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Notice of Hearing

Paul Larry O'Connor

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

- ¶ 1 A hearing will be held (the Hearing) to give Paul Larry O'Connor (O'Connor) an opportunity to be heard before the British Columbia Securities Commission considers whether it is in the public interest to make the following orders:
1. under section 161(1)(b) of the *Securities Act*, RSBC 1996, c. 418, that O'Connor cease trading in any securities or exchange contracts and be prohibited from purchasing any securities or exchange contracts;
 2. under section 161(1)(c) of the Act, that all of the exemptions described in sections 44 to 47, 74, 75, 98 and 99 of the Act do not apply to O'Connor;
 3. under section 161(1)(d) of the Act, that O'Connor resign any position he may hold, and be prohibited from becoming or acting, as a director or officer of an issuer;
 4. under section 161(1)(d) of the Act, that O'Connor be prohibited from engaging in investor relations activities;
 5. under section 162 of the Act, that O'Connor pay an administrative penalty;
 6. under section 174 of the Act, that O'Connor pay the prescribed fees or charges of or related to the hearing; and
 7. any other orders that may be appropriate in the circumstances.
- ¶ 2 The Commission will be asked to consider the following facts and allegations in making its determination:

Overview

1. Between 1998 and 2001 O'Connor, while registered under the Act, misappropriated a total of \$163,600 from three elderly clients.

Facts

2. O'Connor was registered under the Act and employed variously as a registered representative and an investment advisor by a number of different registrants from 1988 to 2001.

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3. From 1995 to 2000 O'Connor was employed an investment advisor with DPM Securities Inc. (DPM). Another securities dealer acquired DPM in 2000, at which time O'Connor became employed by that dealer until he was terminated on June 12, 2001.
4. During relevant times, O'Connor operated the DPM branch located in Parksville, British Columbia.
5. During relevant times, O'Connor was also the sole proprietor of, and carried on business under the name, Conservative Investment and Estate Consultants (Conservative).
6. Gordon Halls, Edith Smithers and Eileen Townsley (collectively, the Clients) were clients of O'Connor's. As at February 1998, these individuals were 90, 85 and 81 years old, respectively.
7. Between February 1998 and February 2001 O'Connor induced each of the Clients to issue cheques to him in the name of Conservative. Most of the cheque issuances were funded by mutual fund redemptions that O'Connor had induced the Clients to make.
8. The cheque issuances and mutual fund redemptions are summarized in the table below:

Client	Redemption Amount	Redemption Date	Amount of Cheque to Conservative	Cheque Deposit Date
Hall	\$9,612.06	February 19, 1998	\$ 5,000.00	February 25, 1998
Hall	\$5,000.00	March 29, 1999		April 5, 1999
Hall	\$5,000.00	March 29, 1999		
Hall	\$5,000.00	March 29, 1999	\$10,000.00	April 12, 1999
Smithers			\$ 3,000.00	May 14, 1998
Smithers			\$ 5,000.00	October 23, 1998
Smithers			\$ 4,000.00	January 6, 1999
Smithers			\$ 5,100.00	May 17, 1999
Smithers			\$ 3,000.00	August 25, 1999
Smithers			\$ 4,000.00	December 6, 1999
Smithers			\$ 3,000.00	March 28, 2000
Smithers			\$ 5,000.00	July 28, 2000
Smithers			\$ 5,000.00	November 23, 2000
Smithers			\$ 6,000.00	January 26, 2001
Smithers	\$1,000.00	February 7, 2001		
Smithers	\$2,000.00	February 7, 2001		
Smithers	\$2,000.00	February 7, 2001	\$ 5,000.00	February 20, 2001

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Townsley	\$15,000.00	April 3, 1998	\$15,000.00	April 9, 1998
Townsley	\$12,000.00	May 13, 1998	\$12,000.00	May 22, 1998
Townsley	\$12,000.00	July 2, 1998	\$10,000.00	July 8, 1998
Townsley	\$11,000.00	September 10, 1998	\$10,000.00	September 16, 1998
Townsley	\$10,000.00	January 11, 1999	\$10,000.00	January 20, 1999
Townsley	\$ 6,000.00	April 5, 1999		
Townsley	\$ 8,000.00	August 11, 1999		
Townsley	\$ 5,000.00	August 11, 1999		
Townsley	\$ 5,000.00	August 11, 1999	\$14,000.00	September 10, 1999
Townsley			\$ 6,000.00	January 19, 2000
Townsley	\$ 6,500.00	January 28, 2000	\$ 6,500.00	February 1, 2000
Townsley	\$10,000.00	June 6, 2000	\$10,000.00	June 16, 2000
Townsley	\$ 7,000.00	October 3, 2000	\$ 7,000.00	November 17, 2000

9. In respect of most of the cheque issuances, it was O'Connor and not the Client who entered the name of the payee, Conservative, on the cheque. In many instances, O'Connor also entered the amount payable on the cheque.
10. O'Connor did not invest the money he obtained from the Clients, but instead converted it to his own use. O'Connor used Client money to pay for the operating expenses of the DPM branch in Parksville, British Columbia, and to cover his personal expenses.
11. None of the payments were suitable investments for any of the Clients. In fact, none of the payments made by the Clients to Conservative had any investment value whatsoever.
12. O'Connor failed to inform:
 - (a) DPM that he was obtaining money from the Clients to use for his own purposes instead of the Clients' investment purposes;
 - (b) the Clients that Conservative was only an unincorporated operating name and not an incorporated entity;
 - (c) the Clients that he was using the funds advanced to Conservative to pay for personal expenses.
13. O'Connor failed to provide the Clients with any:
 - (a) information or documentation about Conservative's financial position; or
 - (b) documentation that evidenced the payments the Clients had made to Conservative.

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14. No repayment terms whatsoever regarding the funds advanced to Conservative by the Clients were ever discussed, negotiated or settled between O'Connor or Conservative and the Clients.
15. O'Connor has admitted that the Clients believed they were investing in DPM, not Conservative.
16. As their investment advisor, O'Connor was in a fiduciary relationship with each of the Clients. O'Connor violated the trust reposed in him by misappropriating a total of \$163,600 from the Clients from February 1998 and February 2001.

Breaches of the Act and Rules

17. O'Connor breached section 50(1)(d) of the Act when he induced the Clients to redeem mutual fund holdings by making statements to them that he knew, or ought to have known, were misrepresentations.
18. O'Connor breached section 57 of the Act when he made misrepresentations to induce the Clients to redeem mutual fund holdings for the purpose of funding the issuances of cheques to Conservative and, further, by converting the proceeds to his own use.
19. O'Connor failed to deal fairly, honestly and in good faith with the Clients, contrary to section 14(2) of the *Securities Rules*, B.C. Reg. 194/97 as amended (the Rules).
20. In advising the Clients to redeem mutual funds O'Connor recommended securities sales that were inappropriate and unsuitable for them, contrary to section 48(1) of the Rules.

Acts Contrary to the Public Interest

21. O'Connor's conduct as set out in this Notice of Hearing was contrary to the public interest.

¶ 3 O'Connor may be represented by counsel at the Hearing, and may make representations and lead evidence. O'Connor is requested to advise the Commission of his 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.

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- ¶ 4 O'Connor or his counsel is required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, March 17, 2004 at 9:00 a.m. if he wishes to be heard before the Commission sets a date for the Hearing.
- ¶ 5 Determinations may be made in this matter if O'Connor, or his counsel, does not appear at the Hearing.
- ¶ 6 February 18, 2004
- ¶ 7 Stephen J. Wilson
Executive Director