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Discipline

Discipline Penalties Imposed on Patrick Teggart – Violations of By-law 29.1, Regulation 1300.4, and Regulation 1300.1(c)

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada (“the Association”) has imposed discipline penalties on Patrick Teggart at the relevant time, a Registered Representative at Thomson Kernaghan & Co. Ltd. (“TK”).
By-laws, Regulations, Policies Violated	Following a disciplinary hearing on April 11, 2003, the Ontario District Council found that Patrick Teggart engaged in conduct unbecoming contrary to Association by-law 29.1 by committing five counts of forgery, engaging in unauthorized trading, obtaining the signature of two clients for account guarantees of which the clients had no knowledge or understanding, and opening an account in the name of a client without her knowledge or consent. Mr. Teggart was also found to have engaged in discretionary trading and failing to use due diligence to ensure that recommendations made were suitable for a client, contrary to Regulations 1300.4 and 1300.1(c), respectively.
Penalty Assessed	The discipline penalties assessed against Mr. Teggart are: A permanent prohibition against his approval in any capacity with a Member of the Association; A global fine of \$125,000; and Disgorgement of commissions in the amount of \$4,241.64. Mr. Teggart was also ordered to pay the Association’s costs in the amount of \$20,000.

Joint Account of E.O. and D.O.

In April 1999, E.O. and D.O. opened a joint account at TK with Mr. Teggart as their Investment Advisor. According to the New Account Application Form (“NAAF”), the investment objectives were 50% medium term capital gains and 50% long term capital gains. Risk factor was noted as medium and the client’s investment knowledge was noted on the NAAF as “poor/nil”. A margin agreement was also signed on April 12, 1999.

From April 1999 to June 1999, the account held one position, Fidelity International Portfolio mutual fund comprising 99.9% of the account. In the summer of 1999, Mr. Teggart began to sell off the client’s mutual fund position and purchase medium and high risk securities on margin. He also engaged in some short-term trading and short selling in this account. As of October 31, 1999, the client’s entire mutual fund position had been liquidated.

During the period from July 1999 to April 2001, Mr. Teggart purchased the following high risk securities in this account: Jaws Technologies Inc., Rompus Interactive CP, Delta Systems Inc., Arius Research Inc. (and related warrants), and Pinetree Corp. Although it varied from month to month, these high risk securities comprised a material proportion of the portfolio and constituted as much as 83% of the account’s total equity as of April 30, 2000. During Staff’s investigation, Mr. Teggart admitted that very little trading that took place in this joint account was suitable for the client. He also admitted to Staff that approximately 80% of the trades in the account were executed on a discretionary basis.

From April 30, 1999 to April 30, 2001, the joint account suffered a net loss of \$17,902.02, a loss of over 46% of the net contributions made to this account.

Mr. Teggart also prepared a false account guarantee dated April 28, 2000 where the joint account of E.O. and D.O. would guarantee the account of another client. Mr. Teggart admitted to forging D.O.’s signature on the guarantee document without his knowledge. While E.O. did sign the account guarantee document, she was neither informed of the purpose of the document nor its implications.

Account of N.P.

On October 14, 1999, Mr. Teggart opened an account at TK in the name of N.P. without her prior knowledge or consent. He also prepared a margin agreement dated October 14, 1999 for this account by forging the client’s signature.

N.P. was a former client of Mr. Teggart when he was employed at another Member firm, prior to joining TK. While at the other Member firm, N.P. incurred losses as a result of a recommendation made by him. The purpose of the TK account was to generate funds to compensate N.P. for those losses. N.P. did not contribute any funds in this account and was not consulted about any of the trades in the account. Thirteen trades were executed in the account without N.P.’s authorization.

Two cheques, each in the amount of \$5,000 were issued to N.P. and her brother D.P. respectively. The cheques represented partial compensation for losses previously

incurred by N.P. and D.P. as a result of recommendations made by Mr. Teggart. Mr. Teggart lied to both of them regarding the source of these funds. The cheque made payable to D.P. was facilitated by forging N.P. signature on a cheque requisition letter.

A third cheque was issued from this account in the amount of \$5,200. The cheque was made payable to the Adult Safe Hockey League for Mr. Teggart's personal benefit. In order to facilitate this transaction, he prepared a forged cheque requisition.

Shortly after opening this account, Mr. Teggart prepared an account guarantee dated October 18, 1999 that was intended to have N.P.'s account guaranteed by H.K.'s account. H.K. signed the account guarantee without a full understanding of the document.

Joint Account of C.M. and J.M.

In early January 2000, Mr. Teggart forged the signature of C.M. on a Letter of Authorization that requested the transfer of \$20,000 USD from C.M.'s joint account to another TK account. The transfer was made on January 10, 2000 without the client's knowledge or consent. The unauthorized transfer of funds were eventually used to purchase Equest debentures on behalf of C.M. Mr. Teggart also executed eight discretionary trades (both purchases and sales) in C.M.'s joint account.

Mr. Teggart has not been employed in the securities industry since leaving TK in April 2001.

Kenneth A. Nason
Association Secretary