

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

- and -

**IN THE MATTER OF SYSTEMATECH SOLUTIONS INC.,
APRIL VUONG and HAO QUACH**

**STATEMENT OF ALLEGATIONS OF
STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

I. OVERVIEW

1. Systematech Solutions Inc. (“Systematech”), April Vuong (“Vuong”) and Hao Quach (“Quach”) (collectively the “Respondents”) solicited residents in Ontario and elsewhere to invest at least \$12.4 million with Systematech between March 2007 and October 2011 inclusive (the “Material Time”). The Respondents issued approximately \$12.4 million in promissory notes in exchange for the principal amounts of clients’ investments.
2. Investors were promised an annual return of on or between 12 and 30 percent and advised that their investments were guaranteed and not at risk.
3. Approximately, \$12.4 million was raised from investors, \$7.7 million was repaid to investors, \$3.5 million was lost in trading accounts and \$900,000 was paid for personal type payments including credit card payments, payments to retailers and cash withdrawals by Vuong and Quach.
4. During the Material Time, the Respondents acted contrary to the registration and prospectus requirements of the Act and engaged in a course of conduct that they knew or reasonably ought to have known would result in a fraud on persons or companies purchasing securities of Systematech.

II. THE RESPONDENTS

5. Systematech was incorporated in Ontario on June 23, 1999 by Vuong and Quach. Since 2007, Systematech offered an investment opportunity based on various investment options to investors and potential investors.
6. Vuong is the president and a director of Systematech. During the Material Time, Vuong acted as a directing mind of Systematech. Vuong resides in Mississauga, Ontario.
7. Quach is the managing director and a director of Systematech. During the Material Time, Quach acted as a directing mind of Systematech. Quach resides in Mississauga, Ontario.
8. None of the Respondents have ever been registered with the Commission in any capacity.

III. RESPONDENTS' CONDUCT

9. Vuong and Quach solicited residents in Ontario and elsewhere to purchase the securities of Systematech through meetings, telephone calls and emails with investors, discussing the features of the investment options, advising investors that their returns were guaranteed and their investments were not at risk and that the investors would receive promissory notes for their investments.
10. Systematech, under the direction of Vuong and Quach, issued promissory notes to persons and companies in exchange for investments. Investors were typically promised an annual return of on or between 12 and 30 percent.
11. The investment options and the promissory notes offered by Systematech are securities as defined in subsection 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act").
12. During the Material Time, Systematech raised at least \$12.4 million from approximately 39 investors through the sale of securities. Monies for investments were received in both Canadian and U.S. dollars.
13. Investor funds were deposited into bank accounts and brokerage accounts in the names of Vuong, Quach and Systematech (the "Bank Accounts" and the "Brokerage Accounts").

14. The Respondents made numerous misrepresentations to investors both before and after the investments were made, including that:
 - (a) Vuong was a lawyer;
 - (b) Vuong was formerly a trader employed with a major bank;
 - (c) investors had achieved specific rates of return on investment as specified on investors' statements;
 - (d) investors' principals were guaranteed and not at risk;
 - (e) the values of investors' accounts were increasing;
 - (f) Vuong was successful in her trading during the Material Time;
 - (g) all investor monies accepted by Systematech were being invested; and/or
 - (h) Systematech had large amounts of money on deposit at financial institutions or had large investors.
15. Contrary to the representations made by the Respondents to investors, the majority of the investor funds received by Systematech were not used for the purposes of trading. Rather, a large portion of the investor funds were used to pay returns and redemption payments to investors.
16. Investors received statements and annual reports from the Respondents which contained misleading and untrue statements concerning growth rates, rates of return and valuations of clients' accounts.
17. Between January 1, 2007 to December 31, 2011 inclusive:
 - (a) approximately \$12.4 million of investor funds was deposited into the Bank Accounts;
 - (b) approximately \$2.3 million from other sources were deposited into the Bank Accounts;

- (c) approximately \$3.5 million was transferred from the Bank Accounts to Brokerage Accounts and lost through trading. This amount is net of transfers from the Brokerage Accounts back to the Bank Accounts;
- (d) approximately \$7.7 million was paid to investors from the Bank Accounts to satisfy monthly returns and redemption payments;
- (e) approximately \$900,000 was paid out of the Bank Accounts for personal type payments by Vuong and Quach, including credit card payments, payments to retailers and cash withdrawals. This amount is net of cash advances and cash deposits made by Vuong and Quach and their relatives; and
- (f) approximately \$2.6 million in other payments were paid out of the Bank Accounts.

As a result, approximately \$4.7 million of investors' monies have not been repaid to investors.

- 18. During the 60 month period of January 1, 2007 to December 31, 2011, the Respondents' trading activities in the Brokerage Accounts on an accumulated basis resulted in loss positions at month end in 53 of the 60 months. In excess of \$3.5 million in trading losses were sustained in the Brokerage Accounts.

IV. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

- 19. During the Material Time, the Respondents traded in securities or engaged in, or held themselves out as engaging in the business of trading in securities without being registered to do so contrary to subsection 25(1)(a) of the Act for the period before September 28, 2009 and subsection 25(1) of the Act for the period on and after September 28, 2009.

20. During the Material Time,, the Respondents distributed securities without filing a preliminary prospectus and obtaining a receipt therefore from the Director contrary to subsection 53(1) of the Act.
21. During the Material Time, the Respondents engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on persons or companies purchasing securities contrary to subsection 126.1(b) of the Act.
22. During the Material Time, Vuong and Quach, being officers and directors of Systematech, authorized, permitted or acquiesced in breaches by Systematech of sections 25, 53 and 126.1 contrary to section 129.2 of the Act.
23. The Respondents' conduct was contrary to the public interest and harmful to the integrity of the Ontario capital markets.
24. Staff reserves the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto this 31st day of October , 2012.