

SETTLEMENT AGREEMENT

(Re French and Smith Class Actions as against David Karas, James Stephenson, Investia et al)

Preamble

The Parties hereto intend, by this Settlement Agreement, to finally resolve any and all claims by clients of David Karas or James Stephenson who borrowed money to invest in mutual funds or segregated funds through Money Concepts (Barrie) and held leveraged investments at Money Concepts (Barrie) prior to the branch closing on or about March, 2010, and further intend that all Defendants shall receive complete releases from all such claims from Bound Class Members.

This Settlement Agreement includes both the French Class Action and the Smith Class Action.

The goal of the Settlement Agreement is to achieve a fair, reasonable and cost effective resolution of all Claims, having regard to the damages claimed, the legal defences raised by the Defendants, and, importantly, the anticipated litigation timeline for appeals of the Certification Orders followed by a common issues trial, appeals therefrom, and potentially individual damage assessments thereafter.

In order that the funds available under the Settlement Agreement are distributed efficiently and economically, the Settlement Agreement provides for an administrator to distribute Compensation to Claimants Entitled to Compensation.

This Settlement Agreement is entered into without admissions of liability on the part of the Defendants.

NOW, THEREFORE, for value received, the Parties stipulate and agree, that the Class Actions shall be finally settled and resolved on the terms and conditions set forth in this Settlement Agreement, subject to approval by the Court:

A) Definitions (in alphabetical order):

- 1) Administrator—refers to the class action administrator, Crawford Class Actions Services as appointed by the Court in the Orders for Directions.
- 2) Administrator Fees Incurred to Date—the total fees and expenses incurred by the Administrator in the event the settlement is nullified by the Defendants prior to the Settlement Confirmation Deadline or in the event that the Court does not approve the Settlement.
- 3) Balance Of Administrator Budget—refers to an amount, if above zero, equal to \$200,000 less the Total Administrator's Costs.

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- 4) Bound Class Members—refers to Class Members excluding Opt Outs.
- 5) Certification Orders—refers to the Orders of Justice Shaughnessy dated February 17, 2012 in the Class Actions.
- 6) Challenge—refers to the process as determined by the Administrator for Claimants to seek a reconsideration of any decision made by the Administrator requiring the Claimant to submit additional documents to the Administrator by a fixed deadline (as determined by the Administrator) for consideration and for final determination by the Administrator.
- 7) Claimant—refers to anyone submitting a completed Claim Form by the Claim Form Deadline.
- 8) Claims—refers to any and all claims by clients of David Karas or James Stephenson who borrowed money to invest in mutual funds or segregated funds through Money Concepts (Barrie) and held leveraged investments at Money Concepts (Barrie) prior to the branch closing on or about March, 2010 as alleged against the Defendants in the Class Actions.
- 9) Claim Form—refers to the Claim Form attached to the Orders for Directions.
- 10) Claim Form Deadline—refers to the deadline for submission of the Claim Form as set out in the Orders for Directions.
- 11) Claimant's Actual Compensation Amount—is the Claimant's Unadjusted Claim Total Amount multiplied by the Resolution Adjustment Factor.
- 12) Claimant's Crystallization Date—is the date determined by the Administrator as the earlier of the date the Claiming Class Member's funds were transferred out of Investia's control and the date of the branch's closure, based on the information available to the Administrator in the Database or as otherwise determined by the Administrator following a Challenge.
- 13) Claimants Entitled To Compensation—refers to Claiming Class Members determined by the Administrator to have a Claimant's Unadjusted Claim Amount.
- 14) Claimant's Total Estimated Interest Paid—is the amount determined by the Administrator to be the estimated amount of interest paid by the Claiming Class Member on its Verified Loan Amounts up until the Claimant's Crystallization Date, based on the information available to the Administrator in the Database or as otherwise determined by the Administrator following a Challenge.
- 15) Claimants Total Estimated Net Leveraged Investment Loss (Gain)--is the amount determined by the Administrator to be the estimated amount lost or gained (and if the amount is gained then the amount is negative) by the Claiming Class Member on its Verified Leveraged Investments up until the Claimant's Crystallization Date, based on the information available to the Administrator in the Database or as otherwise determined by the Administrator following a Challenge.

- 16) Claimant's Unadjusted Claim Amount—an amount (only if greater than zero) determined by the Administrator for each Claiming Class Member to be determined as follows: the Claimant's Total Estimated Interest Paid plus the Claimant's Total Estimated Net Leveraged Investment Loss (Gain).
- 17) Claimant's Unadjusted Claim Total Amount—is the Claimant's Unadjusted Claim Amount plus any Validated Unidentified Loan Top Up.
- 18) Claiming Class Members—Validated Class Members who are Claimants.
- 19) Class Actions—refers to both the French Class Action and the Smith Class Action.
- 20) Class Counsel—refers to counsel for the Plaintiffs in the Class Actions, namely Thomson, Rogers and Doucet McBride LLP.
- 21) Class Members—refers to members of the Class as defined in the Certification Orders, specifically, all clients of either David Karas or James Stephenson who borrowed money to invest in mutual funds or segregated funds through Money Concepts (Barrie) and held leveraged investments at Money Concepts (Barrie) prior to the branch closing on or about March, 2010, other than Excluded Class Members.
- 22) Class Settlement Amount—is the total of the amount of \$6,810,100.00 (i.e. the Total Amount Payable for Claims less the Total Solicitor-Client Class Counsel Fees), plus Interest Earned and plus the Balance of Administrator Budget.
- 23) Court—defined as the court with jurisdiction over the Class Actions, specifically the Ontario Superior Court of Justice and the class action judge assigned, Justice Shaughnessy.
- 24) Database—is the information from the Univeris database provided by Investia to the Administrator in accordance with the Orders for Directions.
- 25) Defendants—refers to all of the defendants named in the Class Actions, specifically Investia Financial Services Incorporated, Money Concepts (Barrie), Diamond Tree Capital Inc., Financial Victory Associates Inc., David Karas and James Stephenson.
- 26) Excluded Class Members—refers to the Defendants and their immediate family members as identified in a Schedule to be agreed to by the Parties.
- 27) French Class Action—refers to the class proceeding claim by the Plaintiff, George French, against Karas et al, bearing Ontario Court File. No. 10-0690.
- 28) Interest Earned—refers to the amount of interest earned on the Total All-Inclusive Payment by Defendants up until The Payout Date.
- 29) Investia—refers to the Defendant Investia Financial Services Incorporated.
- 30) Karas—refers to the Defendant David Karas in the French Class Action.

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- 31) Minutes of Settlement—refers to the confidential Minutes of Settlement dated October 25, 2012 (to be made available to the Court upon request).
- 32) Opt Outs—refers to Validated Class Members who have opted out of the Class Actions in accordance with the Orders for Directions.
- 33) Opt Out Deadline—refers to the deadline for opting out of the Class Actions stipulated in the Orders for Directions.
- 34) Opt Out Report—refers to the report by the Administrator to The Parties regarding the number of Opt Outs and their Validated Loans.
- 35) Opt Out Report Deadline—refers to the date one week following the Opt Out Deadline.
- 36) Opt Out Threshold—refers to the confidential threshold set out in the Minutes of Settlement that, if exceeded, allows the Defendants to nullify the Settlement following the Opt Out Deadline.
- 37) Orders for Directions—refers to the Orders by Justice Shaughnessy dated November 21, 2012 in the Class Actions.
- 38) Partial Indemnity Class Counsel Fees—is the sum of the partial indemnity costs (of \$1,327,433.63), taxes (of \$172,566.37) and disbursements (of \$100,000.00) paid by the Defendants (totaling \$1,600,000).
- 39) Parties—refers to the Defendants and the Plaintiffs.
- 40) Payout Date—refers to the date, expected to be no more than 60 days following the Settlement Order Date, by which Claimants Entitled To Compensation should receive their Claimant's Actual Compensation Amount from the Administrator.
- 41) Plaintiffs—refers to the representative plaintiffs in the Class Actions as represented by Class Counsel.
- 42) Process for Determining Class Inclusion—refers to the process the Administrator is to follow to determine whether a Claimant is a Class Member; namely by running 5 annual searches on the Claimant in the Database using the dates of January 1st of 2004 through 2008, or conducting additional Database searches if determined to be appropriate by the Administrator.
- 43) Resolution Adjustment Factor—is the Total Unadjusted Claim Total Amount divided by The Class Settlement Amount.
- 44) Settlement Agreement—refers to this Agreement.
- 45) Settlement Confirmation Deadline—refers to the date one week following the date the Defendants are sent the Opt Out Report, by which date the Defendants must, if they intend to do so, nullify the Settlement if the Opt Out Threshold is exceeded, failing which the Settlement is confirmed, subject to Court approval.

- 46) Settlement Order—defined as the Order sought by Class Counsel from the Court approving the Settlement Agreement.
- 47) Settlement Order Date—defined as the date of the Settlement Order.
- 48) Settlement Deposit Date—is November 30th, 2012.
- 49) Smith Class Action—refers to the class proceeding claim by the Plaintiffs, Edith Irene Smith and the late Bruce Smith, against Stephenson et al, bearing Ontario Court File. No. 11-0234.
- 50) Stephenson—refers to the Defendant James Stephenson in the Smith Class Action.
- 51) Total Administrator's Costs—is the total amount payable to the Administrator for its costs, taxes, disbursements, including any costs associated with providing notice, up to a maximum of \$200,000.00, unless otherwise approved by the Court.
- 52) Total All-Inclusive Payment By Defendants—refers to the total all-inclusive amount of \$10,000,000.00.
- 53) Total Amount Payable for Claims—is the amount of \$8,200,000 payable by the Defendants for damages in the Class Actions.
- 54) Total Class Counsel Fees—is the sum of the Partial Indemnity Class Counsel Fees and the Total Solicitor-Client Class Counsel Fees.
- 55) Total Solicitor-Client Class Counsel Fees—is the amount of \$1,230,000.00 (representing 15% of the Total Amount Payable for Claims), plus taxes of \$159,900.00, claimed by Class Counsel for solicitor-client Class Counsel fees in the Class Actions, or such other amount as approved by the Court.
- 56) Total Unadjusted Claim Amount—is the grand total of the Claimant's Unadjusted Claim Total Amount for all Claiming Class Members.
- 57) Unidentified Loans—are loans taken out by Class Members during the time that Karas or Stephenson was their representative from either Manulife and/or from a Home Equity Line of Credit, or such other loans as determined by the Administrator to not have been identified in the Database.
- 58) Unidentified Loan Claim—is a claim by a Claimant on their submitted Claim Form indicating that they had Unidentified Loans and they believe they lost funds as a result.
- 59) Unidentified Loan Claim Determination—the process the Administrator is to follow to validate an Unidentified Loan Claim, specifically by considering any information and/or supporting documents provided by the Claimant including, but not limited to: any Declaration made by the claimant, any communication between the Administrator and the Claimant, any supporting documents provided by the Claimant and any further documents or information available to the Administrator.

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- 60) Validated Class Members—refers to Class Members that the Administrator has accepted as Class Members.
- 61) Validated Unidentified Loans—Claimants that the Administrator has concluded have verified Unidentified Loans.
- 62) Validated Unidentified Loan Top Up—an amount equal to 15% of the Claimant's Unadjusted Claim Amount.
- 63) Verified Leveraged Investments—is the amount determined by the Administrator to be the total amount of leveraged investment by the Claiming Class Member while Karas or Stephenson was their representative, based on the information available to the Administrator in the Database or as otherwise determined by the Administrator following a Challenge.
- 64) Verified Loan Amount—is the amount determined by the Administrator to be the total amount of loans by the Claiming Class Member obtained by the Claiming Class Member while Karas or Stephenson was their representative used to purchase Verified Leveraged Investments, based on the information available to the Administrator in the Database or as otherwise determined by the Administrator following a Challenge.

B) The Settlement Agreement:

- 1) Objective—the Settlement Agreement will resolve Claims by Bound Class Members against the Defendants by way of a settlement of the Class Actions to be implemented in accordance with the terms set out herein.
- 2) No Admission of Liability—the Settlement Agreement is without admission of liability.
- 3) Payment and Investment of Total All-Inclusive Payment by Defendants—the Defendants will pay the Total All-Inclusive Payment by Defendants by the Settlement Deposit Date to Class Counsel (or to the Administrator on agreement of the Parties and the Administrator) for deposit into an interest bearing account, to be held in Trust pending Court approval of the Settlement Agreement.
- 4) The Administration of the Settlement:
 - a. Notice—Notice will be given in accordance with the Orders for Directions;
 - b. Opt Out—Class Members may Opt Out by the Opt Out Deadline in accordance with the Orders for Directions;
 - c. Making a Claim—Claimants seeking compensation must submit a Claim Form by the Claim Form Deadline in accordance with the Orders for Directions, along with any Unidentified Loan Claim;

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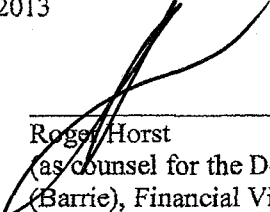
- d. Opt Out Report—The Administrator will provide an Opt Out Report to the Parties by the Opt Out Report Deadline;
- e. Settlement Confirmation or Nullification—in the event the Opt Out Threshold is exceeded, the Defendants will advise Class Counsel and the Administrator by the Settlement Confirmation Date whether the Defendants will nullify the Settlement Agreement. In the event the Settlement Agreement is so nullified, the Court will be asked for further directions on how to proceed but it is anticipated that the Administrator would notify all Claimants, that the Defendant's leave to appeal the Certification Orders will resume, and that the Total All-Inclusive Payment by Defendants would be repaid with interest to the Defendant, less the amount paid for Administrator Fees Incurred to Date (with the Defendants having the right to later claim the amount paid as a recoverable disbursement in the Class Actions, subject to order of the Court);
- f. Decisions on Class Inclusion—The Administrator will review the Claim Forms and will determine class inclusion by using the Process for Determining Class Inclusion. The Administrator will then notify Claimants whether they are Validated Class Members or not (and will provide information regarding the Challenge process and thereafter make a final decision on any such challenges);
- g. Decisions on Unidentified Loan Claim—The Administrator will make the Unidentified Loan Claim Determination. The Administrator will then notify Claimants whether they have a Validated Unidentified Loan (and will provide information regarding the Challenge process and thereafter make a final decision on any such challenges);
- h. Quantifying the Claimant's Actual Compensation Amount—The Administrator will quantify the Claimant's Unadjusted Claim Total Amount along with the estimated Resolution Adjustment Factor and will advise Validated Class Members of their anticipated Claimant's Actual Compensation Amount (along with the Challenge process and will thereafter make a final decision on any such challenges). The Administrator will assemble a chart summarizing the Claimant's Actual Compensation Amount for all Claimants and will provide it to Class Counsel;
- i. The Motion for Settlement Approval and Fee Approval—The Court will hear the Motion for Settlement Approval (which includes approval of Class Counsel fees) on the date set out in the Orders for Directions including any objections thereto made in accordance with the Orders for Directions;
- j. If the Settlement Is Not Approved—If the Settlement is not approved by the Court, the Court will be asked for further directions but it is anticipated that the Administrator would notify all Claimants, that the Defendant's leave to appeal the Certification Orders will resume, and that the Total All-Inclusive Payment by Defendants would be repaid with interest to the Defendant, less the amount paid for Administrator Fees Incurred to Date (with the Defendants having the right to later claim the amount paid as a recoverable disbursement in the Class Actions, subject to order of the Court); and,

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- k. If the Settlement is approved—Claimants Entitled To Compensation will receive their Claimant's Actual Compensation Amount by The Payout Date and Total Class Counsel Fees would be paid along with the Total Administrator's Costs.
- 5) Releases—if the Settlement Agreement is approved by the Court, the Defendants will by Court Order be released from Claims by Bound Class Members.
- 6) Assurances—The Parties will consent to such Order(s) and sign such other documentation as is reasonably required to give effect to the Settlement Agreement.
- 7) Entire Agreement—The Settlement Agreement constitutes the entire agreement among the Parties (other than the confidential Opt Out Threshold within the Minutes of Settlement and the schedule of Excluded Class Members), and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. The Settlement Agreement may not be modified or amended except in writing and on consent of all Parties and any such modification or amendment must be approved by the Court.
- 8) Execution—The Settlement Agreement may be executed in counterparts and by fax, and Class Counsel shall be the repository for all executed counterparts and shall be responsible for distributing same to all Parties.

Date: March 5, 2013

Signature:



Roger Horst

(as counsel for the Defendants, David Karas, James Stephenson, Money Concepts (Barrie), Financial Victory Associates Inc. and Diamond Tree Capital Inc.)

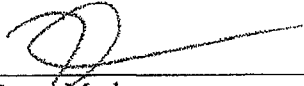
Signature:



David DiPaolo

(as counsel for the Defendant, Investia Financial Services Incorporated,)

Signature:



Darcy Merkur

(as Class Counsel from Thomson, Rogers)

Signature:



John Hollander

(as Class Counsel from Doucet McBride LLP)

Fax execution page to Thomson, Rogers, Attn: Darcy Merkur at (416) 868-3134