



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
SYSTEMATECH SOLUTIONS INC., APRIL VUONG AND HAO QUACH**

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Systematech Solutions Inc. (“Systematech”), April Vuong (“Vuong”) and Hao Quach (“Quach”) (collectively, the “Respondents”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agrees to recommend settlement of the proceeding commenced by Amended Notice of Hearing dated December 13, 2012 (the “Proceeding”) against the Respondents according to the terms and conditions set out below in this agreement (this “Settlement Agreement”). The Respondents agree to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

PART III – AGREED FACTS

3. For the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Part III of this Settlement Agreement. In particular, with the exception of a regulatory proceeding commenced by a securities regulatory authority, this Settlement Agreement and the facts and admissions as set out herein are without prejudice to the Respondents in any other proceeding including, without limitation, any civil, administrative, quasi-criminal or criminal actions or proceedings currently pending or that may be brought by any person or agency, whether or not this Settlement Agreement is approved by the Commission. With the exception of a regulatory proceeding commenced by a securities regulatory authority, no other person or agency may raise or rely upon the terms of this Settlement Agreement or any agreement or the facts stated herein whether or not this Settlement Agreement is approved by the Commission. Without limiting the generality of the foregoing, the Respondents expressly deny that this Settlement Agreement is intended to be an admission of civil or criminal liability and expressly deny any such admission of civil or criminal liability.

Overview

4. On behalf of Systematech, Vuong and Quach entered into promissory notes with at least 38 friends, business associates and referrals (the “Investors”) resident in Ontario and elsewhere and received approximately \$12.4 million between March 2007 and October 2011 inclusive (the “Material Time”). The promissory notes are securities as defined in subsection 1(1) of the Act.
5. As set out in the promissory notes, each Investor was promised an annual rate of interest on the principal amount of the loan. Most Investors were promised an annual rate of interest of between 12 and 15 percent but some Investors were promised an annual rate of interest of between 20 and 30 percent. Investors were advised that their investments were guaranteed and not at risk.

6. During the Material Time, from the approximately \$12.4 million raised from Investors, approximately \$8.0 million was repaid to Investors, \$3.6 million was lost in trading accounts controlled by the Respondents and approximately \$691,000 was used for personal type payments including credit card payments, payments to retailers and cash withdrawals by Vuong and Quach.
7. During the Material Time, the Respondents acted contrary to the registration and prospectus requirements of the Act. Vuong and Quach also breached their obligations as directors and officers of Systematech.
8. On October 16, 2013, Vuong and Quach were each charged with fraud over \$5,000 and Respondents' counsel has advised Staff that the subject matter of the criminal charges is substantially similar if not identical to the fraud allegations made by Staff in this proceeding.
9. As a result, the parties have agreed to proceed with a settlement agreement which does not include any alleged misrepresentations or fraud on the basis that, depending on the outcome of the criminal charges, Staff will be entitled to commence a new proceeding against the Respondent(s) under subsection 127(10) of the Act. Subsection 127(10) authorizes Staff to seek an order from the Commission where a person or company has been convicted of an offence arising from a transaction, business or course of conduct related to securities or derivatives.

The Respondents

10. Systematech was incorporated in Ontario on June 23, 1999 by Vuong and Quach. From its inception, Systematech was a software consulting company. Commencing in 2007, Systematech offered an investment opportunity based on various investment options to Investors and potential investors.
11. Vuong is the president and a director of Systematech. During the Material Time, Vuong acted as a directing mind of Systematech. Vuong resides in Ontario. During

the Material Time, Vuong had primary responsibility for communicating with Investors regarding the investment opportunity offered by Systematech.

12. 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 Ontario. During the Material Time, Quach participated in activities related to the sale of the promissory notes.
13. None of the Respondents has ever been registered with the Commission in any capacity.

The Sale of Promissory Notes

14. Vuong and Quach received funds from Investors as loans evidenced by promissory notes issued by Systematech which promised to pay a guaranteed rate of interest. Communications relating to the promissory notes occurred primarily between Vuong and Investors, through meetings, telephone calls and emails. Vuong discussed the features of the investment options and advised Investors that their returns were guaranteed and their investments were not at risk. Most promissory notes provided that should Systematech at any time become bankrupt or insolvent, or should Systematech default at any time, the balance of the principal outstanding shall become immediately due and payable. Each Investor received a promissory note for their investment specifying the annual rate of interest to be paid as agreed to between Vuong and the Investor. Most Investors were promised an annual rate of interest of between 12 and 15 percent but other Investors were promised an annual rate of interest of between 20 and 30 percent.
15. During the Material Time, Systematech raised \$8,764,103.14 (Cdn) and \$3,686,098.64 (U.S.) from 38 Investors through the issuance of the promissory notes. Monies for investments were received in both Canadian and U.S. dollars.
16. Investor funds were deposited into bank accounts and brokerage accounts in the names of the Respondents (the “Bank Accounts” and the “Brokerage Accounts”).

17. Investors received statements and annual reports from the Respondents which contained statements concerning rates of return based on the agreed upon interest rate as set out in the promissory notes and valuations of clients' accounts.
18. Between January 1, 2007 to December 31, 2011 inclusive:
 - (a) \$8,754,103.14 (Cdn) and \$3,686,098.64 (U.S.) of Investor funds were deposited into the Bank Accounts; \$10,000 (Cdn) of Investor funds was directly deposited into the Brokerage Accounts;
 - (b) \$2,133,372.49 (Cdn) and \$178,200.41 (U.S.) from other sources were deposited into the Bank Accounts;
 - (c) \$7,384,688 (Cdn) and \$3,827,949 (U.S.) was transferred from the Bank Accounts to the Brokerage Accounts. \$6,105,878 (Cdn) and \$1,553,290 (U.S.) was transferred from the Brokerage Accounts back to the Bank Accounts. A net amount of \$1,278,810 (Cdn) and \$2,274,659 (U.S.) was lost through trading in the Brokerage Accounts;
 - (d) \$5,749,262.04 (Cdn) and \$2,218,419.01 (U.S.) was paid to Investors from the Bank Accounts to satisfy monthly returns and redemption payments;
 - (e) \$668,587.29 (Cdn) and \$22,275 (U.S.) 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. These two amounts are net of cash advances and cash deposits made by Vuong, Quach and their relatives; and
 - (f) \$2,324,058.03 (Cdn) and \$136,770.19 (U.S.) in other payments were paid out of the Bank Accounts.

Given the amounts repaid to Investors up to the principal amounts they invested, \$5,623,954.96 of Investors' monies obtained by the Respondents in breach of the Act have not been repaid to Investors.

19. During the 60 month period of January 1, 2007 to December 31, 2011, the Respondents' trading activities in the Brokerage Accounts frequently resulted in losses at month end. In excess of \$3.5 million (U.S.) in net trading losses were sustained in the Brokerage Accounts.
20. On or about October 16, 2013, Vuong and Quach were arrested and charged by the Peel Regional Police with "fraud over \$5,000" contrary to subsection 380(1)(a) of the *Criminal Code*, R.S.C. 1985, c. C-46, as amended.
21. Respondents' counsel has advised Staff that the subject matter of the criminal charges is substantially the same if not identical to the fraud allegations made by Staff as set out in Staff's Statement of Allegations dated October 31, 2012.

RESPONDENTS' POSITION

22. The Respondents have agreed to a disgorgement order of the full amount they obtained as a result of non-compliance with the Act less amounts previously repaid to Investors (up to the aggregate principal amount invested by each Investor), totalling \$5,623,945.96.
23. The Respondents have no prior regulatory history with the Commission.
24. It is the position of the Respondents that the funds used for personal type payments mentioned in paragraphs 6 and 18(e) were in lieu of Vuong's and Quach's salaries during the Material Time.
25. It is the position of the Respondents that they did not commit fraud and they intend to vigorously defend against the criminal charges.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND CONTRARY TO THE PUBLIC INTEREST

26. By engaging in the conduct described above, the Respondents admit and acknowledge that they contravened Ontario securities law and acted contrary to

the public interest during the Material Time in the following ways:

- (a) 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;
- (b) the Respondents conducted an illegal distribution contrary to subsection 53(1) of the Act, and contrary to the public interest; and
- (c) Vuong and Quach, being officers and directors of Systematech authorized, permitted and acquiesced in breaches by Systematech of sections 25 and 53 of the Act contrary to section 129.2 of the Act.

PART V – TERMS OF SETTLEMENT

- 27. The Respondents agree to the terms of settlement listed below.
- 28. The Commission will make an order pursuant to subsection 127(1) of the Act that:
 - (a) this Settlement Agreement is approved;
 - (b) pursuant to clause 2 and 2.1 of subsection 127(1) of the Act, the acquisition of and trading in any securities shall cease for a period of 15 years for Systematech and Vuong and for a period of 10 years for Quach;

- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply for a period of 15 years for Systematech and Vuong and for a period of 10 years for Quach;
- (d) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the Act, Vuong and Quach shall immediately resign from any position she and/or he holds as a director or officer of any issuer, registrant or investment fund manager with the exception that Vuong and Quach are permitted to continue to act as a director or officer of Vectorspace Game Studios Inc. (“Vectorspace”);
- (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, Vuong shall be prohibited for a period of 15 years and Quach shall be prohibited for a period of 10 years, from becoming or acting as a director or officer of any issuer, registrant or investment fund manager with the exception that Vuong and Quach are permitted to continue to act as directors and officers of Vectorspace so long as Vuong and Quach are the only holders of securities of Vectorspace and are its only officers and directors;
- (f) pursuant to clause 8.5 of subsection 127(1) of the Act, Vuong shall be prohibited for a period of 15 years and Quach shall be prohibited for a period of 10 years, from becoming or acting as a registrant, an investment fund manager or as a promoter;
- (g) pursuant to clause 9 of subsection 127(1) of the Act, the Respondents jointly and severally pay an administrative penalty of \$300,000 which amount will be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act; and
- (h) pursuant to clause 10 of subsection 127(1) of the Act, the Respondents jointly and severally disgorge \$5,623,954.96 to the Commission which amount will be designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act.

29. The Respondents undertake to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 28 above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

PART VI – STAFF COMMITMENT

30. If the Commission approves this Settlement Agreement, Staff will not commence any proceedings under Ontario securities law against the Respondents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 31 below.
31. If the Commission approves this Settlement Agreement and, at any subsequent time, the Respondents fail to comply with any of the terms of the Settlement Agreement, or any of the circumstances exist as prescribed by subsection 127(10) of the Act, Staff may bring proceedings under Ontario securities law against the Respondents. These subsequent proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement or any subsequent conviction(s).

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

32. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for November 14, 2013, or on another date agreed to by Staff and the Respondents, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Procedure.
33. Staff and the Respondents agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on the Respondents' conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.

34. If the Commission approves this Settlement Agreement, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
35. If the Commission approves this Settlement Agreement, none of the parties will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
36. Whether or not the Commission approves this Settlement Agreement, the Respondents will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

37. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:
 - (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondents before the settlement hearing takes place will be without prejudice to Staff and the Respondents; and
 - (b) Staff and the Respondents will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.
38. All parties will keep the terms of this Settlement Agreement confidential until the Commission approves this Settlement Agreement. At that time, the parties will no

longer have to maintain confidentiality. If the Commission does not approve this Settlement Agreement, both parties must continue to keep the terms of this Settlement Agreement confidential, unless they agree in writing not to do so or if otherwise required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

- 39. All parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.
- 40. A fax copy of any signature will be treated as an original signature.

Dated this 11th day of November, 2013.

Systematech Solutions Inc.

“Hoa Vuong”
Witness: Hoa Vuong

Per: “April Vuong”

“Hoa Vuong”
Witness: Hoa Vuong

“April Vuong”
April Vuong

“Hoa Vuong”
Witness: Hoa Vuong

“Hao Quach”
Hao Quach

“Tom Atkinson”
Tom Atkinson
Director, Enforcement Branch

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

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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
SYSTEMATECH SOLUTIONS INC., APRIL VUONG AND HAO QUACH**

ORDER

WHEREAS on December 13, 2012, the Ontario Securities Commission (the "Commission") issued an Amended Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in relation to the Statement of Allegations filed by Staff of the Commission ("Staff") on October 31, 2012 with respect to Systematech Solutions Inc. ("Systematech"), April Vuong ("Vuong") and Hao Quach ("Quach") (collectively, the "Respondents");

AND WHEREAS the Respondents entered into a Settlement Agreement dated November , 2013, (the "Settlement Agreement") in relation to certain of the matters set out in the Statement of Allegations;

AND WHEREAS the Commission issued a Notice of Hearing dated November , 2013, setting out that it proposed to consider the Settlement Agreement;

AND UPON reviewing the Settlement Agreement, the Notice of Hearing, the Statement of Allegations, and upon considering submissions from the Respondents' counsel and from Staff of the Commission;

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) the Settlement Agreement is approved;
- (b) pursuant to clause 2 and 2.1 of subsection 127(1) of the Act, the acquisition of and trading in any securities shall cease for a period of 15 years for Systematech and Vuong and for a period of 10 years for Quach;
- (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply for a period of 15 years for Systematech and Vuong and for a period of 10 years for Quach;
- (d) pursuant to clauses 7, 8.1 and 8.3 of subsection 127(1) of the Act, Vuong and Quach shall immediately resign from any position that she and/or he holds as a director or officer of any issuer, registrant or investment fund manager with the exception that Vuong and Quach are permitted to continue to act as a director or officer of Vectorspace Game Studios Inc. (“Vectorspace”);
- (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, Vuong shall be prohibited for a period of 15 years and Quach shall be prohibited for a period of 10 years, from becoming or acting as a director or officer of any issuer, registrant or investment fund manager with the exception that Vuong and Quach are permitted to continue to act as directors and officers of Vectorspace so long as Vuong and Quach are the only holders of securities of Vectorspace and are its only officers and directors;

- (f) pursuant to clause 8.5 of subsection 127(1) of the Act, Vuong shall be prohibited for a period of 15 years and Quach shall be prohibited for a period of 10 years, from becoming or acting as a registrant, an investment fund manager or as a promoter;
- (g) pursuant to clause 9 of subsection 127(1) of the Act, the Respondents jointly and severally pay an administrative penalty of \$300,000 which amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act; and
- (h) pursuant to clause 10 of subsection 127(1) of the Act, the Respondents jointly and severally disgorge \$5,623,954.96 to the Commission which amount is designated for allocation or for use by the Commission pursuant to subsection 3.4(2)(b) of the Act.

DATED at Toronto, Ontario this day of November, 2013.
