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UPDATE: Suit Vs. Investia in Ontario Seeks Class Action Status

Article

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Text

(Updates with the Mutual Fund Dealers Association's scrutiny on Investia.)

By Evelyn Juan
OF DOW JONES NEWSWIRES

TORONTO (Dow Jones)--The lawsuit versus Investia Financial Services Inc., a Quebec mutual fund dealer, is now seeking class action status after scores of former clients came forward alleging that their money has been similarly put into a so-called leveraging scheme.

The amended suit, filed before the Superior Court of Ontario Monday, is seeking general damages of C\$2 million for each member of the class, and C\$50 million in punitive damages, according to the amended lawsuit filed Monday.

Investia was originally sued in June by George French, a farmer from Barrie, Ontario, who claimed that his former financial adviser, David Karas, encouraged him to take out loans from different banks to purchase mutual funds.

French claims that Karas used a one-size-fits-all investment scheme for his clients and recommended maximum possible loans for every client without properly disclosing the risks associated with the leveraging scheme.

In his case, French incurred loans of more than C\$1 million by 2007. With the market crash from August 2008 to February 2009, his portfolio declined sharply. According to his court filing, much of his money was allocated to unsuitably high-risk investments, and that his portfolio was "overwhelmingly" in equities, contained less than 8% fixed-income investments and no cash.

"Because much of his portfolio represented borrowed money, his ownership value disappeared and he owed far more than the value of his holdings," according to a court filing.

French also claimed he was wrongly put into a so-called Financial Victory Scheme in 2006, which provided market-timing alerts at specified times to buy or sell mutual funds.

A spokesman for Investia declined to comment.

Jon Hollander of Ottawa-based Doucet McBride, which represents French, said not all of those who have come forward about the case participated in the financial victory scheme, "but all of them borrowed to invest in the mutual fund."

It cannot be ascertained how many people could be potential class members, but Hollander said 75 families have already come forward about the case, and a meeting will be held on Oct. 19 with their existing clients in Barrie.

The Mutual Fund Dealers Association, the self-regulatory organization for mutual fund dealers in Canada, is scrutinizing Investia. A company spokesman earlier

told Dow Jones that Investia is collaborating with regulatory authorities on "any issues."

-By Evelyn Juan, Dow Jones Newswires; 416-306-2025; evelyn.juan@dowjones.com

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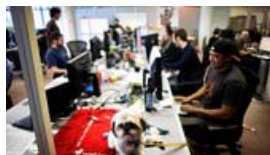
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