

**NOTICE OF CERTIFICATION OF A CLASS PROCEEDING
NOTICE OF SETTLEMENT**

TO:

ALL PURCHASERS OF NOTES OF
LIONAIRD CAPITAL CORP.
("Lionaird")

AND

ALL PURCHASERS OF UNITS OF
NORTH GEORGE CAPITAL LIMITED PARTNERSHIP
NORTH GEORGE CAPITAL II LIMITED PARTNERSHIP
NORTH GEORGE CAPITAL III LIMITED PARTNERSHIP
NORTH GEORGE CAPITAL IV LIMITED PARTNERSHIP
NORTH GEORGE CAPITAL V LIMITED PARTNERSHIP
(collectively, the "North George Partnerships")

**Please read this notice carefully.
It affects your legal rights.**

The Ontario Superior Court of Justice (Commercial List) (the "Court") has ordered that the action (the "Action") commenced by Claude Millard and Roger Grise against North George Capital Management Limited and others (Court file no. 98-CL-3048) shall be certified to proceed as a class action on behalf of all purchasers of promissory notes ("Notes") issued by Lionaird (the "Lionaird Class") and all purchasers of limited partnership units ("Units") of the North George Partnerships (the "North George Class"). The Court has also approved an agreement (the "Settlement Agreement") providing for the settlement of the claims of the Lionaird Class and the North George Class against certain defendants in the Action, all subject to certain terms and conditions.

You have been sent this Notice because you are or may be a member of the Lionaird Class, the North George Class or both classes.

As a member of the Lionaird Class, the North George Class or both classes, you will be bound by the results of the class action and by the terms of the Settlement Agreement unless you take steps to exclude yourself ("opt out") as described in this Notice.

This notice describes the decisions you need to make about the benefits of participating in the class action and the Settlement Agreement or whether to opt out. If you wish to opt out, you must complete, sign and send an Opt Out Notice to Class Counsel which must arrive before the deadline of 5:00 p.m. Toronto time on June 30, 2000.

Publication of this Notice has been approved by the Court.

GLOSSARY OF TERMS

"**Act**" means the *Class Proceedings Act, 1992* (Ontario).

"**Action**" means the action filed in the Court under the name and style of *Claude Millard and Roger Grise v. North George Capital Management Limited, et al.* and bearing court file No. 98-CL-3048.

"**Class Counsel**" means Steven Sofer of Smith Lyons and Jeffrey D. Glatt, or their successors in the Action.

"**Court**" means the Ontario Superior Court of Justice (Commercial List) and the Honourable Mr. Justice Farley, or his successor.

"**Court Order**" means the orders of the Court dated April 11, 2000 certifying the Action as a class proceeding pursuant to the Act and approving the Settlement Agreement.

"**Fee Agreement**" means the agreement dated as of August 12, 1998 between Claude Millard and Roger Grise and Class Counsel, pursuant to which Class Counsel have agreed to work on a contingency basis.

"**Group 1 Noteholders**" means the members of the Lionaird Class whose security interests against the property and assets of Lionaird were perfected by a registration dated September 8, 1998; the names of the Group 1 Noteholders are listed in Part 1 of Schedule A to this Notice.

"**Group 2 Noteholders**" means the members of the Lionaird Class whose security interests against the property and assets of Lionaird were perfected by a registration dated March 24, 1999; the names of the Group 2 Noteholders are listed in Part 2 of Schedule A to this Notice.

"**Interim Receiver**" means Kroll Lindquist Avey, in their capacity as the interim receiver over the property and assets of Lionaird and the North George Partnerships, as applicable.

"**Lionaird**" means Lionaird Capital Corp.

"**Lionaird Class**" means all purchasers of Notes issued by Lionaird, other than the defendants in the Action and their relatives.

"**North George Class**" means all purchasers of Units issued by the North George Partnerships, other than the defendants and their relatives.

"**North George Partnerships**" means North George Capital Limited Partnership, North George Capital II Limited Partnership, North George Capital III Limited Partnership, North George Capital IV Limited Partnership and North George Capital V Limited Partnership.

"**Notes**" means promissory notes issued by Lionaird.

"**Opt Out**" means the right of members of the Lionaird Class and the North George Class to exclude themselves from the results of the Action and the terms of the Settlement Agreement.

"**Opt Out Notice**" means a written notice in the form contained on page 16 of this Notice which is submitted to Class Counsel to exercise a right to Opt Out.

"**RRSP Subclass**" means all members of the Lionaird Class who purchased Notes through an RRSP with M.R.S. Trust Company as trustee.

"**Settlement Agreement**" means the agreement dated February 24, 2000, providing for the settlement of the claims of the Lionaird Class and the North George Class against the Settling Defendants.

"**Settling Defendants**" means Robert McGillen, Stewart and Associates and M.R.S. Trust Company and their affiliated companies, officers, directors, partners, employees or agents.

"**Units**" means limited partnership units issued by the North George Partnerships.

Summary

The following summary is not intended to be a complete description of the terms and conditions of the Court Order and the Settlement Agreement. Please read this Notice in full.

Lionaird Class

If you are a member of the Lionaird Class, you do not opt out of the Action and the Settlement Agreement, all of the conditions for certification, settlement and the use and application of the funds are satisfied and the Court Order is not appealed:

1. by July 28, 2000, you should receive a distribution of an amount equal to between 38 cents and 40 cents (less applicable legal fees and disbursements, as may be approved by the Court) for each \$1.00 principal amount of Notes held by you;
2. you will no longer have the right to individually sue any of the Settling Defendants, namely, Stewart and Associates and M.R.S. Trust Company, and their affiliated companies, officers, directors, partners, employees or agents, for the losses or damages you suffered as a result of your purchase of Lionaird Notes; the Settlement Agreement will constitute a full and final release of all claims you may have against the Settling Defendants; and
3. you will no longer have the right to individually sue any of the non-settling defendants, including the promoters of Lionaird, Roderick Alton, Michael Magee, Kenneth Gill and Anne Gilmour, and the financial advisors who sold Lionaird Notes, Michael Goselin and Irvine Dyck; if success is achieved in prosecuting and enforcing the claims of the Lionaird Class (or any applicable subclass) against these defendants in the class proceeding, you will share proportionately in any additional amounts recovered.

North George Class

If you are a member of the North George Class, you do not opt out of the Action and the Settlement Agreement, all of the conditions for certification, settlement and the use and application of the funds are satisfied and the Court Order is not appealed:

1. you will not receive any distribution pursuant to the settlement arrangements; however, the sum of \$100,000 will be made available for use for the benefit of members of the North George Class; initially, it is proposed that a portion of these funds be used to retain counsel in Switzerland to pursue the claims of the North George Class in that jurisdiction;
2. you will no longer have the right to individually sue any of the Settling Defendants, namely, Robert McGillen and Stewart and Associates, and their partners, employees or agents, for the losses or damages you suffered as a result of your purchase of Units of the North George Partnerships; the Settlement Agreement will constitute a full and final release of all claims you may have against the Settling Defendants; and
3. you will no longer have the right to individually sue any of the non-settling defendants, including the promoters of the North George Partnerships, Roderick Alton and Michael Magee, the financial advisors who sold the North George Partnership Units, Michael Goselin and Irvine Dyck and the accountants of the North George Partnerships, McColl Turner; if success is achieved in prosecuting and enforcing the claims of the North George Class (or any applicable subclass) against these defendants in the class proceeding, you will share proportionately in any additional amounts recovered.

If you elect to opt out of the Action and the Settlement Agreement, you will not be entitled to share in any of the benefits of the class action and the Settlement Agreement. You will need to individually assert any claims you may have against the funds currently in the possession of the Interim Receiver and you will need to individually file and prosecute your own lawsuit to pursue your own claims against any of the defendants named in the Action.

The following is a description of the terms and conditions of the Court Order and the Settlement Agreement. Please read this Notice carefully. It affects your legal rights. If you would like to read the Court Order and the Settlement Agreement in full, copies are available on our website www.smithlyons.ca/Classaction/NorthGeorgeandLionaird.htm.

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I Overview of the Class Action

In 1998, Claude Millard and Roger Grise commenced an action (Court file no. 98-CL-3048) (the "Action") before what is now the Ontario Superior Court of Justice (Commercial List) (the "Court") to recover the losses and damages suffered by them as a result of their purchase of promissory notes ("Notes") issued by Lionaird and limited partnership units ("Units") issued by the North George Partnerships.

They asked the Court to certify the Action pursuant to the *Class Proceedings Act, 1992* (the "Act") so that it could proceed as a class action on behalf of all purchasers of Lionaird Notes (the "Lionaird Class") and all purchasers of North George Partnership Units (the "North George Class"), other than the defendants and related parties.

On behalf of the Lionaird Class, claims for negligence, breach of duty of care, breach of fiduciary duties and breach of trust, among others, were made against the following defendants:

1. Lionaird;

2. Roderick Alton, Michael Magee, Kenneth Gill and Anne Gilmour, the promoters of Lionaird who were the sole shareholders, officers and directors of Lionaird;
3. Triple A Financial Services Inc., a securities dealer controlled by Roderick Alton which sold the Lionaird Notes;
4. Michael Goselin and Irvine Dyck, financial planners and advisors to members of the Lionaird Class who sold them the Lionaird Notes; Goselin and Dyck were also commissioned sales representatives for Triple A;
5. Stewart and Associates, a law firm retained by Lionaird; and
6. M.R.S. Trust Company, which acted as trustee for all of the RRSP accounts through which certain members of the Lionaird Class purchased Lionaird Notes for their RRSP's (these purchasers are referred to in this Notice as the "RRSP Subclass").

On behalf of the North George Class, claims for negligence, breach of duty of care and breach of fiduciary duties, among others, were made against the following defendants:

1. The North George Partnerships;
2. North George Capital Management Limited, the general partner of the North George Partnerships;
3. Roderick Alton and Michael Magee, the promoters of the North George Partnerships who were also the sole shareholders, officers and directors of the general partner;
4. Triple A Financial Services Inc., a securities dealer controlled by Roderick Alton which sold the North George Partnership Units;
5. Michael Goselin and Irvine Dyck, financial planners and advisors to members of the North George Class who sold them the North George Partnership Units; Goselin and Dyck were also commissioned sales representatives for Triple A;
6. McColl Turner, an accounting firm retained by the North George Partnerships and the general partner;
7. Stewart and Associates, a law firm retained by some of the North George Partnerships; and
8. Robert McGillen, a lawyer retained by some of the North George Partnerships.

In November, 1999, the Court held a hearing to determine whether or not to certify the Action as a class action pursuant to the Act. At the conclusion of the hearing, counsel for the parties agreed to ask the Court to withhold its decision while they attempted to negotiate a settlement with the assistance of an outside mediator.

Following a number of mediation sessions, an agreement (the "Settlement Agreement") was reached to settle all claims of the Lionaird Class and the North George Class as against M.R.S. Trust Company, Stewart and Associates and Robert McGillen. The terms of the Settlement Agreement are described below under the heading "Overview of the Settlement Agreement". Pursuant to the Act, the Settlement Agreement required Court approval.

On March 3, 2000, the hearing before the Court was continued for the purposes of seeking approval of the Settlement Agreement, certification of the Action for settlement purposes only as against the Settling Defendants and certification of the Action as against the remaining non-settling Defendants.

On April 12, 2000, the Court released its decision granting the relief requested by Class Counsel. The Action was certified as against the Settling Defendants for settlement purposes only to permit the terms of the Settlement Agreement to be carried out. The Action was also certified as against the remaining non-settling Defendants. Class Counsel intend to proceed to prosecute and enforce the claims of the Lionaird Class and the North George Class against the remaining defendants as expeditiously as possible.

The Court Order dated April 11, 2000 was issued as a result of this decision. This Notice is being provided to you pursuant to the Court Order.

II Overview of the Settlement Agreement

The Settlement Agreement provides as follows:

- (a) M.R.S. Trust Company will pay \$400,000 in consideration for a full and final release and discharge of all claims which the RRSP Subclass may have against them;
- (b) \$100,000 will be paid on behalf of Stewart and Associates in consideration for a full and final release and discharge of all claims which the Lionaird Class may have against them; and
- (c) \$100,000 will be paid on behalf of Stewart and Associates and Robert McGillen collectively in consideration for a full and final release and discharge of all claims which the North George Class may have against them.

M.R.S. Trust Company, Stewart and Associates and Robert McGillen, and their affiliated companies, officers, directors, partners, employees or agents, are sometimes referred to in this Notice as the "Settling Defendants".

If all of the terms and conditions of the Settlement Agreement are satisfied and the Settlement Agreement is implemented, all claims of the Lionaird Class and the North George Class against the Settling Defendants will be released and discharged. This means that you will not be able to sue the Settling Defendants individually for any losses or damages they may have caused you, unless you elect to opt out of the Action and the Settlement Agreement.

The Settlement Agreement protects the Settling Defendants by barring the remaining defendants from making claims over against the Settling Defendants as a result of any claims which the Lionaird Class and the North George Class are continuing to prosecute in the Action as against the remaining defendants. Members of the Lionaird Class and the North George Class give up the right to claim any amount from the non-settling defendants if and to the extent that the non-settling defendants would have been entitled to a judgment for such amount against any Settling Defendant in respect of any claims over which any non-settling defendant may have against any Settling Defendant.

The Settlement Agreement allows the Settling Defendants to terminate the Settlement Agreement, and thereby terminate all settlement arrangements described in this Notice, if members of the Lionaird Class or the North George Class opt out of the Action and the Settlement Agreement. By opting out, members of the Lionaird Class or the North George Class are no longer bound by the Settlement Agreement. Accordingly, they may sue the Settling Defendants individually, exposing the Settling Defendants to additional legal costs and potential additional losses and damages.

For greater clarity, one of the non-settling defendants requested that we place the following paragraphs in our notice. The Court approved this request.

In the absence of a settlement agreement, if negligence was proven against a number of defendants, then a plaintiff might have the right to recover damages for its entire loss from any one of the negligent defendants regardless of that defendant's degree of responsibility for the plaintiff's damages. In this case, by the terms of the Settlement Agreement, the class members are giving up this right. Rather, the class members will be able to collect from the negligent non-settling defendants only the amount corresponding to the damages for which, collectively, the non-settling defendants are found liable.

In all litigation, a plaintiff's ability to recover its losses from the defendants against whom a finding of liability is made is dependent upon the defendants' ability to pay. Where there are a number of defendants and at least one of the defendants is unable to pay for its, his or her share of responsibility for the plaintiff's damages ("Impecunious Defendants") the remaining defendants with assets may be obliged to pay the plaintiff moneys covering the damages caused by the Impecunious Defendant possibly in proportion to their own degrees of fault. For example, in a case involving three defendants found liable for 10%, 30% and 60% of the plaintiff's damages, where the defendant found liable for 60% of the damages has no assets, the first two defendants could be ordered to pay 25% and 75% of the plaintiff's entire damages.

At this stage of the proceeding, no finding regarding the degree of responsibility for the North George Class' damages as caused by the Settling Defendants has been made. In other words, no finding has been made as to what extent, if any, the lawyers contributed to the North George Class' losses. However, pursuant to the Settlement Agreement, the Settling Defendants contribution to the North George Class' losses would be \$100,000 regardless of their degree of fault.

While Class Counsel are committed to pursuing the action against the non-settling defendants, at this stage of the proceeding, Class Counsel does not have sufficient information to determine whether Alton, McGee, Goselin or Dyck will be able to pay any judgment rendered against them in favour of the class members.

Fairness of the Settlement Agreement

Class Counsel are of the opinion that the Settlement Agreement provides for a fair and reasonable settlement of the claims of the Lionaird Class and the North George Class as against

the Settling Defendants. The Court has ruled in the Court Order that the Settlement Agreement is fair and reasonable to the Lionaird Class and the North George Class.

III Overview of the Distribution of Funds

North George Settlement Funds

As noted above, the total amount available pursuant to the Settlement Agreement for the North George Class is \$100,000. There are no other funds available for distribution at the present time. Accordingly, there are insufficient funds to warrant the expense of calling for claims by the North George Class, verifying the claims and distributing the funds *pro rata* to the North George Class.

Class Counsel have asked the Court to permit these funds to be segregated and used or invested for the benefit of the North George Class. Although Class Counsel are entitled to their fees and disbursements on these funds, they have requested that payment of such fees and disbursements be deferred until such time as there are sufficient funds available for distribution or the Court otherwise orders.

Class Counsel have asked the Court, and the Court Order provides, subject to the rights of any objecting North George Class Member, that these funds may be utilized to retain counsel in Switzerland. These funds might also be used to investigate the possibilities for the recovery of the losses and damages suffered by the North George Class from the Swiss notary, Ulrich Wymann, who held funds in trust for the North George Partnerships, or from his statutory or other insurance coverage.

As you may be aware, North George had no funds with which to pursue these claims in Switzerland to date and the North George Class was unable or unwilling to provide funds to the Interim Receiver when he sent a letter requesting funds to pay for these expenses. The Interim Receiver resigned due to the lack of available funds and there currently is no receiver, interim or otherwise, over the property and assets of the North George Partnerships.

Distribution of the Lionaird Funds

As noted above, the total amount available pursuant to the Settlement Agreement for the Lionaird Class is \$500,000. Of this amount, \$100,000 is available to satisfy the claims of all members of the Lionaird Class and \$400,000 is to be paid by M.R.S. Trust Company to satisfy only those claims of members of the Lionaird Class who bought their Lionaird Notes in an M.R.S. Trust Company RRSP (the "RRSP Subclass").

In addition, there should be between \$1,000,000 and \$1,100,000 (after payment of all applicable fees and expenses of the Interim Receiver) available for distribution to the Lionaird Class. These funds are presently in the hands of the Interim Receiver of the property and assets of Lionaird.

According to the latest records before the Court, which is subject to change, the total principal amount of Notes issued by Lionaird to the Lionaird Class is \$3,927,000. Therefore, if all the available funds were distributed equally and ratably to all of the members of the Lionaird Class, each member of the Lionaird Class would receive between 38 cents and 40 cents (before payment of legal fees and disbursements as may be approved by the Court) for each dollar of principal amount of Lionaird Notes held today.

Based on the recommendation of Class Counsel, the Court has ordered, subject to the rights of any objecting Lionaird Class Member, that all of the available funds be distributed as soon as possible to all members of the Lionaird Class equally and ratably.

Why does everyone get an equal share if some of the funds were allocated solely for the claims of the RRSP Subclass? Do holders of Secured Promissory Notes have prior ranking claims to the property and assets of Lionaird over unsecured noteholders?

Lionaird is insolvent. When a corporation is insolvent and its property and assets are being distributed to its creditors, secured creditors (such as a bank) who have perfected their security interests in accordance with applicable law have priority to the property and assets of the insolvent corporation. Unsecured creditors only receive payment if there are sufficient funds available after payment and satisfaction of all of the secured claims.

When Class Counsel were initially retained by Claude Millard in September, 1998, it became apparent that Mr. Millard and others had been issued "Secured Promissory Notes" by Lionaird. The Notes granted the holders a security interest over all of the property and assets of Lionaird. Class Counsel were provided a list that was supposed to have contained the names of all of the holders of these Secured Promissory Notes. When we met with certain investors in Bewdley later that month, we were provided the names of additional investors who were not on the list.

It was quickly determined that no registration had been effected to perfect the secured claims of the holders of the Secured Promissory Notes. Without such a registration, the security interests granted under the Secured Promissory Notes would not be recognized by applicable law and the Notes would rank equally with the claims of all unsecured creditors of Lionaird. Accordingly, on September 8, 1998, Class Counsel filed a registration to validly perfect the security interests of all known holders of Secured Promissory Notes. The persons whose security interests were perfected by this registration (the "Group 1 Noteholders") are listed in Part 1 of Schedule A to this Notice.

Subsequently, two further matters became apparent. Firstly, it was discovered that there was another large group of holders of Secured Promissory Notes. Accordingly, on March 24, 1999, a second registration was filed to perfect the security interests of the remaining non-RRSP holders of Secured Promissory Notes. The persons whose security interests were perfected by this registration (the "Group 2 Noteholders") are listed in Part 2 of Schedule A to this Notice.

Secondly, it was discovered that the investors who purchased their Notes through an M.R.S. Trust Company RRSP received different Notes from the non-RRSP investors. The Notes issued

by Lionaird to the RRSP Subclass were NOT secured by the property and assets of Lionaird. They were unsecured Notes.

What is the legal effect of all of this? It is not entirely clear at this time.

The Group 1 Noteholders could claim that they are entitled to a priority interest in the funds held by the Interim Receiver over all other members of the Lionaird Class. This is because, generally, if there are two secured creditors (in this case the Group 1 Noteholders and the Group 2 Noteholders) and many unsecured creditors (including the RRSP Subclass), (i) the secured creditors rank ahead of the unsecured creditors and (ii) as between the different secured creditors, the secured creditor who registers first can collect payment of his claim in full before the other secured creditors. This would result in the Group 1 Noteholders receiving 100 cents on the dollar (plus accrued interest) on their claims, the Group 2 Noteholders receiving approximately 3 cents on the dollar and the RRSP Subclass receiving approximately 19 cents on the dollar (all before legal fees and disbursements).

The Group 2 Noteholders could claim that the security interests granted by Lionaird to all of the holders of Secured Promissory Notes were intended to rank *pari passu* with each other, and ahead of all claims of unsecured creditors. They could claim that the timing of the registrations was irrelevant for the present purposes. This would result in the Group 1 Noteholders and the Group 2 Noteholders receiving approximately 72 cents on the dollar and the RRSP Subclass receiving approximately 18 cents on the dollar (all before legal fees and disbursements).

The RRSP Subclass could claim that, since the whole matter was tainted by fraud and the Lionaird offering documents and the sales agents described all the Notes as Secured Promissory Notes, the Court should declare that the security interests should be for the benefit of all holders of Notes (or none of them). This would result in the RRSP Subclass having equal claims to the funds held by the Interim Receiver, while only the RRSP Subclass would share in the payments made by M.R.S. under the Settlement Agreement. This would result in the RRSP Subclass receiving approximately 44 cents on the dollar while the Group 1 Noteholders and the Group 2 Noteholders would receive approximately 28 cents on the dollar (all before legal fees and disbursements).

Needless to say, a dispute between the various groups within the Lionaird Class for priority over the available funds could become a very costly exercise. No Lionaird Class members could receive any distribution until the dispute was resolved. Any gains made by one group within the Lionaird Class over the others could be more than offset by the legal costs and risks involved.

Furthermore, Class Counsel would not take sides in any such dispute. Each group would have to retain and pay its own legal counsel to put forth or defend its position.

For all of the above reasons, Class Counsel has recommended to the Court, and the Court has ordered, subject to the rights of any objecting Lionaird Class Member, that all of the available funds be distributed to all members of the Lionaird Class equally and ratably. As noted above, this is expected to result in a distribution to all members of the Lionaird Class (Group 1

Noteholders, Group 2 Noteholders and the RRSP Subclass alike), of approximately 38 to 40 cents on the dollar (before legal fees and disbursements as may be approved by the Court).

Provided all the conditions of settlement are satisfied, this recognizes that, as a group, the Lionaird Class has a priority secured claim which ranks ahead of all unsecured creditors, including the claims of the defendants in the Action. This benefits all members of the Lionaird Class. It also recognizes that the Group 1 Noteholders and Group 2 Noteholders, with their perfected, secured claims, have some advantage over the claims of the RRSP Subclass to the funds being held by the Interim Receiver. They are giving up the potential advantage they have, and sharing the proceeds with the RRSP Subclass, in exchange for the RRSP Subclass sharing the funds they are receiving for their claims under the Settlement Agreement with M.R.S. Trust Company.

What if I Object to the Proposed Use of the Funds?

Any North George Class Member may object to the proposed use of the North George settlement funds. Any Lionaird Class Member may object to the proposed use of the Lionaird funds held by the Interim Receiver or the Lionaird settlement funds.

If any Class Member wishes to so object, they must do two things. Firstly, they must deliver a written notice of objection to Class Counsel before 5:00 p.m. on June 30, 2000. Secondly, they must file an application with the Court on or before July 14, 2000 putting forth the method and manner by which they would have the Court apply and distribute the relevant funds. Failure to comply with these procedures and deadlines will result in a loss of all rights to object. It is highly recommended that you obtain independent counsel if you wish make an objection.

Method and Timing of Distribution

Distributions payable to the RRSP Subclass will be made by direct deposit into their RRSP or RRIF accounts with M.R.S. Trust Company. Each member of the RRSP Subclass should have signed an Undertaking in compliance with the Order-in-Council obtained in this matter pursuant to which you undertook to deposit any moneys you recover from your Lionaird RRSP investment directly into your RRSP or RRIF. The Order-in-Council, and the undertaking, were necessary to ensure that you were not required to have included in your taxable income for the 1998 or 1999 tax year all of the amounts that your RRSP account invested in Lionaird Notes, which Notes were not a "qualified investment" for RRSP purposes.

If you have closed your RRSP account with M.R.S. Trust Company, you must contact M.R.S. Trust Company and make arrangements with them to transfer your distribution to your current RRSP or RRIF account. Please call Chris McGee at 416-926-0221 to make these arrangements.

If your Lionaird Notes were purchased outside your RRSP, you will receive a cheque from Class Counsel in payment of your share of any distribution.

The deadline for filing of all claims to determine the entitlement of each member of the Lionaird Class to a distribution, filing an objection to the proposed use of funds and filing Opt Out

Notices, is June 30, 2000. If there are no Opt Out Notices filed, no objections made to the proposed use of funds and there are no unusual problems resolving the claims of the Lionaird Class, it is anticipated that the proposed distribution to the Lionaird Class will be made on or before July 28, 2000.

If an appeal of the Court Order is filed, distribution of the funds may be further delayed.

IV Description of Opt Out Rights

Pursuant to the Act, you have the right to elect to opt out of the Action and the Settlement Agreement.

If you opt out, you will not be entitled to any of the benefits of the class action or the Settlement Agreement. You will no longer be considered a member of the Lionaird Class or the North George Class. You will have the right to file and prosecute your own individual lawsuit against the Settling Defendants and all of the other defendants in the Action.

If you wish to opt out, you **MUST** send a notice in writing to this effect to Class Counsel named in this Notice. A form of Opt Out Notice is contained at page 16 of this Notice. Your Opt Out Notice must be received by Class Counsel on or before 5:00 p.m. Toronto time on June 30, 2000. If you do not send an Opt Out Notice in the prescribed manner within the prescribed time, you will be considered for all purposes to be bound by the results of the Action and by the Settlement Agreement.

The Settlement Agreement may be terminated, and the Court Order considered null and void, if members of the Lionaird Class or the North George Class opt out. Members of the Lionaird Class and the North George Class will be advised forthwith if the Settlement Agreement is terminated for this or any other reason.

V Counsel Fees and Disbursements

The plaintiffs, Claude Millard and Roger Grise, have entered into an agreement (the "Fee Agreement") dated as of August 12, 1998 with Class Counsel. Pursuant to this Fee Agreement, Class Counsel have agreed to work on a contingency basis. This means that Class Counsel will only seek to recover their fees and disbursements from the plaintiffs or any of the other members of the Lionaird Class or the North George Class if the Action is successful.

The Fee Agreement provides that, in the event of success in the Action, Class Counsel shall be entitled to their out-of-pocket disbursements plus a fee in the amount of 20% of the funds recovered for the Lionaird Class or the North George Class. GST is payable on all fees and disbursements.

The Fee Agreement also provides that those members of the Lionaird Class or the North George Class who paid into the legal fund which was used to get the Action off the ground will be entitled to a credit for the amount they paid into the fund against any legal fees payable by them.

As an example, if a member of the Lionaird Class purchased \$10,000 of Notes, he or she could expect a distribution of approximately 38 cents on the dollar or \$3,800 if the Settlement Agreement is implemented. This member of the Lionaird Class would owe legal fees of 20% or \$760. If they have not paid into the legal fund, they will receive a payment of \$3,040. If they paid \$1,000 into the legal fund, they will receive a payment of \$3,800 and they will still have a credit of \$240 against legal fees payable on future distributions.

The Fee Agreement requires the approval of the Court. Class Counsel will seek such approval at a hearing on June 28, 2000 at the Court House, 393 University Avenue, Toronto, Ontario. All members of the Lionaird Class and the North George Class may attend this hearing and make submissions to the Court regarding the Fee Agreement.

VI Checklist of Action Required of Lionaird Class Members

If you are a member of the Lionaird Class and your name does not appear on Schedule A to this Notice, you MUST file proof of your claim, in writing, with Class Counsel not later than 5:00 p.m. Toronto time on June 30, 2000. If your proof of claim is not received by that date, the distribution of Lionaird funds contemplated by the Court Order may take place without regard to your interest and you will have no recourse.

All members of the RRSP Subclass should carefully check that Schedule A to this Notice correctly sets out your RRSP account number with M.R.S. Trust Company. All other members of the Lionaird Class should carefully check that Schedule A to this Notice correctly sets out your name and address. If there is any error, please contact Class Counsel.

All members of the Lionaird Class should also carefully check that Schedule A to this Notice correctly sets out the principal amount of Notes purchased and held by you. These amounts will be used to determine your share of any distribution to be made. If there is any error, you MUST file proof of your claim, in writing, with Class Counsel not later than 5:00 p.m. Toronto time on June 30, 2000. If your proof of claim is not received by that date, the distribution of Lionaird funds contemplated by the Court Order may take place on the basis that your interest is as set out in Schedule A and you will have no recourse.

All Lionaird Class members must decide whether they wish to elect to opt out of the Action and the Settlement Agreement. If you wish to opt out, you must send an Opt Out Notice to Class Counsel and such notice must arrive at the office of Class Counsel not later than 5:00 p.m. Toronto time on June 30, 2000. If you do not file an Opt Out Notice in the prescribed manner and within the prescribed time, you will be considered to be a member of the Lionaird class for all purposes.

Lionaird Class Members may object to the proposed use and application of the Lionaird settlement funds and the funds being held by the Interim Receiver for Lionaird. If you wish to object, you must deliver a written notice of objection to Class Counsel before 5:00 p.m. on June 30, 2000. In addition, you must file an application with the Court on or before July 14, 2000 putting forth the manner by which you would have the Court apply and distribute the relevant

funds. Failure to comply with these procedures and deadline will result in a loss of all rights to object.

If the information regarding your name, address, RRSP account number and the principal amount of Notes held by you is accurate and you wish to participate in, and take all the benefits of, the Action and the Settlement Agreement, you do not need to do anything!

Please note that ads may be placed in your local paper requiring members of the Lionaird Class not listed in Schedule A to identify themselves. **If you are listed in Schedule A please do not respond to this ad.**

VII Checklist of Action Required of North George Class Members

Since there are no funds available for distribution to the North George Class, there is no need at present to compile a list of the names, addresses and the amount of the claims held by the members of the North George Class. Accordingly, you do not need to take any steps to notify us of your claims at this time.

Members of the North George Class may, however, elect to opt out of the Action and the Settlement Agreement. If you wish to opt out, you must send an Opt Out Notice to Class Counsel and such notice must arrive at the office of Class Counsel not later than 5:00 p.m. Toronto time on June 30, 2000. If you do not file an Opt Out Notice in the prescribed manner and within the prescribed time, you will be considered to be a member of the North George Class for all purposes.

North George Class Members may object to the proposed use and application of the North George settlement funds. If you wish to object, you must deliver a written notice of objection to Class Counsel before 5:00 p.m. on June 30, 2000. In addition, you must file an application with the Court on or before July 14, 2000 putting forth the manner by which you would have the Court apply and distribute the relevant funds. Failure to comply with these procedures and deadline will result in a loss of all rights to object.

Please note that ads may be placed in your local paper requiring members of the North George Class to identify themselves. **If you have received this notice by mail from Class Counsel, please do not respond to this ad.**

VIII How to Contact Class Counsel for Further Information

If you need to contact Class Counsel for any reason or if you have any questions, you may contact Class Counsel directly, as follows:

Steven Sofer

Smith Lyons
Barristers and Solicitors
Suite 5800, Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Z7

Tel: (416) 369-7240
Fax: (416) 369-7250
email: sisofer@smithlyons.ca

Jeffrey Glatt

Jeffrey D. Glatt
Barrister and Solicitor
506 Russell Hill Road
Toronto, Ontario
M5P 2S9

Tel: (416) 484-7498
Fax: (416) 484-8169
email: jglatt@home.com

Dated: April 25, 2000

Form of Opt Out Notice

To: Messrs. Steven Sofer and Jeffrey Glatt

The undersigned hereby elects to opt out of the Action and the Settlement Agreement.

Name: _____

Address: _____

Tel. no.: _____

I hold:

\$_____ principal amount of Lionaird Notes.

\$_____ of Units of North George Capital Limited Partnership

\$_____ of Units of North George Capital II Limited Partnership

\$_____ of Units of North George Capital III Limited Partnership

\$_____ of Units of North George Capital IV Limited Partnership

\$_____ of Units of North George Capital V Limited Partnership

Dated: _____

Signature: _____

Warning: If you elect to opt out of the Action and the Settlement Agreement, you will not be entitled to share in any of the benefits of the class action and the Settlement Agreement. You will need to individually assert any claims you may have against the funds currently in the possession of the Interim Receiver and you will need to individually file and prosecute your own lawsuit to pursue your own claims against any of the defendants named in the Action.

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