

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N:

Claude Millard and Roger Grisé

Plaintiffs

– and –

North George Capital Management Limited, Triple A Financial Services Inc., 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, Lionaird Capital Corp., Roderick Alton, Michael Magee, Robert McGillen, Kenneth Gill, Anne Gilmour, Michael Goselin, Goselin & Associates, Stewart and Associates, McColl Turner, Irv Dyck and M.R.S. Trust Company

Defendants

Proceeding Under the Class Proceedings Act, 1992

SETTLEMENT AGREEMENT WITH McCOLL TURNER

WHEREAS a proceeding has been filed by the Plaintiffs against the Defendants in the Action,
which has been certified as a class proceeding pursuant to the Act;

AND WHEREAS the Plaintiffs have conducted settlement negotiations with McColl Turner with a view to settling the claims of the North George Class Members against McColl Turner pursuant to the Action;

AND WHEREAS the Plaintiffs and McColl Turner engaged in mediation to attempt to reach a mutually acceptable settlement;

AND WHEREAS, as a result of such settlement and mediation efforts, the Plaintiffs and McColl Turner have entered into this Agreement to finally and conclusively settle all Claims of the North George Class Members against McColl Turner;

AND WHEREAS McColl Turner, notwithstanding their consent to this Agreement, have denied and continue to deny the claims of the Plaintiffs and the North George Class Members and have raised or intend to continue to raise numerous defenses to the Action if this Agreement is not approved and implemented;

AND WHEREAS, based upon an analysis of the facts and the law applicable to the Claims of the North George Class Members against McColl Turner, taking into account the extensive burdens and expense of litigation, including the risks and uncertainties associated with protracted trials and appeals, as well as the fair, cost-effective and assured method of resolving claims of the North George Class Members provided in this Agreement, the Representative Plaintiff and Plaintiffs' Counsel have concluded that this

Agreement provides substantial benefits to the North George Class Members and is fair, reasonable, and in the best interests of the North George Class Members;

AND WHEREAS McColl Turner have similarly concluded that this Agreement is desirable in order to avoid the time, risk and expense of defending multiple and protracted litigation, and to resolve finally and completely the pending and potential claims of the North George Class Members and all pending and potential claims, proceedings, crossclaims and third party actions against them;

NOW THEREFORE, subject to the Court's approval, this Agreement witnesses as follows:

1. Definitions

- 1.1 "Act" means the Class Proceedings Act, 1992.
- 1.2 "Action" means the action filed in the Ontario Superior Court of Justice (Commercial List) under the name and style of *Claude Millard and Roger Gris  v. North George Capital Management Limited, et al.* and bearing court file No. 98-CL-3048.
- 1.3 "Approval Order" means the order of the Court contemplated by Clause 4.1 of this Agreement.
- 1.4 "Claims" means all claims which the North George Class Members now or in the future can, shall or may have against the Defendants for losses, damages, costs, expenses, fees, interest, taxes or otherwise, pursuant to the Action or otherwise resulting from the subject matter of the Action.

- 1.5 "Court" shall mean the Ontario Court which has jurisdiction over the Action, namely the Ontario Superior Court of Justice (Commercial List) and the Honourable Mr. Justice Farley, or his successor.
- 1.6 "Defendants" means the parties now or hereafter named as defendants in the Action and their affiliated companies, officers, directors, partners, employees, and agents.
- 1.7 "Non-Settling Defendants" shall mean all of the Defendants and their affiliated companies, officers, directors, partners, employees, and agents other than the Settling Defendants.
- 1.8 "North George Class Members" shall have the meaning ascribed to that term in the order of Mr. Justice Farley dated April 27, 2000 certifying the Action as a class proceeding pursuant to the Act.
- 1.9 "Plaintiffs" means the parties named as plaintiffs in the Action.
- 1.10 "Plaintiffs' Counsel" means Smith Lyons, Barristers and Solicitors and Jeffrey D. Glatt, Barrister and Solicitor or their successors in the prosecution of the Action on behalf of the Plaintiffs.
- 1.11 "Release Date" means the first business day after the expiry of a period of 30 days following the filing of the Approval Order with the Court, unless extended as a result of an appeal pursuant to Section 7.3.
- 1.12 "Representative Plaintiff" means Claude Millard, the representative plaintiff of the North George Class Members or his successor in the prosecution of the Action.
- 1.13 "Settlement Funds" shall have the meaning ascribed in Section 2.1 of this Agreement.
- 1.14 "Settling Defendants" shall mean McColl Turner, Robert McGillen, Stewart and Associates and M.R.S. Trust Company and their affiliated companies, officers, directors, partners, employees, and agents.

1.15 "Statement of Claim" means the amended statement of claim filed on behalf of the Plaintiffs in the Action on or about November 16, 1998.

2. Settlement Funds

2.1 On or before November 30, 2000, McColl Turner shall pay or cause to be paid to or to the order of "Smith Lyons in Trust" the sum of \$485,000 in Canadian funds (the "Settlement Funds").

2.2 Provided this Agreement has not been terminated pursuant to Section 7, the Settlement Funds, together with all accrued interest thereon, shall be released to Plaintiffs' Counsel on the Release Date, in full and final settlement of all Claims of the North George Class Members, inclusive of all interest, GST, legal fees and costs, as against McColl Turner and their partners, employees, and agents only.

2.3 Upon the termination of this Agreement pursuant to Section 7:

(a) the Settlement Funds shall be refunded to McColl Turner without interest, and

(b) all accrued interest on the Settlement Funds shall be paid to Plaintiffs' Counsel to cover the costs of all notices contemplated by this Agreement.

2.4 Upon the release of the Settlement Funds to Plaintiffs' Counsel pursuant to Section 2.2, the Settlement Funds shall be distributed or otherwise used and applied by Plaintiffs' Counsel pursuant to and in accordance with the terms of any order obtained from the Court in the Action.

3. Dismissal of Action, Release and Bar Order

3.1 Upon the release of the Settlement Funds pursuant to Section 2.2:

(a) the parties to this Agreement will file a consent to the dismissal of the Action with prejudice as against McColl Turner on a "without costs" basis; such consent to dismissal of the

proceedings shall be prepared by and at the cost and expense of the plaintiffs;

- (b) all Claims of the North George Class Members shall be finally and conclusively compromised, settled, released and discharged as against McColl Turner; and
- (c) all claims for contribution, indemnity, subrogation or other claims over by any Non-Settling Defendant against McColl Turner for or in respect of the Claims of the North George Class Members which are the subject matter of the Action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, shall be forever barred by order of the Court in accordance with the following terms:
 - (i) it is the expressed intention of the parties that this Agreement shall not benefit any Non-Settling Defendant except as specifically provided herein and shall not prejudice any Non-Settling Defendant;
 - (ii) all claims for contribution, indemnity, subrogation or other claims over by McColl Turner against Robert McGillen, Stewart and Associates, M.R.S. Trust Company or their affiliated companies, officers, directors, partners, employees and agents (collectively the "Prior Settling Defendants") or against any other party or parties now or hereafter named as a defendant in this action or their affiliated companies, officers, directors, partners, employees, and agents other than the Settling Defendant (collectively, the "Non-Settling Defendants") for or in respect of the subject matter of the Action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, shall be forever barred by order of the Court;
 - (iii) all claims for contribution, indemnity, subrogation or other claims over by any Non-Settling Defendant or any Prior Settling Defendant against McColl Turner for or in respect of the subject matter of the Action, whether direct, subrogated, asserted

or unasserted or asserted in a representative capacity shall be forever barred by order of the Court;

- (iv) if any North George Class Member shall be entitled to judgment in the Action (a "Primary Judgment") against any Non-Settling Defendant for any amount in respect of which such Non-Settling Defendant would have been entitled, but for the bar order contemplated hereby, to a judgment (a "Claims Over Judgment") against McColl Turner in respect of any claim for contribution, indemnity, subrogation or other claims over by such Non-Settling Defendant against McColl Turner for or in respect of the subject matter of the Action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, the amount of such Primary Judgment shall be reduced by the full amount of such Claims Over Judgment;
- (v) for the purposes of establishing or refuting the amount of any Claims Over Judgment to which a Non-Settling Defendant would have been entitled, but for the provisions of the bar order contemplated hereby, the Plaintiff and any Non-Settling Defendant may, with leave of the Court upon notice to the Settling Defendants, obtain:
 - (A) documentary discovery and an Affidavit of Documents in accordance with the Rules of Civil Procedure from McColl Turner;
 - (B) oral discovery of a representative of McColl Turner, the transcript of which may be read in at trial; and
 - (C) an undertaking to produce a representative to testify at trial;
- (vi) unless the Court orders otherwise, the costs incurred by McColl Turner in relation to any such motion and in the participation in the Action required pursuant to any

order granted on such motion are to be paid by the party bringing the motion forthwith;

- (vii) except as otherwise provided herein, this Agreement and the Approval Order shall not prejudice or in any way interfere with the rights of the North George Class Members to pursue all of their rights and remedies against all Non-Settling Defendants; no waiver, release or discharge of any Non-Settling Defendant shall arise as a result hereof or thereof and the joint and several liability of all Non-Settling Defendants shall not be affected hereby or thereby.

4. Court Order and Notice to Class Members

- 4.1 The Plaintiffs shall seek the approval of the Court to this Agreement pursuant to an order (the "Approval Order") on the terms set out in the draft order annexed as Schedule A to this Agreement. The Representative Plaintiff and McColl Turner shall consent to the granting of the Approval Order.
- 4.2 Subject to the approval of the Court, the form and content of the notices of the hearing to consider the approval of this Agreement and related matters (including the use, application and distribution of the Settlement Funds) shall be in the forms set out in Schedules B and C to this Agreement.
- 4.3 Subject to the approval of the Court, the method and manner of distribution of the aforesaid notices shall be as follows:
 - (a) a copy of the notice in the form of Schedule B shall be sent by ordinary mail to each North George Class Member at the last known address of such person; and
 - (b) a copy of the notice in the form of Schedule C shall be published once in each of the following newspapers:

- (i) The Peterborough Examiner; and
- (ii) The North Bay Nugget.

4.4 The costs of sending and publishing the notice shall be borne by the Plaintiffs.

5. Abandonment of Appeal

5.1 McColl Turner shall forthwith advise the Ontario Court of Appeal that the parties have agreed to adjourn the hearing respecting McColl Turner's appeal of Mr. Justice Farley's order dated April 27, 2000 approving the settlement of the claims of the North George Class Members against Stewart and Associates and Robert McGillen.

5.2 Upon the Release of the Settlement Funds pursuant to Section 2.2, McColl Turner shall abandon the said appeal and advise the Ontario Court of Appeal accordingly

6. McColl Turner to Assist with Claims Determination Process

6.1 If any of the North George Class Members dispute the amount of their claims against one or more of the North George Partnerships in compliance with the procedures set out in the Schedule "B", McColl Turner shall review such claims against the books and records of the partnerships in their possession and shall assist Plaintiffs' Counsel in their efforts to resolve such disputes by providing information on contributions made, distributions received and income purportedly earned as contained in McColl Turner's files. McColl Turner shall additionally prepare a report to the Court respecting all such disputed claims. McColl Turner shall be responsible for all fees and disbursements incurred by them in the performance of these services.

7. Termination of this Agreement

- 7.1 If the Court fails to approve this Agreement substantially on the terms and subject to the conditions contained in the draft Approval Order annexed hereto as Schedule "A", the Plaintiffs and McColl Turner shall have the right to terminate this Agreement.
- 7.2 The terminating party may exercise its right to terminate this Agreement by providing notice to the other not later than 5:00 p.m. Toronto time on the fifth (5th) business day following the receipt of the Court's decision on the motion for approval of this Agreement.
- 7.3 In the event that the Court approves this Agreement and an appeal is taken from such decision, the provisions of this Section shall apply *mutatis mutandis* upon the receipt of the appeal court's decision. In such event, the Release Date shall be the later of the date otherwise so defined herein and the date on which all appeals have been exhausted and all time periods for the filing of any appeals or motions for leave to appeal have expired without any appeals or motions for leave to appeal being filed.
- 7.4 In the event that the Court fails to approve this Agreement and an appeal is taken from such decision, the provisions of this Section shall be stayed pending the outcome of the appeal court's decision, whereupon they shall apply *mutatis mutandis*.
- 7.5 In the event of termination of this Agreement, notice of termination shall be given to all North George Class Members. The content and method of notice shall be determined by the Court.
- 7.6 In the event of the termination of this Agreement, the Approval Order shall be null and void and this Agreement shall be of no further force and effect, save and except for the provisions of this Section 7 and Section 8.6.

8. Miscellaneous

Ongoing Authority

8.1 The Court shall retain exclusive and continuing jurisdiction over the Action; over all parties named or described herein including, but not limited to, all North George Class Members and McColl Turner; over this Agreement, to ensure that all payments and disbursements are properly made; and over the interpretation and enforcement of this Agreement's terms, conditions and obligations.

Entire Agreement

8.2 This Agreement, including all Schedules hereto, constitutes the entire agreement by and among the parties with regard to the subject of this Agreement and shall supersede any previous agreements and understandings between the parties with respect to the subject matter of this Agreement.

Modification or Amendment

8.3 This Agreement may not be modified or amended except in writing signed by all parties hereto and subject to the Court's approval. No further or other notice to or consent by or on behalf of the North George Class Members shall be required to give effect to any such modification or amendment except to the extent ordered by the Court.

Other Originals

8.4 This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument.

Notification

8.5 Any notification, request, instruction or other document to be given by any party to this Agreement to any other party to this Agreement (other than notification to North George Class Members) shall

be in writing and delivered personally, sent by facsimile, or sent by registered mail, postage prepaid, to the attention of their counsel, as follows:

With respect to the **Plaintiffs and North George Class Members** :

Attention: Steven Sofer

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

Telephone: (416) 369-7240
Facsimile: (416) 369-7250

With respect to **McColl Turner**:

Attention: Karen Groulx

FRASER MILNER CASGRAIN
Barristers & Solicitors
1 First Canadian Place
100 King Street West
Toronto, Ontario
M5X 1B2

Telephone: (416) 863-4618
Facsimile: (416) 863-4592

Use of Agreement

- 8.6 Neither the existence nor the terms of this Agreement may be used by any person as evidence of any admission by either the Plaintiffs or McColl Turner regarding fault, liability, causation, level of damages, and/or any other issue.

IN WITNESS WHEREOF the Plaintiffs and McColl Turner have executed and delivered this Agreement
this ____ day of November, 2000.

Dated this ____ day of _____, 2000

The Plaintiffs

by their solicitors,
SMITH LYONS
Per: S. I. Sofer

Dated this ____ day of _____, 2000

McColl Turner

by its solicitors,
FRASER MILNER CASGRAIN
Per: K.Groulx

McColl Turner (including its partners, employees, and agents) (the “Settling Defendant”), was heard February 14, 2001 at 393 University Avenue, Toronto.

ON READING the Settlement Agreement, the affidavit of Jeffrey D. Glatt sworn ■, 2001, the affidavit of Claude Millard sworn ■ and the consent of the Settling Defendant and on hearing the submissions of counsel for the plaintiffs and the defendants,

Approval of Settlement Agreement

1. **THIS COURT ORDERS** that the Settlement Agreement is fair, reasonable and in the best interests of the North George Class Members and is hereby approved.
2. **THIS COURT ORDERS** that upon the release of the Settlement Funds to Class Counsel pursuant to and in accordance with the provisions of the Settlement Agreement, all claims which the North George Class Members now or in the future can, shall or may have against the Settling Defendant for losses, damages, costs, expenses, fees, interest, GST or otherwise, pursuant to the within action or otherwise resulting from the subject matter of the action shall be finally and conclusively compromised, settled, released and discharged as against the Settling Defendant only.

Bar Orders

3. **THIS COURT ORDERS** that all claims for contribution, indemnity, subrogation or other claims over by the Settling Defendant against Robert McGillen, Stewart and Associates, M.R.S. Trust Company or their affiliated companies, officers, directors, partners, employees and agents (collectively the “Prior Settling Defendants”) or against any other party or parties now or hereafter

named as a defendant in this action or their affiliated companies, officers, directors, partners, employees, and agents other than the Settling Defendant (collectively, the "Non-Settling Defendants") for or in respect of the subject matter of this action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, be and the same are hereby forever barred.

4. **THIS COURT ORDERS** that all claims for contribution, indemnity, subrogation or other claims over by any Non-Settling Defendant or any Prior Settling Defendant against the Settling Defendant for or in respect of the subject matter of the Action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, be and the same are hereby forever barred.
5. **THIS COURT ORDERS** that if any North George Class Member shall be entitled to judgment in this action (a "Primary Judgment") against any Non-Settling Defendant for any amount in respect of which such Non-Settling Defendant would have been entitled, but for the bar orders contained in this Order, to a judgment (a "Claims Over Judgment") against the Settling Defendant in respect of any claim for contribution, indemnity, subrogation or other claims over by such Non-Settling Defendant against the Settling Defendant for or in respect of the subject matter of this action, whether direct, subrogated, asserted or unasserted or asserted in a representative capacity, the amount of such Primary Judgment shall be reduced by the full amount of such Claims Over Judgment.
6. **THIS COURT ORDERS** that, for the purposes of establishing or refuting the amount of any Claims Over Judgment to which a Non-Settling Defendant would have been entitled, but for the

provisions of the bar orders contained in this Order, the Plaintiffs and any Non-Settling Defendant may, with leave of the Court upon notice to the Settling Defendant, obtain:

- (a) documentary discovery and an Affidavit of Documents in accordance with the Rules of Civil Procedure from the Settling Defendant;
- (b) oral discovery of a representative of the Settling Defendant, the transcript of which may be read in at trial;
- (c) an undertaking to produce a representative to testify at trial.

Unless otherwise ordered by the Court, the costs incurred by the Settling Defendant in relation to any such motion and in the participation in the Action required pursuant to any order granted on such motion are to be paid by the party bringing the motion forthwith.

7. **THIS COURT ORDERS** that, except as otherwise provided herein, the Settlement Agreement and this Order shall not prejudice or in any way interfere with the rights of the North George Class Members to pursue all of their rights and remedies against all Non-Settling Defendants; no waiver, release or discharge of any Non-Settling Defendant shall arise as a result hereof or thereof and the joint and several liability of all Non-Settling Defendants shall not be affected hereby or thereby.

Annulment of this Order

8. **THIS COURT ORDERS** that if, pursuant to and in accordance with the terms of the Settlement Agreement, any party exercises its right to terminate the Settlement Agreement, then this Order shall be null and void.

General Provisions

9. **THIS COURT ORDERS** that it shall remain seized of this matter for the purpose of any further approvals that may be required.

Justice Farley, Ontario Superior Court of Justice
(Commercial List)

Claude Millard, et al
– Plaintiffs –

v.

North George Capital Management Limited, et al
- Defendants -

ONTARIO
SUPERIOR COURT OF JUSTICE
(PROCEEDING COMMENCED AT TORONTO)

**Order Approving Settlement
Agreement with McColl Turner**

SMITH LYONS
Barristers and Solicitors
Suite 5800, Scotia Plaza
40 King Street West
TORONTO, Ontario
M5H 3Z7

Steven Sofer

Telephone: (416) 369-7240
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JEFFREY D. GLATT
Barrister and Solicitor
506 Russell Hill Road
Toronto, Ontario
M5P 2S9
telephone: (416) 484-7498
facsimile: (416) 484-8169

NOTICE OF HEARING RESPECTING 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 certified 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) 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"). 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.

In the Notice to class members dated April 25, 2000, you were advised of a settlement reached with Robert McGillen, Stewart and Associates and M.R.S. Trust Company. Completion of this settlement was delayed as one of the other defendants, McColl Turner, appealed the Court's decision to approve the settlement with respect to the North George Class. That appeal was scheduled to be heard in December, 2000.

A settlement has now been reached with McColl Turner pursuant to which McColl Turner will pay \$485,000 in settlement of all claims of the North George Class Members. They will also abandon their appeal, which will result in the distribution of the funds payable under the earlier settlement agreement.

A hearing will be held by the Court at 10:00 o'clock a.m. on Wednesday, February 14, 2001 at the Court House, 393 University Avenue, Toronto, Ontario, to consider:

- (a) approval of the settlement agreement with McColl Turner;

- (b) approval of the use, application and distribution of the settlement funds; and
- (c) approval of the fees and disbursements of Class Counsel.

Details of the Action, the terms and conditions of the settlement agreement with McColl Turner, the proposed use, application and distribution of the settlement funds and the proposed fees and disbursements of Class Counsel are set out in the attached Information Package.

If you are a member of the North George Class you will be bound by the settlement agreement if it is approved by the Court. All claims of members of the North George Class and the Lionaird Class to share in the proposed distribution must be made in writing and received by Class Counsel on or before 5:00 p.m. on January 31, 2001, failing which the distribution may proceed without regard to your interests.

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.

"**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.

"**Initial 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 M.R.S. Trust Company, Stewart and Associates and Robert McGillen.

"**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.

"**Lionaird Class List**" means the list of members of the Lionaird Class contained in this Information Package;

"**McColl Turner Settlement Agreement**" means the agreement dated November 30, 2000, providing for the settlement of the claims of the North George Class against McColl Turner.

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

"**North George Class List**" means the list of members of the North George Class contained in this Information Package;

"**North George Partnerships**" or "**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.

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

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

Summary

The following summary is not intended to be complete. Please read the attached Information Package in full.

North George Class

A settlement has been reached with McColl Turner which provides for the payment by McColl Turner of \$485,000 for the benefit of the North George Class. It also provides for the abandonment by McColl Turner of their appeal of the Initial Settlement Agreement made with Stewart and Associates and Robert McGillen. As a result, that agreement may be completed and \$100,000 of settlement funds may be paid for the benefit of the North George Class.

A hearing will be held by the Court on February 14, 2001 on motions which will be brought by Class Counsel to approve (i) the McColl Turner Settlement Agreement, (ii) the proposed use, application and distribution of the settlement funds as described in this Information Package and (iii) the payment of legal fees and disbursements. Members of the North George Class are entitled to attend the Court hearing and to make submissions to the Court.

If the Court approves the McColl Turner Settlement Agreement and the proposed use, application and distribution of the settlement funds as described in this Information Package, all conditions are satisfied, the information respecting the North George Class set out herein is complete and accurate and the Court's orders are not appealed, members of the North George Class should receive the distribution estimated to be payable to them as set out in the North George Class List which forms part of this Information Package on or about March 31, 2001.

If you are not included in the North George Class List or if the information respecting your interests in the Partnerships shown on the North George Class List is not accurate, you must file a written notice of objection with Class Counsel and such notice must be received by Class Counsel not later than 5:00 p.m. on January 31, 2001, failing which the North George distribution may be made without regard to your interests.

Lionaird Class

As noted above, the settlement which has been reached with McColl Turner provides for the abandonment by McColl Turner of their appeal of the Initial Settlement Agreement with respect to North George. As a result, the Initial Settlement Agreement may be completed and \$500,000 of settlement funds may be paid for the benefit of the Lionaird Class.

A hearing will be held by the Court on February 14, 2001 on motions which will be brought by Class Counsel to approve (i) the McColl Turner Settlement Agreement, (ii) the proposed use, application and distribution of the settlement funds as described in this Information Package and (iii) the payment of legal fees and disbursements. Members of the Lionaird Class are entitled to attend the Court hearing and to make submissions to the Court.

If the Court approves the McColl Turner Settlement Agreement and the proposed use, application and distribution of the settlement funds as described in this Information Package, all conditions are satisfied, the information respecting the Lionaird Class set out herein is complete and accurate and the Court's orders are not appealed, members of the Lionaird Class should receive the distribution estimated to be payable to them as set out in the Lionaird Class List which form part of this Information Package on or about March 31, 2001.

If you are not included in the Lionaird Class List or if the information respecting your holdings of Lionaird Notes shown on the Lionaird Class List is not accurate, you must file a written notice of objection with Class Counsel and such notice must be received by Class Counsel not later than 5:00 p.m. on January 31, 2001, failing which the Lionaird distribution may be made without regard to your interests.

INFORMATION PACKAGE
NOVEMBER 30, 2000

*The following is a description of the terms and conditions of the McColl Turner Settlement Agreement and the proposed use, application and distribution of funds. **Please read this Notice carefully. It affects your legal rights.** If you would like to read the McColl Turner 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.

In April, 2000, the Court certified 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 Information Package 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 April 2000, the Court approved an agreement (the "Initial Settlement Agreement") 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 were described in an Information Package dated April 25, 2000 sent to all class members. Under the Initial Settlement Agreement, the Lionaird Class was to receive \$500,000 and the North George Class was to receive \$100,000.

McColl Turner sought leave to appeal the Court's order certifying the Action as a class proceeding. In a decision of the Divisional Court dated May 12, 2000, leave was denied. No further or other appeals of this decision are available and, accordingly, the Action will proceed as a class action.

McColl Turner also appealed the Court's decision to approve the Initial Settlement Agreement vis-à-vis North George. A hearing before the Court of Appeal of Ontario was scheduled for December 11, 2000.

Pending the hearing of this appeal, the defendants who were parties to the Initial Settlement Agreement took the position that the Agreement could not be completed and the settlement funds payable thereunder could not be distributed to the class members.

The Lionaird Class did, however, receive a distribution of the funds recovered on their behalf by Kroll Lindquist Avey in their capacity as interim receiver for Lionaird. This distribution was approved by the Court on September 6, 2000 and was made on September 8, 2000 in the aggregate amount of \$815,694.52 (after deduction for legal fees and disbursements).

In November, 2000, Class Counsel and McColl Turner attended a mediation of the claims of the North George Class against McColl Turner. The mediators were retired judges, Mr. Justice Drew Hudson of the Superior Court of Ontario and Mr. Justice John Brookes of the Ontario Court of Appeal. The mediation lasted two full days and each side retained an accounting expert to provide an opinion on the relevant accounting standards and issues and to assist in the presentation of their case. Class Counsel retained the firm of Grant Thornton, Chartered Accountants.

At the conclusion of the mediation, a settlement was reached which has been set out in the settlement agreement (the "McColl Turner Settlement Agreement") dated November 30, 2000. The terms of the agreement are set out below under the heading "The McColl Turner Settlement Agreement". Pursuant to the Act, the McColl Turner Settlement Agreement requires Court approval.

If the McColl Turner Settlement Agreement is approved, there will be funds payable thereunder available for distribution to the North George Class. In addition, McColl Turner will abandon its appeal of the Initial Settlement Agreement and the funds payable under that agreement will also be available for distribution to the North George Class and the Lionaird Class. Details of the proposed use, application and distribution of funds are set out below under the heading "Proposed Use, Application and Distribution of Funds".

At a Court hearing scheduled for 10:00 a.m. on February 14, 2001 at the Court House, 393 University Avenue, Toronto, Ontario, the Court will be asked to approve the McColl Turner Settlement Agreement and the proposed use, application and distribution of the settlement funds as described in this Information Package. The Court will also be asked to approve the proposed payment of the fees and expenses of Class Counsel set out below under the heading "Counsel Fees and Disbursements".

All class members are entitled to attend this hearing and to make submissions to the Court regarding all of these matters. All class members will be bound by the decisions and orders of the Court in the Action and will be bound by the terms of the McColl Turner Settlement Agreement if it is approved.

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.

This Notice is being provided to you pursuant to an order of the Court.

II The McColl Turner Settlement Agreement

The McColl Turner Settlement Agreement provides that McColl Turner will pay \$485,000 in consideration for a full and final release and discharge of all claims which the North George Class may have against McColl Turner and its partners, employees, AXA Pacific Insurance Company (in its capacity as insurer of McColl Turner only) and agents.

If all of the terms and conditions of the McColl Turner Settlement Agreement are satisfied and the agreement is implemented, all claims of the North George Class against McColl Turner will be released and discharged.

The McColl Turner Settlement Agreement protects McColl Turner by barring the remaining defendants from making claims over against McColl Turner as a result of any claims which the North George Class are continuing to prosecute in the Action as against the remaining defendants. Members of 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 McColl Turner in respect of any claims over which any non-settling defendant may have against McColl Turner.

The McColl Turner Settlement Agreement also provides that McColl Turner will abandon its appeal of the Initial Settlement Agreement. This will result in the Initial Settlement Agreement being completed and the funds payable thereunder being distributed to the class members as described below under the heading "Proposed Use, Application and Distribution of Funds".

Fairness of the McColl Turner Settlement Agreement

Class Counsel are of the opinion that the McColl Turner Settlement Agreement provides for a fair and reasonable settlement of the claims of the North George Class as against McColl Turner and its partners, employees and agents. This opinion is supported by the views of both mediators who presided over the mediation sessions with McColl Turner in November, 2000. The Court will only approve the McColl Turner Settlement Agreement if it determines that it is fair and reasonable to the North George Class.

III Proposed Use, Application and Distribution of Funds

North George Class

The total amount payable for the benefit of the North George Class under the two settlement agreements is \$585,000. Of this amount, \$485,000 is payable under the McColl Turner Settlement Agreement and \$100,000 is payable under the Initial Settlement Agreement.

Of this amount, approximately \$30,000 will be applied in payment of out-of-pocket expenses incurred by Class Counsel for the benefit of the North George Class since September, 1998 in the prosecution of the Action. This includes the cost of printing and mailing the April 25, 2000 Information Package and this Information Package to class members, publishing related notices in the local newspapers in Peterborough and North Bay and the fees and expenses of Grant Thornton, Chartered Accountants, who provided much assistance in reaching the settlement with McColl Turner.

In addition, Class Counsel will be asking the Court to set aside approximately \$30,000 to fund the retainer of other professionals to assist the North George Class in pursuing their claims and recovering their losses. Among other matters, it is proposed that these funds may be utilized to retain counsel in Switzerland in order 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.

Contingency fees will be payable to Class Counsel at the rate of 20% of the balance of the funds available for distribution to the North George Class, plus GST thereon.

After the foregoing payments and reserves are made, it is anticipated that there will remain approximately \$410,000 available for distribution to the North George Class. It is proposed that this amount will be distributed *pro rata* to all members of the North George Class.

Attached to this Information Package is a list (the "North George Class List") of all known members of the North George Class for each of the five North George Partnerships. Next to each class member is their address and the amount shown on the books and records of the Partnerships as their capital account in each Partnership. For ease of reference, we have added another column showing what each class member's share of the estimated \$410,000 available for distribution would be if there are no changes to the information.

Please note that the capital accounts are calculated in U.S. dollars. To verify that your capital account is correct, you must:

- (a) add all contributions which you made to the Partnership;
- (b) add your share of all partnership income for that Partnership for each year during which you were a member of that Partnership (or, if applicable, deduct your share of all partnership losses for that Partnership for each year during which you were a member of that Partnership); and
- (c) deduct all distributions received by you from the Partnership.

We have been advised that some class members were misled and mistakenly believed that all funds they received from the Partnership were comprised solely of their share of the

income, earnings or profit of the Partnership and that their capital account always reflected the full amount which they contributed to, or invested in, the Partnership. THIS IS NOT THE CASE. For the most part, the distributions that class members received from the Partnerships between 1995 and 1997 were simply repayments of their own capital. Their capital accounts were reduced accordingly.

If you would like to calculate your capital account balance in any Partnership, you will need your records of all contributions made by you to the Partnership and all distributions received by you from the Partnership. In addition, you will need to know your share of the income (or losses) of the Partnership during each year in which you were a member of that Partnership. This information is available on the tax forms which you received from the Partnership at the end of each year. In most cases, this amount will be much smaller than the amount of distributions which you received from the Partnership. Accordingly, your capital account will likely reflect an amount that is less than the amount you contributed to, or invested in, the Partnership.

If you have any questions or concerns regarding the accuracy of the North George Class List you may call Class Counsel for further information.

If your name is not on the North George Class List or if you believe that the amount set out opposite your name as your capital account balance on the North George Class List is not correct, you must file with Class Counsel a written notice of objection, with full proof and particulars of your claim, which notice must be received by Class Counsel no later than 5:00 p.m. on January 31, 2001.

If you do not file a written objection in the prescribed manner within the prescribed time, the distribution of funds will be made to the North George Class on the basis of the available information and you will have no further recourse or claim in respect of the distributed funds.

Lionaird Class

The total amount payable for the benefit of the Lionaird Class under the two settlement agreements is \$500,000, all of which is payable under the Initial Settlement Agreement.

Of this amount, approximately \$1,500 will be applied in payment of out-of-pocket expenses incurred by Class Counsel for the benefit of the Lionaird Class since September 6, 2000, the date of the first Lionaird distribution.

In addition, Class Counsel will be asking the Court to set aside approximately \$12,500 to fund the retainer of other professionals to assist the Lionaird Class in pursuing their claims and recovering their losses.

Contingency fees will be payable to Class Counsel at the rate of 20% of the balance of the funds available for distribution to the Lionaird Class, plus GST thereon.

After the foregoing payments and reserves are made, it is anticipated that there will remain approximately \$380,000 available for distribution to the Lionaird Class. It is proposed that this amount will be distributed *pro rata* to all members of the Lionaird Class.

Attached to this Information Package is a list (the "Lionaird Class List") of all known members of the Lionaird Class. Next to each class member is their address and the amount of Lionaird Notes held by them respectively. For ease of reference, we have added additional columns showing what each class member received upon the first Lionaird distribution in September, 2000 and what each class member's share of the estimated \$380,000 available for distribution would be if there are no changes to the information.

If you have any questions or concerns regarding the accuracy the Lionaird Class List you may call Class Counsel for further information.

If your name is not on the Lionaird Class List or if you believe that the amount set out opposite your name as your holding of Lionaird Notes on the Lionaird Class List is not correct, you must file with Class Counsel a written notice of objection, with full proof and particulars of your claim, which notice must be received by Class Counsel no later than 5:00 p.m. on January 31, 2001.

If you do not file a written objection in the prescribed manner within the prescribed time, the distribution of funds will be made to the Lionaird Class on the basis of the available information and you will have no further recourse or claim in respect of the distributed funds.

Method and Timing of Distribution

Distributions payable to the North George Class and to members of the Lionaird Class who are not members of the RRSP Subclass will be made by cheque payable to the class member. Distributions to the RRSP Subclass members will be made by direct deposit into their RRSP or RRIF accounts with M.R.S. Trust Company.

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 the proposed distributions are approved at the Court hearing on February 14, 2001, interested parties will then have 30 days to appeal the decision. The proposed distribution could be made within two weeks after the expiry of this 30 day period. Accordingly, if Court approval is granted, class members should expect to receive their share of the distribution on or about March 31, 2001.

If the hearing is delayed for any reason or if an appeal of any relevant order of the Court is taken, distribution of the funds may be further delayed.

IV Counsel Fees and Disbursements

The plaintiffs, Claude Millard and Roger Grise, entered into an agreement (the "Fee Agreement") dated as of August 12, 1998 with Class Counsel. The Court approved the Fee Agreement on July 26, 2000.

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.

At the hearing of the Court scheduled for February 14, 2001, Class Counsel will seek Court approval for the payment of the fees and disbursements payable in accordance with the terms of the Fee Agreement in connection with the Initial Settlement Agreement and the McColl Turner Settlement Agreement.

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. All contributions made to the legal fund by members of the Lionaird Class were refunded in September, 2000 in conjunction with the first Lionaird distribution. All contributions made to the legal fund by members of the North George Class will be refunded in conjunction with the proposed distribution to the North George Class contemplated by this Information Package.

V Checklist of Action Required of Lionaird Class Members

If you are a member of the Lionaird Class and your name does not appear in the Lionaird Class List, you MUST file proof of your claim, in writing, with Class Counsel not later than 5:00 p.m. Toronto time on January 31, 2001. If your proof of claim is not received by that date, the distribution of Lionaird funds contemplated by this Information Package may take place without regard to your interest and you will have no recourse.

All members of the RRSP Subclass should carefully check that the Lionaird Class List correctly sets out your RRSP or RRIF account number with M.R.S. Trust Company. All other members of the Lionaird Class should carefully check that the Lionaird Class List 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 the Lionaird Class List 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 January 31, 2001. If your proof of claim is not received by that date, the distribution of Lionaird funds contemplated by this Information Package may take place on the basis that your interest is as set out in the Lionaird Class List and you will have no recourse.

If the information in the Lionaird Class List regarding your name, address, RRSP or RRIF account number and the principal amount of Notes held by you is accurate and you have no objection to the proposed distribution of funds or the proposed legal fees and disbursements, 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 the Lionaird Class List to identify themselves. **If you are listed in the Lionaird Class List please do not respond to this ad.**

VI Checklist of Action Required of North George Class Members

If you are a member of the North George Class and your name does not appear in the North George Class List, you MUST file proof of your claim, in writing, with Class Counsel not later than 5:00 p.m. Toronto time on January 31, 2001. If your proof of claim is not received by that date, the distribution of North George funds contemplated by this Information Package may take place without regard to your interest and you will have no recourse.

All members of the North George Class should carefully check that the North George Class List correctly sets out your name and address. If there is any error, please contact Class Counsel.

All members of the North George Class should also carefully check that the North George Class List correctly sets out the amount in the capital account for each Partnership in which you were a limited partner. 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 January 31, 2001. If your proof of claim is not received by that date, the distribution of North George funds contemplated by this Information Package may take place on the basis that your interest is as set out in the North George Class List and you will have no recourse.

If the information in the North George Class List regarding your name, address, and the amount in the capital account for each Partnership in which you were a limited partner is accurate and you have no objection to the McColl Turner Settlement Agreement, the proposed distribution of funds or the proposed legal fees and disbursements, you do not need to do anything!

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

VII 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: November 30, 2000

CLASS PROCEEDING NOTICE

TO:

ALL PURCHASERS OF NOTES OF
LIONAIRD CAPITAL CORP.

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

The Ontario Superior Court of Justice (Commercial List) has certified a class action on behalf of the persons described above. On February 14, 2001, a hearing will be held by the Court at 393 University Avenue, Toronto Ontario, to consider:

- (a) approval of a settlement agreement with one of the defendants;
- (b) approval of the proposed use, application and distribution of settlement funds; and
- (c) approval of the fees and disbursements of Class Counsel.

Details of the action certified, the terms and conditions of the settlement agreement, the proposed use, application and distribution of funds and the proposed fees and disbursements of Class Counsel are set out in an Information Package dated November 30, 2000. If you are a member of the North George Class or the Lionaird Class or think you may be, please contact the solicitors identified below to obtain your copy of the Information Package, free of charge.

If the settlement agreement is approved, you will be bound by its terms if you are a member of the North George Class. All claims to share in the proposed distribution must be made in writing and received by Class Counsel on or before 5:00 p.m. on January 31, 2001, failing which the distribution may proceed without regard to your interests.

Class Counsel

Steven Sofer

Jeffrey Glatt

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

Jeffrey D. Glatt
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506 Russell Hill Road
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M5P 2S9

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

Publication of this Notice has been approved by the Court.