 127(1) of the Act;
- (d) an order reprimanding Vucicevich and DeVries pursuant to clause 6 of subsection 127(1) of the Act;
- (e) an order that Vucicevich and DeVries resign all positions that they may hold as a director or officer of an issuer and registrant pursuant to clauses 7 and 8.1 of subsection 127(1) of the Act;
- (f) an order that Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any issuer or registrant pursuant to clauses 8 and 8.2 of subsection 127(1) of the Act; and
- (g) an order requiring each of Vucicevich and DeVries to pay an administrative penalty of \$750,000 pursuant to clause 9 of subsection 127(1) of the Act.

[10] With respect to Steven Sulja, Shah, Banumas and Sam Sulja, Staff requests:

- (a) an order that Steven Sulja, Shah, Banumas and Sam Sulja cease trading in securities for a period of 15 years pursuant to clause 2 of subsection 127(1) of the Act;
- (b) an order that the acquisition of any securities by Steven Sulja, Shah, Banumas and Sam Sulja is prohibited for a period of 15 years pursuant to clause 2.1 of subsection 127(1) of the Act;
- (c) an order that any exemptions contained in Ontario securities law do not apply to Steven Sulja, Shah, Banumas and Sam Sulja for a period of 15 years pursuant to clause 3 of subsection 127(1) of the Act;
- (d) an order reprimanding Steven Sulja, Shah, Banumas and Sam Sulja pursuant to clause 6 of subsection 127(1) of the Act;
- (e) an order that Steven Sulja, Shah, Banumas and Sam Sulja resign all positions that they may hold as a director or officer of an issuer and registrant pursuant to clauses 7 and 8.1 of subsection 127(1) of the Act;
- (f) an order that Steven Sulja, Shah, Banumas and Sam Sulja are prohibited for a period of 15 years from becoming or acting as a director or officer of any

issuer or registrant pursuant to clauses 8 and 8.2 of subsection 127(1) of the Act; and

- (g) an order requiring each of Steven Sulja, Shah, Banumas and Sam Sulja to pay an administrative penalty of \$125,000 pursuant to clause 9 of subsection 127(1) of the Act.

[11] With respect to Sulja Nevada and Kore Canada (together, the “**Corporate Respondents**”), Staff requests:

- (a) an order that each of the Corporate Respondents cease trading in securities permanently pursuant to clause 2 of subsection 127(1) of the Act;
- (b) an order that the acquisition of any securities by the Corporate Respondents is prohibited permanently pursuant to clause 2.1 of subsection 127(1) of the Act; and
- (c) an order that any exemptions contained in Ontario securities law do not apply to the Corporate Respondents permanently pursuant to clause 3 of subsection 127(1) of the Act.

[12] With respect to all Respondents, Staff requests:

- (a) an order pursuant to clause 10 of subsection 127(1) of the Act requiring that the Respondents disgorge to the Commission \$5.6 million on a joint and several basis, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act; and
- (b) an order requiring payment by the Respondents, on a joint and several basis, of \$315,096.63, representing a portion of the costs of the hearing pursuant to section 127.1 of the Act.

2. Staff’s Submissions on Sanctions and Costs

[13] Staff submits that the Respondents have each engaged in serious regulatory violations under the Act. Staff submits that the conduct of Vucicevich and DeVries was egregious and demonstrates that these Respondents are a serious threat to the capital markets. In support of this submission, Staff emphasizes that these two Respondents have each been found to have perpetrated a fraud, which has been recognized by the Commission as “one of the most egregious securities regulatory violations”, both “an affront to the individual investors directly targeted” and something that “decreases confidence in the fairness and efficiency of the entire capital market system” (*Al-tar Energy Corp* (2010), 33 O.S.C.B. 5535 at para. 214).

[14] Staff submits that Kore Canada, Shah, Banumas and Sam Sulja have similarly engaged in violations that strike at the very heart of investor confidence and place the fair and efficient functioning of the capital markets in jeopardy. Staff submits that as nominee account holders, these Respondents engaged in extensive manipulation of the market

through Sulja Nevada's securities which resulted in the securities fraud in this case being concealed for almost one year.

[15] Staff submits that the conduct of Sulja Nevada and Steven Sulja posed a significant risk to investors and the capital markets. Staff takes the position that the extent of deception effected by the misleading and untrue press releases, as well as the sheer magnitude and persistence of these misleading statements, demonstrate the risk that Sulja Nevada and Steven Sulja posed to the capital markets.

[16] Staff also urges us to consider the level of activity by the Respondents in the marketplace when determining the appropriate sanctions. According to Staff, the Respondents' conduct was deliberate, well planned, and "perpetrated...on virtually every trading day over the course of one year" (Transcript, November 30, 2010, p. 17).

[17] In addition, Staff submits that the size of profit raised in this case was considerable. Referring to the Merits Decisions, Staff points out that at least US \$5.6 million was generated by the Respondents as a result of this trading scheme. At the Sanctions and Costs Hearing, Staff provided a breakdown of the trading profits retained by the Respondents:

- Vucicevich and Kore Canada retained \$2.99 million and US \$367,000;
- DeVries retained US \$1,377,127.62;
- Banumas retained \$159,922.20 less US \$40,000;
- Shah retained \$420,734.80 less US \$217,500; and
- Sam Sulja retained \$140,368.74 less US \$40,000 from trading in an account in his name. He also obtained \$463,623 less US \$110,000 through a nominee account in the name of his father, John Sulja;

[18] Staff acknowledges that a mitigating factor applies to Vucicevich, Steven Sulja, Shah, Banumas and Sam Sulja. At the commencement of the hearing on the merits, these Non-Contesting Respondents agreed to have read in as evidence against them certain facts upon which the Panel made its findings. However, Staff submits that while this belated decision may affect the quantum of costs, it should have no bearing on the sanctions to be ordered.

[19] Staff submits that forceful sanctions sought by Staff are warranted in the circumstances of this case. Staff urges the Commission to send a deterrent message that securities fraud and manipulation will not be tolerated.

[20] Staff is seeking permanent market participation prohibitions against Vucicevich and DeVries. Staff argues that the gravity of their conduct demonstrates that these Respondents are a threat to the capital markets and that they cannot be trusted to participate in the capital markets in the future. Staff is seeking 15-year market

participation prohibitions against Steven Sulja, Shah and Banumas and Sam Sulja in recognition of their lesser but nonetheless vital roles in this scheme.

[21] Staff is seeking administrative penalties against Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja (“collectively, the “**Individual Respondents**”). Referring to *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 12030 (“**Limelight Sanctions and Costs**”) at para. 67, Staff points out that the purpose of an administrative penalty is to deter the particular respondents or other like-minded individuals from engaging in similar conduct. Staff emphasizes the need to impose robust sanctions that will actually have a deterrent effect and not be viewed as simply a cost of doing business (*Limelight Sanctions and Costs*, *supra*, at para. 78).

[22] Staff is also seeking disgorgement against the Respondents in the amount of \$5.6 million on a joint and several basis, arguing that the Respondents should not be permitted to profit from or retain any financial benefit from their breaches of the Act. Referring to *White et al.* (2010), 33 O.S.C.B. 8893 (“**White Sanctions and Costs**”), Staff maintains that a disgorgement order on a joint and several basis is appropriate in this case. Although the Respondents have played different roles in this scheme, Staff argues that the Respondents were “in the scheme together and their separate roles were integral to executing the investment scheme” (*White Sanctions and Costs*, *supra*, at para. 72). Staff submits that the Respondents can later, as between themselves, sort out in civil court or some other forum what precise quantum they may owe to each other, and this is not a question which concerns the Panel. Instead, Staff urges the Panel to focus on the amounts obtained and to ensure that they are recovered from the Respondents.

[23] Staff submits that the Respondents’ inability to pay is not a factor that is determinative or important for disgorgement in the present case. Staff refers to an Ontario Court of Appeal case, *R. v. Castro*, on the issue of an accused’s ability to pay restitution in certain types of cases such as breach of trust or fraud:

Insofar as the nature of the offence is concerned, in cases involving breach of trust, the paramount consideration is the claims of the victims: *Fitzgibbon* at pp. 1014-15. Ability to pay is not the predominant factor. Indeed, where the circumstances of the offence are particularly egregious, such as where a breach of trust is involved, a restitution order may be made even where there does not appear to be any likelihood of repayment: *R. v. Yates* (2002), 169 C.C.C. (3d) 506 (B.C.C.A.), at paras. 12 and 17.

((2010), 270 O.A.C. 140 at para. 28)

[24] Finally, Staff is seeking to recover a discounted portion of the time spent preparing for the hearing on the merits. Staff is not seeking any costs from the Respondents for Staff’s attendance at the hearing on the merits or the Sanctions and Costs Hearing. The costs sought by Staff also exclude the costs of investigation conducted into this matter. Nonetheless, Staff is seeking to recover the costs associated with the preparation of the merits hearing, which Staff submits is extensive due to the nature of the misconduct in this case.

B. The Respondents' Position

[25] The Respondents led no evidence at the Sanctions and Costs Hearing. They did, however, make closing submissions concerning the circumstances in which they became involved in this trading scheme and some mitigating factors that may apply to them. Steven Sulja and Sam Sulja made submissions through their counsel. Vucicevich, Shah and Banumas each made submissions on their own behalf. Sulja Nevada, Kore Canada and DeVries did not appear in person or by counsel and made no submissions.

1. Steven Sulja and Sam Sulja

[26] Counsel for Steven Sulja and Sam Sulja made submissions to the effect that neither of these Respondents is a sophisticated player in the capital markets. Sam Sulja completed grade 12, and Steven Sulja grade 10. They come from a family that operated a building supplies business and have limited knowledge of securities and trading.

[27] Steven Sulja and Sam Sulja through their counsel submit that they only came to be involved in trading securities when Vucicevich, a customer of the Sulja family business, advised them to do so. Vucicevich presented them with a plan to take their company public: the Sulja brothers were to form a corporation in both Canada and the United States, followed by Vucicevich forming a corporation for the purpose of taking over the building supplies business owned by the Sulja family and applying for listing on a stock exchange. To Steven Sulja and Sam Sulja, the picture that was presented to them appeared legal. They believed Vucicevich to be an experienced person and carried out his instructions accordingly.

[28] Vucicevich further instructed these two Respondents to open nominee trading accounts and to trade at his instructions. The father of these two Respondents, John Sulja, later also became involved in this scheme and acted at Vucicevich's behest. A nominee trading account was opened in the name of John Sulja to carry out stock trading for the benefit of Vucicevich.

[29] Counsel for these two Respondents also submits that the press releases that Steven Sulja issued for the company were prepared in advance by Vucicevich. Counsel submits that Steven Sulja did not know what he was doing and was merely making announcements as requested by Vucicevich.

[30] Steven Sulja and Sam Sulja dispute Staff's submission that they made any profits from this investment scheme. Both of these Respondents are currently working at menial jobs. Steven Sulja lost his house and his business. Steven Sulja and Sam Sulja submit that they do not know where the money is, and if the Commission is able to locate any trading profits in their accounts, they are willing and ready to pay those funds to the Commission.

2. Vucicevich

[31] Vucicevich submits that he was not able to defend himself, as any defence he made before this Panel has the potential to prejudice him in his upcoming criminal trial in

January 2012. Accordingly, Vucicevich requests that the Sanctions and Costs Hearing be adjourned until the conclusion of his criminal trial.

[32] In the event that this request for adjournment is not granted, Vucicevich does not dispute Staff's request that he be permanently prohibited from participating in the capital markets. However, Vucicevich disputes the quantum of funds that Staff alleges to have been obtained by the Respondents. Vucicevich submits that he did not profit from any of the transactions in the trading scheme. Instead, all of the money raised was paid to Sulja Nevada, suppliers or the credit union for paying off loans for the benefit of the corporation. He claims that he, Steven Sulja, Shah, Banumas and Sam Sulja did not retain any money personally. In particular, he claims that Shah and Banumas, who were acting under his instructions, were not part of the decision making process and could not have retained any money under his supervision. He concludes that "never at any point did anyone in this room walk away with briefcases full of money" (Transcript, November 30, 2010, p. 54).

[33] Vucicevich denies that he wrote or issued any of the press releases, but accepts some responsibility for not reading the press releases fully and not stopping their issuance.

[34] With respect to nominee account trading, Vucicevich submits that while he is a businessman, he is unfamiliar with securities and was not involved in setting up Sulja Nevada's stock structure. Vucicevich submits that he has taken every step legally to consult lawyers and he sent Shah and Banumas to receive legal advice prior to any steps in trading. He submits that he did not instruct anyone to trade securities, and that the trading instructions given to Shah and Banumas were from lawyers and DeVries.

[35] Vucicevich submits that he thought he was doing an "honourable thing" (Transcript, November 30, 2010, p. 61) and it was not "through malice or through some sort of grand scheme that this all transpired" (Transcript, November 30, 2010, pp. 62-63).

3. Shah

[36] At the Sanctions and Costs Hearing, Shah made submissions to the effect that he has little or no securities knowledge. He submits that he did not know anything about stocks or stock trading prior to working for Vucicevich, nor does he have any interest in business or trading. He has an undergraduate degree in urban planning from the University of Windsor and is currently pursuing a master's degree in local economic development at the University of Waterloo. Both of those degrees, he submits, are unrelated to business and as such are an indication of his lack of interest in this field. Shah is currently working as an associate consultant providing strategies for municipalities and local government on economic development and tourism matters.

[37] Shah provided a brief account of the work he performed at Kore Canada. He stated that he originally worked for Kore Canada as an urban planner, but when he was requested to open a nominee trading account, he simply complied with the request after a lawyer advised him that such trading was legitimate.

[38] Shah submits that his actions were not premeditated and he had no intent to cause malice or to profit from the scheme. He submits that he was merely doing what was requested of him at work and that he made “an honest mistake” (Transcript, November 30, 2010, p. 72).

[39] Shah does not dispute Staff’s request that he be prohibited from participating in the capital markets for a period of 15 years. However, he rejects Staff’s submission that he retained \$420,734.80 less US \$217,500 for his personal benefit. Shah expressed his willingness to pay the Commission if the Commission is able to locate any trading profits in his account.

4. Banumas

[40] From her submissions, we learned that Banumas attended the University of Windsor for two years where she studied international relations, political science and history, and subsequently attended St. Clair College for one year where she studied office administration. At the time of the Sanctions and Costs Hearing, Banumas indicated she was unemployed and had been so for several years, but it was not for lack of trying. Meanwhile, she had been volunteering with the regional police at a boot camp for young children on a regular basis.

[41] At the Sanctions and Costs Hearing, Banumas provided an account of the work she performed when she was a Kore Canada employee. She indicated that, at the beginning of her employment with Kore Canada, she performed basic office administrative work which involved “a lot of cheque writing”, “some of the accounting” and “a lot of data entry” (Transcript, November 30, 2010, p. 75). Her responsibility then was to oversee “the runnings [*sic*] of everything” (Transcript, November 30, 2010, p. 75). With respect to nominee account trading, she submits that she never had a trading account prior to her employment with Kore Canada, but she was informed that such trading was legitimate. She also noted that a corporate lawyer was also engaging in nominee account trading at the time, which further assured her of the legitimacy of such trading.

[42] Banumas rejects Staff’s submission that she retained \$159,922.20 less US \$40,000.

[43] Banumas does not dispute Staff’s request for a 15-year trading ban. However, she expressed concerns about the prohibition that would prevent her from becoming a director or officer. She has hopes that she and her family may open up a small family business, and she is concerned that this prohibition will prevent her from becoming a co-owner of her family business.

IV. PRELIMINARY ISSUES

A. Adjournment Request

[44] Vucicevich requests that the Sanctions and Costs Hearing be adjourned until the conclusion of the criminal proceeding against him. The basis for his adjournment request is that he is unable to lead evidence to prove his case before the Commission without

potentially prejudicing himself in his criminal trial that is scheduled to be held in January 2012.

[45] Having regard to all of the circumstances, it would be unreasonable to grant Vucicevich's request to adjourn the Sanctions and Costs Hearing.

B. Evidence

[46] It is well established that in imposing sanctions, the Commission considers only the findings in the merits decision, any agreed statement of facts, and evidence and submissions presented at the merits hearing and sanctions hearing. (*Re First Global Ventures, S.A. et al* (2008), 31 O.S.C.B. 10869 at para. 65)

[47] We emphasize the importance of this principle due to the novel procedure that has been applied in this case. To recapitulate, at the hearing on the merits, Vucicevich, Shah and Banumas agreed to have read into the record uncontested evidence upon which the Panel would make its findings, resulting in the proceeding relating to them being severed and disposed of in an expedited manner. Steven Sulja and Sam Sulja subsequently chose to have the proceeding relating to them disposed of in the same expedited manner. As a result, the proceeding relating to these two Respondents was also severed. A full, contested basis hearing was held only in relation to Sulja Nevada, Kore Canada and DeVries, none of whom appeared in person or by counsel.

[48] In light of this novel procedure, we emphasize that the sanctions for each Respondent will be based on the findings in the merits decision and the evidence adduced at the merits and sanctions hearing relating to that Respondent. In particular, the evidence and the findings in the disputed merits hearing are not considered in determining the sanctions for the Non-Contesting Respondents.

V. SANCTIONS

[49] The Commission has a public interest jurisdiction to order sanctions restricting or banning respondents from participating in the Ontario capital markets (*Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 S.C.R. 132 at para. 43). It is well established in the Commission's jurisprudence that, in determining the appropriate sanctions, we are guided by the factors set out in *Re M.C.J.C. Holdings Inc.* (2002), 25 O.S.C.B. 1133 ("*M.C.J.C. Holdings*") at 1135 and *Re Belteco Holdings Inc.* (1998), 21 O.S.C.B. 7743 at 7746.

[50] Any sanctions imposed must be proportionate to the circumstances and conduct of each respondent (*M.C.J.C. Holdings, supra*, at 1134).

A. Factors Applicable in this Matter

[51] In determining the appropriate sanctions for each of the Respondents, we consider the following factors and circumstances to be relevant in this matter.

1. Factors Applicable to Vucicevich and DeVries

[52] Vucicevich and DeVries were found to have breached subsections 25(1)(a), 53(1) and 126.1(b) of the Act. A violation of subsection 126.1(b), the fraud provision, is a most serious securities regulatory violation. Investors across North America were deprived of at least US \$5.6 million as a result of the trading scheme directed by these two Respondents. It is clear that the securities law violations committed by these two Respondents are serious and the amount of profit involved is significant.

[53] Staff submits that the level of activity by the Respondents was deliberate, well planned, and “perpetrated...on virtually every trading day over the course of one year” (Transcript, November 30, 2010, p. 17). Vucicevich takes a different view as to his culpability and the extent of his involvement in this scheme, as described in paragraphs 33 to 35. He submits that it was DeVries who was responsible for issuing the press releases and directing the trading in Sulja Nevada shares. Nonetheless, Vucicevich led no evidence to support his claims.

[54] We understand the circumstances that influenced Vucicevich to choose to lead no evidence at either the merits hearing or the Sanctions and Costs Hearing. However, his submissions could not be tested by cross-examination and were not supported by evidence. We give little weight to his submissions regarding the division of labour as between him and DeVries. Accordingly, in determining the factors applicable to the Respondents, we rely on our findings in the Merits Decisions. In particular, with respect to Vucicevich, we refer to the Vucicevich Merits Decision in which we have found that “Vucicevich created or caused to be created press releases containing both misleading and false representations about, among other things, Sulja Nevada’s merger opportunities, revenue potential and audit arrangements” (Vucicevich Merits Decision, *supra*, at para. 38).

2. Factors Applicable to Steven Sulja

[55] We found that Steven Sulja engaged in making false and misleading statements in press releases, contrary to subsection 126.2(1) of the Act:

....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.

(Sulja Merits Decision, *supra*, at para. 32)

[56] Counsel for Steven Sulja submits that Steven Sulja has limited knowledge about the capital markets, that he trusted Vucicevich and acted pursuant to his instructions. We recognize that he was not found to have contravened the fraud provision of the Act. However, having assumed the position of CEO of the company, he had the responsibility to ensure that the content of the company’s press releases do not contain false and misleading information. The sanctions to be imposed will reflect that responsibility.

3. Factors Applicable to Sam Sulja

[57] In the Sulja Merits Decision, we concluded that Sam Sulja contravened subsection 126.1(a) of the Act:

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.

(Sulja Merits Decision, *supra*, at para. 34)

[58] Sam Sulja's contravention of the Act contributed to the securities fraud being concealed for a period of one year. There is no doubt that a violation of securities law of this nature is serious.

[59] Sam Sulja through his counsel submits that Sam Sulja has limited securities knowledge and that he acted under Vucicevich's instructions. We recognize Sam Sulja's lesser involvement in this scheme.

4. Factors Applicable to Shah and Banumas

[60] Shah and Banumas were found to have contravened subsection 126.1(a) of the Act. The uncontested evidence disclosed that these two Respondents concealed Vucicevich's involvement by holding nominee trading accounts and trading heavily as nominees for Vucicevich at his behest. As a result, we found the conduct of these Respondents created a misleading appearance in trading activity of Sulja Nevada shares (Vucicevich Merits Decision, *supra*, at paras. 28 and 43).

[61] As in the case of Sam Sulja, the conduct of these Respondents contributed to the securities fraud being concealed for a period of one year. A violation of securities law of this nature is serious.

[62] However, in determining the appropriate sanctions, we must also consider whether the sanctions to be imposed are proportionate to the circumstances and conduct of each particular respondent, the effect any sanctions may have on the livelihood of that respondent, and any other mitigating factors. At the Sanctions and Costs Hearing, we heard submissions from Shah and Banumas with respect to their roles in Kore Canada. Shah was a contract employee and Banumas played an administrative role. Both have little or no knowledge in the field of securities. Their submissions that they played a lesser role in this scheme, in as much as their lower level administrative roles in which they purely followed the instructions of Vucicevich, are consistent with the evidence in the hearing on the merits that they acted for Vucicevich solely at his behest. We accept their much lesser culpability in this scheme.

5. Factors Applicable to the Corporate Respondents

[63] Sulja Nevada engaged in making false and misleading statements in press releases. Kore Canada engaged in nominee account trading which created a misleading appearance in trading activity of Sulja Nevada securities. In the disputed hearing relating to the Corporate Respondents, we heard evidence that Sulja Nevada issued over 96 materially misleading press releases within the span of one year, and that Kore Canada facilitated trading of Sulja Nevada shares on almost a daily basis. The evidence shows that the Corporate Respondents engaged in serious violations of Ontario securities law and the level of activity by the Corporate Respondents in the marketplace was significant.

B. Prohibitions on Participation in the Capital markets

[64] One of the Commission's objectives in imposing sanctions is to restrain future conduct that may be harmful to investors or the capital markets.

[65] Having regard to all of the circumstances, including the Respondents' quite different levels of participation and their differing levels of culpability, we conclude that it is in the public interest to make the following orders:

- (a) an order that Sulja Nevada, Vucicevich, Kore Canada and DeVries cease trading in securities permanently;
- (b) an order that Steven Sulja and Sam Sulja cease trading in securities for a period of 15 years;
- (c) an order that Shah and Banumas cease trading in securities for a period of 5 years;
- (d) an order that the acquisition of any securities by Sulja Nevada, Vucicevich, Kore Canada, and DeVries is prohibited permanently;
- (e) an order that the acquisition of any securities by Steven Sulja and Sam Sulja is prohibited for a period of 15 years;
- (f) an order that the acquisition of any securities by Shah and Banumas is prohibited for a period of 5 years;
- (g) an order that any exemptions contained in Ontario securities law do not apply to Sulja Nevada, Vucicevich, Kore Canada and DeVries permanently;
- (h) an order that any exemptions contained in Ontario securities law do not apply to Steven Sulja and Sam Sulja for a period of 15 years;
- (i) an order that any exemptions contained in Ontario securities law do not apply to Shah and Banumas for a period of 5 years;

- (j) an order reprimanding Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja;
- (k) an order that Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja resign all positions that they may hold as a director or officer of an issuer or registrant;
- (l) an order that Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any issuer or registrant;
- (m) an order that Steven Sulja and Sam Sulja are prohibited from becoming or acting as a director or officer of any issuer or registrant for a period of 15 years; and
- (n) an order that Shah and Banumas are prohibited from becoming or acting as a director or officer of any issuer or registrant for a period of 5 years.

C. Disgorgement

[66] Clause 10 of Subsection 127(1) of the Act provides that if a person or company has not complied with Ontario securities law, the Commission can order the person or company to disgorge to the Commission any amounts obtained as a result of the non-compliance. The relevant factors to be taken into account when determining a disgorgement order are set out in *Limelight Sanctions and Costs, supra*, at para. 52.

[67] In our view, the imposition of disgorgement order is appropriate in these circumstances, as it will ensure that the Respondents do not benefit from the breaches of the Act and deter like-minded individuals from engaging in similar misconduct. In making the following orders, we note that a respondent's ability to pay is but one of the many factors to be considered. Factors that we wish to emphasize will be addressed below.

[68] We order that Sulja Nevada, Vucicevich, Kore Canada and DeVries disgorge \$5.6 million to the Commission on a joint and several basis. Vucicevich in his submissions disputes that he retained any trading profits. However, as discussed in *Limelight Sanctions and Costs, supra*, at para. 49, the legal question is not whether a respondent "profited" from the illegal activity, but whether the respondent "obtained amounts" as a result of that activity. The Merits Decisions establish that approximately US \$5.6 million of trading profits, which would have been more than \$5.6 million in Canadian dollars at the time, flowed through nominee trading accounts controlled by Kore Canada, Vucicevich and DeVries. This satisfies the legal requirement that they "obtained" from investors \$5.6 million as a result of their fraudulent activity.

[69] Sulja Nevada, Kore Canada, Vucicevich and DeVries acted in concert with a common purpose in the execution of the fraudulent investment scheme. All of these Respondents were integral to the execution of the fraudulent scheme. We therefore require them to disgorge the entire amount received in connection with this scheme.

[70] We will not order disgorgement against Steven Sulja, Shah, Banumas and Sam Sulja. Although we found that Shah, Banumas and Sam Sulja traded in Sulja Nevada securities, these Respondents appear to have acted only at the specific direction of Vucicevich. In particular, we note that the roles of Shah and Banumas in Kore Canada were low level administrative in nature. We are not prepared to conclude that these two Respondents obtained any amounts as a result of their contraventions of the Act. The involvement of Steven Sulja and Sam Sulja was more culpable than that of Shah or Banumas, but the evidence at their merits hearing is vague as to how much, if at all, they may have profited.

[71] The amount collected by the Commission will be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act.

D. Administrative Penalties

[72] We find that it is in the public interest to impose administrative penalties in this case to deter others from similar misconduct.

[73] We order that Vucicevich and DeVries each pay an administrative penalty of \$750,000. In our view, it is in the public interest to impose significant administrative penalties on these two Respondents, whom we found to be the perpetrators of the fraudulent scheme.

[74] We order that Steven Sulja and Sam Sulja each pay an administrative penalty of \$125,000. Administrative penalties are warranted with respect to these two Respondents in order to deter others from engaging in similar misconduct. We do, however, recognize the lesser culpability of these two Respondents as compared to Vucicevich and DeVries. We are of the view that the quantum requested by Staff is proportional to the culpability of these Respondents' conduct.

[75] We order that Shah and Banumas each pay an administrative penalty of \$5,000. The imposition of administrative penalties is necessary for the overall financial sanctions to be an effective expression of deterrence in light of the lack of disgorgement order against these two Respondents. However, we do not impose administrative penalties to punish the Respondents for their past conduct or to bankrupt them. At the Sanctions and Costs hearing, Shah and Banumas made submissions regarding their roles in Kore Canada as well as their employment and financial situation. Having considered these mitigating factors, we believe that an administrative penalty of \$5,000 adequately reflects their culpability and strikes a balance between deterrence and all the mitigating factors.

[76] Staff did not request that an administrative penalty be imposed on any of the Corporate Respondents. As a result, we have not done so.

VI. COSTS

[77] Staff seeks an order for costs in the amount of \$315,096.63 against the Respondents on a joint and several basis, supported by a bill of costs submitted by Staff. We accept that the amount claimed by Staff represents a portion of the costs related to the

preparation of the hearing, but does not include the costs of investigation and the costs for attendance at the hearing on the merits and the Sanctions and Costs Hearing.

[78] In our view, an order for nominal costs only against Vucicevich, Steven Sulja and Sam Sulja is appropriate in this case. At the commencement of the merits hearing, these Non-Contesting Respondents agreed to have read into the record uncontested evidence upon which the Panel made its findings. The cooperation of Vucicevich, Steven Sulja and Sam Sulja, as Staff's submits, is a mitigating factor to be considered when determining the costs to be awarded. However, we do not believe that Staff's request adequately reflects the cooperation of these Non-Contesting Respondents. Their request to move directly to a sanctions hearing triggered the expedited procedure used in the severed proceedings relating to them which obviated the need for a lengthy hearing. In our view, an outcome that recognizes these Non-Contesting Respondents' cooperation is an order for nominal costs. Accordingly, an order of costs in the amount of \$25,000 will be made against each of Vucicevich, Steven Sulja and Sam Sulja.

[79] Because of the much lower level of culpability of Shah and Banumas and their non-contesting position in their merits hearing, no order of costs will be made against them.

[80] We order that Sulja Nevada, Kore Canada and DeVries pay jointly and severally the costs of the hearing in this matter in the amount of \$235,000. The contested merits hearing in this matter was necessary because of the non-attendance of these Respondents. The costs order will be made on a joint and several basis given that Sulja Nevada, Kore Canada and DeVries acted in concert with a common purpose in the execution of the fraudulent investment scheme.

VII. CONCLUSION

[81] For the reasons discussed above, we conclude that it is in the public interest to make the following orders. We will issue an order substantially in the form of Schedule "A" to these reasons, giving effect to this decision.

- (a) pursuant to clause 2 of subsection 127(1) of the Act, Sulja Nevada, Vucicevich, Kore Canada and DeVries shall cease trading in securities permanently;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja shall cease trading in securities for a period of 15 years;
- (c) pursuant to clause 2 of subsection 127(1) of the Act, Shah and Banumas shall cease trading in securities for a period of 5 years;
- (d) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Sulja Nevada, Vucicevich, Kore Canada and DeVries is prohibited permanently;
- (e) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Steven Sulja and Sam Sulja is prohibited for a period of 15 years;

- (f) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Shah and Banumas is prohibited for a period of 5 years;
- (g) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Sulja Nevada, Vucicevich, Kore Canada and DeVries permanently;
- (h) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Steven Sulja and Sam Sulja for a period of 15 years;
- (i) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Shah and Banumas for a period of 5 years;
- (j) pursuant to clause 6 of subsection 127(1) of the Act, each of Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja is reprimanded;
- (k) pursuant to clause 7 of subsection 127(1) of the Act, Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja shall resign all positions that they may hold as a director or officer of an issuer;
- (l) pursuant to clause 8 of subsection 127(1) of the Act, Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any issuer;
- (m) pursuant to clause 8 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja are prohibited from becoming or acting as a director or officer of any issuer for a period of 15 years;
- (n) pursuant to clause 8 of subsection 127(1) of the Act, Shah and Banumas are prohibited from becoming or acting as a director or officer of any issuer for a period of 5 years;
- (o) pursuant to clause 8.1 of subsection 127(1) of the Act, Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja shall resign all positions that they may hold as a director or officer of a registrant;
- (p) pursuant to clause 8.2 of subsection 127(1) of the Act, Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any registrant;
- (q) pursuant to clause 8.2 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja are prohibited from becoming or acting as a director or officer of any registrant for a period of 15 years;

- (r) pursuant to clause 8.2 of subsection 127(1) of the Act, Shah and Banumas are prohibited from becoming or acting as a director or officer of any registrant for a period of 5 years;
- (s) pursuant to clause 9 of subsection 127(1) of the Act, Vucicevich and DeVries shall each pay an administrative penalty of \$750,000;
- (t) pursuant to clause 9 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja shall each pay an administrative penalty of \$125,000;
- (u) pursuant to clause 9 of subsection 127(1) of the Act, Shah and Banumas shall each pay an administrative penalty of \$5,000;
- (v) pursuant to clause 10 of subsection 127(1) of the Act, Sulja Nevada, Vucicevich, Kore Canada and DeVries shall disgorge to the Commission \$5.6 million on a joint and several basis, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;
- (w) pursuant to section 127.1 of the Act, Sulja Nevada, Kore Canada and DeVries shall jointly and severally pay to the Commission, the Commission's costs of hearing of this matter in the amount of \$235,000; and
- (x) pursuant to section 127.1 of the Act, Vucicevich, Steven Sulja and Sam Sulja shall each pay to the Commission, the Commission's costs of hearing of this matter in the amount of \$25,000.

Dated at Toronto on this 29th day of June, 2011.

“Patrick J. LeSage”

“Sinan O. Akdeniz”

Patrick J. LeSage, Q.C.

Sinan O. Akdeniz

SCHEDULE “A”



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**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**

**ORDER
(Sections 127 and 127.1 of the *Securities Act*)**

WHEREAS on December 27, 2006, a Statement of Allegations and a Notice of Hearing were issued pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), in respect of Sulja Bros. Building Supplies, Ltd. (Nevada) (“Sulja Nevada”), Sulja Bros. Building Supplies Ltd. (Ontario), Kore International Management Inc. (“Kore Canada”), Petar Vucicevich (“Vucicevich”), and Andrew DeVries (“DeVries”);

WHEREAS on June 16, 2008, an Amended Statement of Allegations and a Notice of Hearing were issued pursuant to sections 127 and 127.1 of the Act in respect of Sulja Nevada, Vucicevich, Kore Canada, DeVries, Steven Sulja, Pranab Shah (“Shah”), Tracey Banumas (“Banumas”), and Sam Sulja (collectively, the “Respondents”);

WHEREAS the Commission conducted the hearing on the merits in this matter on September 13, 14, 24 and 29, 2010;

AND WHEREAS the Commission issued its Reasons and Decisions on the merits on October 28, 2010 and May 25, 2011 (the “Merits Decisions”);

AND WHEREAS the Commission is satisfied that the Respondents carried out a fraudulent investment scheme, have not complied with Ontario securities law and have acted contrary to the public interest, as described in the Merits Decisions;

AND WHEREAS the Commission conducted a hearing with respect to the sanctions and costs to be imposed in this matter on November 30, 2010;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

IT IS HEREBY ORDERED THAT:

- (a) pursuant to clause 2 of subsection 127(1) of the Act, Sulja Nevada, Vucicevich, Kore Canada and DeVries shall cease trading in securities permanently;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja shall cease trading in securities for a period of 15 years;
- (c) pursuant to clause 2 of subsection 127(1) of the Act, Shah and Banumas shall cease trading in securities for a period of 5 years;
- (d) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Sulja Nevada, Vucicevich, Kore Canada and DeVries is prohibited permanently;
- (e) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Steven Sulja and Sam Sulja is prohibited for a period of 15 years;
- (f) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Shah and Banumas is prohibited for a period of 5 years;

- (g) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Sulja Nevada, Vucicevich, Kore Canada and DeVries permanently;
- (h) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Steven Sulja and Sam Sulja for a period of 15 years;
- (i) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Shah and Banumas for a period of 5 years;
- (j) pursuant to clause 6 of subsection 127(1) of the Act, each of Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja is reprimanded;
- (k) pursuant to clause 7 of subsection 127(1) of the Act, Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja shall resign all positions that they may hold as a director or officer of an issuer;
- (l) pursuant to clause 8 of subsection 127(1) of the Act, Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any issuer;
- (m) pursuant to clause 8 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja are prohibited from becoming or acting as a director or officer of any issuer for a period of 15 years;
- (n) pursuant to clause 8 of subsection 127(1) of the Act, Shah and Banumas are prohibited from becoming or acting as a director or officer of any issuer for a period of 5 years;
- (o) pursuant to clause 8.1 of subsection 127(1) of the Act, Vucicevich, DeVries, Steven Sulja, Shah, Banumas and Sam Sulja shall resign all positions that they may hold as a director or officer of a registrant;
- (p) pursuant to clause 8.2 of subsection 127(1) of the Act, Vucicevich and DeVries are prohibited permanently from becoming or acting as a director or officer of any registrant;

- (q) pursuant to clause 8.2 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja are prohibited from becoming or acting as a director or officer of any registrant for a period of 15 years;
- (r) pursuant to clause 8.2 of subsection 127(1) of the Act, Shah and Banumas are prohibited from becoming or acting as a director or officer of any registrant for a period of 5 years;
- (s) pursuant to clause 9 of subsection 127(1) of the Act, Vucicevich and DeVries shall each pay an administrative penalty of \$750,000;
- (t) pursuant to clause 9 of subsection 127(1) of the Act, Steven Sulja and Sam Sulja shall each pay an administrative penalty of \$125,000;
- (u) pursuant to clause 9 of subsection 127(1) of the Act, Shah and Banumas shall each pay an administrative penalty of \$5,000;
- (v) pursuant to clause 10 of subsection 127(1) of the Act, Sulja Nevada, Vucicevich, Kore Canada and DeVries shall disgorge to the Commission \$5.6 million on a joint and several basis, to be allocated to or for the benefit of third parties pursuant to subsection 3.4(2)(b) of the Act;
- (w) pursuant to section 127.1 of the Act, Sulja Nevada, Kore Canada and DeVries shall jointly and severally pay to the Commission, the Commission's costs of hearing of this matter in the amount of \$235,000; and
- (x) pursuant to section 127.1 of the Act, Vucicevich, Steven Sulja and Sam Sulja shall each pay to the Commission, the Commission's costs of hearing of this matter in the amount of \$25,000.

DATED at Toronto on this 29th day of June, 2011.

Patrick J. LeSage, Q.C.

Sinan O. Akdeniz