

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, as amended**

- and -

**IN THE MATTER OF JOHN DAUBNEY and
CHERYL LITTLER**

SETTLEMENT AGREEMENT OF CHERYL LITTLER

I. INTRODUCTION

1. By notice of hearing dated July 14, 2006 (the “Notice of Hearing”), the Ontario Securities Commission (the “Commission”) announced that it proposed to hold a hearing to consider whether, pursuant to section 127 of the *Securities Act* (the “Act”), it is in the public interest for the Commission to make an order that:
 - (a) the registration of John Daubney and Cheryl Littler (together, the “Respondents”) be suspended permanently;
 - (b) trading in any securities by the Respondents cease permanently;
 - (c) the exemptions contained in Ontario securities law do not apply to the Respondents permanently;
 - (d) the Respondents be reprimanded;
 - (e) the Respondents resign any positions that they hold as director or officer of a reporting issuer;
 - (f) the Respondents be prohibited from becoming or acting as an officer or director of a reporting issuer; and
 - (g) the Respondents pay the costs of the Commission investigation and the hearing; and
 - (h) the Commission make such other order as it may deem appropriate.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding initiated in respect of Cheryl Littler by the Notice of Hearing in accordance with the terms and conditions set out below. Littler consents to the making of an order against her in the form attached as Schedule “A” on the basis of the facts set out below.

III. STATEMENT OF FACTS

Acknowledgment

3. For the purposes of this settlement agreement only, Littler agrees with the facts set out in this Part III. Littler expressly denies that the terms of this settlement agreement are intended to be an admission of civil liability by Littler to any person or company.

Factual Background

4. Between 1997 and 2003, Littler was registered as a salesperson under the Act with the following dealers:
 - (i) March 13, 1997 – July 22, 1999: Hewmac Investment Services Inc. (“Hewmac”), a dealer in the categories of mutual fund dealer and limited market dealer; and
 - (ii) July 30, 1999 – July 17, 2003: Wealth Map Financial Limited (“Wealth Map”), a dealer in the categories of mutual fund dealer and limited market dealer.
5. Littler’s registration was suspended when Wealth Map closed in July of 2003, and has not been reinstated to date.
6. Between 1997 and 2002, Littler worked in the Orangeville, Ontario branch offices of Hewmac (1997 – 1999) and Wealth Map (1999-2002). Daubney, an experienced salesperson, was a mentor to Littler and worked closely with her. Daubney shared with Littler his high-leverage investment strategy, described below, and referred clients to her.
7. Between 1997 and 2000, Littler recommended a leveraged investment strategy to some of her clients. Specifically, she recommended this strategy to one client for whom she was the sole representative, and four clients for whom she was the joint representative with Daubney.

8. Littler presented these clients with investment projections indicating high and positive potential long-term returns (generally, 12% per annum). By making inaccurate undertakings to her clients regarding the future value of their investments, she contravened s. 38(2) of the Act.
9. Littler did not adequately inform these clients about the underlying risk associated with the recommended investments, which included some speculative mutual funds and exempt-status investments sold pursuant to offering memoranda.
10. Littler encouraged these clients to engage in leveraged investing through mortgages and margin loans. Specifically, she advised these clients to increase their investment by borrowing funds secured by a mortgage on their homes. These borrowed funds were invested, and were used on occasion to obtain 1-to-1 or 2-to-1 margin loans from major financial institutions. The borrowed funds were in turn used to purchase additional securities.
11. Littler recommended this leveraged strategy to these clients without taking full account of their individual risk tolerance, investment objectives, investment knowledge, age, income or net worth. Littler therefore provided investment advice that was unsuitable for these clients, contrary to her obligations under OSC Rule 31-505, Section 1.5(1)(b).
12. The market downturn in 2000/2001 revealed the problems with Littler's investment advice. The combined effect of diminished investment values, margin calls and continuing debt obligations caused financial and personal hardships to these clients.
13. In July of 2003, Wealth Map closed down and its principals moved to another sponsoring dealer. Littler's registration was suspended when Wealth Map was closed and has not been reinstated to date.
14. Littler acknowledges that her conduct, as described above, was contrary to Ontario securities law and the public interest.

IV POSITION OF THE RESPONDENT

15. Littler states that the transactions described above were carried out while she was employed by registered mutual fund and limited market dealers and her clients' transactions in mutual funds and limited market products were reviewed and approved by those dealers.
16. Littler is remorseful. Littler states that she entirely discontinued recommending leveraging strategies in 2000, when the potential issues relating to such strategies became clear to her.

17. Littler states that she employed the investment strategy described above with her own personal investments, as well as those of several family members. She suffered significant investment losses as a result and was required to declare personal bankruptcy in June of 2004. She was discharged from bankruptcy in September of 2004.
18. Civil proceedings have been commenced against Littler, Daubney, Hewmac, Wealth Map and the financial institutions which loaned the monies under the investment strategy. The plaintiffs include some of Littler and Daubney's former clients. Littler states that she is fully and completely defending the actions and will continue to do so.
19. Littler has undertaken further education and training in the securities field. In September of 2001, she completed the first level of courses required for her to become a Certified Financial Planner. In March of 2002 she completed the Branch Managers Course.

V TERMS OF SETTLEMENT

20. Littler agrees that it is in the public interest for the Commission to make an order:
 - (a) suspending her registration under Ontario securities law for a further 6 month period;
 - (b) reprimanding her; and
 - (c) requiring her to pay the sum of \$500.00 towards the costs of the Commission's investigation in this matter.
21. Littler undertakes to successfully complete the Canadian Investment Funds Course or its equivalent and the Labour Sponsored Investment Funds Course before making any application to have her registration reinstated.
22. Littler undertakes to cooperate fully with Staff in relation to the outstanding proceeding in this matter, including providing complete and truthful answers to any Staff inquiries and testifying as a witness for Staff if requested.

VI STAFF COMMITMENT

23. If this settlement agreement is approved by the Commission, Staff will not initiate any proceeding under Ontario securities law in respect of any conduct or alleged conduct of Littler in relation to any of the facts set out in Part III of this settlement agreement, subject to the provisions of paragraph 27 below.

VII PROCEDURE FOR APPROVAL OF SETTLEMENT

24. Approval of this settlement agreement shall be sought at a public hearing of the Commission on a date to be agreed between Staff and Littler, in accordance with the procedures described in this settlement agreement.
25. Staff and Littler agree that if this settlement agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting Littler in this matter, and Littler agrees to waive her rights to a full hearing, judicial review or appeal of this matter under the Act.
26. Staff and Littler agree that if this settlement agreement is approved by the Commission, neither Staff nor Littler will make any public statement inconsistent with this settlement agreement.
27. If Littler fails to honour the agreements and/or undertakings contained in paragraphs 21, 22 or 26 of this settlement agreement, Staff reserve the right to bring proceedings under Ontario securities law against Littler based on the facts set out in Part III of this settlement agreement, as well as the breach of the agreements and/or undertakings.
28. If, for any reason whatsoever, this settlement agreement is not approved by the Commission or an order in the form attached as Schedule "A" is not made by the Commission, each of Staff and Littler will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this agreement or the settlement negotiations.
29. Whether or not this settlement agreement is approved by the Commission, Littler agrees that she will not, in any proceeding, refer to or rely upon this agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII DISCLOSURE OF AGREEMENT

30. The terms of this settlement agreement will be treated as confidential by all parties hereto until approved by the Commission, and forever if, for any reason whatsoever, this settlement agreement is not approved by the Commission, except with the written consent of both Littler and Staff or as may be required by law.

31. Any obligations of confidentiality shall terminate upon approval of this settlement agreement by the Commission.

IX EXECUTION OF AGREEMENT

32. This settlement agreement may be signed in one or more counterparts which together shall constitute a binding agreement.
33. A facsimile copy of any signature shall be effective as an original signature.

Dated this 3rd day of October, 2007.

“illegible signature”
Witness

“Cheryl Littler”
Cheryl Littler

Dated this 3rd day of October, 2007.

**STAFF OF THE ONTARIO SECURITIES
COMMISSION**
Per:

“Kelley McKinnon”
per: Michael Watson
Director, Enforcement Branch

Schedule “A”

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

- and -

**IN THE MATTER OF JOHN DAUBNEY and
CHERYL LITTLER**

ORDER

WHEREAS the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing and related Statement of Allegations on July 14, 2006 in respect of John Daubney and Cheryl Littler;

AND WHEREAS Cheryl Littler (“Littler”) has entered into a settlement agreement with Staff of the Commission dated October 3, 2007 in relation to the matters set out in the Statement of Allegations (the “Settlement Agreement”);

AND WHEREAS Littler’s registration as a salesperson in the categories of Mutual Fund Dealer and Limited Market Dealer has been suspended since July of 2003;

AND WHEREAS, in addition to the terms of the order below, Littler has undertaken as follows:

1. to successfully complete the Canadian Investment Funds course or its equivalent and the Labour Sponsored Investment Funds course before making any application to have her registration reinstated; and
2. to cooperate fully with Staff in relation to the outstanding proceeding in this matter, including providing complete and truthful answers to any Staff inquiries and testifying as a witness for Staff if requested;

UPON reviewing the Notice of Hearing, Statement of Allegations and Settlement Agreement, and upon hearing submissions from counsel for Littler and counsel for Staff of the Commission;

AND WHEREAS the Commission considers it to be in the public interest to make this order;

IT IS HEREBY ORDERED that:

1. the Settlement Agreement, a copy of which is attached to this Order, is approved;
2. Littler is reprimanded;
3. Littler's registration under Ontario securities law is suspended for a further period of 6 months beginning from the date of this Order; and
4. Littler shall pay the sum of \$500.00 towards the costs of Staff of the Commission's investigation into the matters set out in the Statement of Allegations.

Dated at Toronto this of October, 2007
