

**Douglas Alexander and William Barrett, as Representative Plaintiffs v.
HMS Financial Inc. et al**
Alberta Court of Queen's Bench Action No. 0501 08152

NOTICE OF CLASS ACTION TO NEWLY IDENTIFIED INVESTORS

TO: Persons, other than the Defendants, who have invested money with the HMS Scheme, directly or indirectly, and suffered a loss of all or part of that investment.

The Defendants named in this action are: H M S Financial Inc., Skyward Management Inc., Garth S. Bailey, Garth S. Bailey Professional Corporation, 990137 Alberta Ltd., 1037149 Alberta Ltd., operating as Cedar Management, 1053382 Alberta Inc., 1070199 Alberta Ltd., 1079373 Alberta Ltd., 993638 Alberta Ltd., A-Z Investment Group, ABBA Resources Unlimited, Academy Financial Inc., Academy Financial Planners & Consultants Inc., Ailanthus International Inc., Altruistic Holdings Ltd., Bailey & Dawes LLC, Bogner Industries Ltd. a.k.a. Bogner Industries Inc., B.P. Fritz Consulting Inc., Canadian Imperial Bank Of Commerce, The Carpenter's Shop Corporation, Casselman MCS Financial Inc., Cedar Pointe Consulting Group Inc., Chase Forbes Trust Ltd., CLJ Consulting LLC, Commonwealth Marketing Group Ltd., Community Credit Union Ltd., Companions Inc., The Dakota Corporation, Dana I. Carlson, Datas Consulting, Defreitas & Associates, Ethan Equities Inc., Five Continents Consulting, Five Continents Consulting Corporation, Warren Goss, Graceful Beneficence, Guessworks, Guessworks Foundation, The Hillpro Group Inc., Horizon Bank International Limited, Horizon Fiduciary Inc., HSBC Bank Canada, In House Counsel Cameron Campbell, International Investments Inc., Kamikey Services Inc., Kelso Enterprises Inc., Kingdom Advisors, Klass "A" Strategies Inc., Labalta Ltd., Legal Structures Inc., Linden Village Inn, Lindenhall Limited, Lindenhall Pty Ltd., M & M Computer Consulting, M & M Investments 101 Ltd., Maritime LLC, McCullough Financial Corporation, Michael Grosh Professional Corporation, Mountain Star Capital Corp., Mountain View Credit Union Limited, NDX Development LLC, Numa Ltd., Oxyoke Farms Ltd., Paget Capital Ltd., Paradise Bay Holdings Inc., Phoenix Global Resources Ltd., Pine Grove Management Inc., William H. Randall, RLM Consulting LLC, Sellars Financial Inc., Talisman Financial Investments Inc., Tamika Enterprises Inc., Thor Empire Trust, Titania Consulting Inc., TJ Kelly Inc., Tools Of The Carpenter, Trans Max Technologies Inc., Triple-SSS Holdings Inc., Tyrolia Foundation, Vitron Consulting Inc., Zurich Ventures Inc., A. Gary Young, Guy Bailey, Alfred Barnfield, Connie Bartel, Robert Bartel, Victor Bauman, Mylo Berstad, Nancy Buford, Cameron Campbell, Rick Childers, Blaine A. Cisna, Kevin Coombes, Ellen Kate Covey, Douglas A. Cowan, Margaret Dart, Stanley Defreitas, Don Dickerson, Eugene Leroy Duce, Arnold Dyck, Juan Exposito, Alfredo Farpon, Ray Fisher, Jack Folsom, Jim Folsom, Barie Fritz, Crystal Anne Fyn, Phyllis Fyn, Robert E. Fyn a.k.a. Colonel Fyn, Allan A. Gray, Michael Grosh, David Guess, Neil Guess, Kendra Haskett, Arnold Henry, David Henry, Gord Hiebert, Samuel Higgins, Wayne Johnson, Terry Kelly, Barbara L. King, Arthur Klassen, Edwin Knott, Ruby Leachman, George Lennox, William Lenz, Daniel Lescamela, Willie Lichtner, Lucia Ling, Barbara Lockhart, Ron Lowrie, Don MacGillivray, Danny R. MacNaughton, Norma A. MacNaughton, Michael Mccullough, William McGrath, Dave Miller, Rosendo Mendez, Peter Mergenthaler, Peter Mol, Brad Mooney, Peter Morrissette, Tom Oldridge, Roy Overton, Gertrude M. Prete, Donald Rabby, Amin Ramji, Bilkish Ramji, Stan W. Remin, Jeffrey Robinson, Daniel Romero, John Romero, Orest Rusnak, Arie Schalk, Randall Seabrook, Claude Seguin, Robert J. Sellars, William Serediuk, Peter L. Sheridan, Janet Stark, Murray Stark a.k.s. Harold Murray Stark a.k.a. Murray H. Stark, Delmer Strobel, Verna Strobel, Cheryl Taylor, Milton Teibe, Robert F. Terborg, Enrique Toscano A.K.A. Chico Toscano, Lee-Anna Toscano, Henk Ujiterlinde, Wilma Ujiterlinde, Heather Vance, Christine Williams, William A. Williamson A.K.A. Bill Williamson, John W. Willock, Alberta Lawyers' Insurance Association and Canadian Lawyers' Insurance Association

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Description of the Proceedings

On June 2, 2005, an action was commenced against the Defendants surrounding the operation of an investment scheme commonly known as "HMS". It is alleged that the HMS investment scheme was not a legitimate investment activity and in fact constituted an illegal fraudulent "pyramid" or "Ponzi" scheme.

This action is a class action brought on behalf of investors in the HMS investment scheme (the "**HMS Scheme**") who have suffered losses. We are co-counsel to the Plaintiff Class in this class action.

The Representative Plaintiffs for the Class, Douglas Alexander of Calgary, Alberta and William Barrett of Santa Fe, New Mexico, allege that the illegal Ponzi scheme was operated by HMS Financial Inc. ("**HMS**") and the other Defendants, and that this illegal Ponzi scheme caused losses to persons who invested of approximately \$100,000,000.00. Accordingly the Representative Plaintiffs, on behalf of all investors in HMS, other than the Defendants, claim damages against the Defendants in the amount of \$100,000,000.00.

We recently received new information from various Defendants about investors not known to us through the records that were previously available to us. This new information alerted us that you invested with HMS or other Defendants and are, therefore, potentially a class member.

Class Definition and Opting In or Out of the Class

Class Members include all persons, other than the Defendants, who are residents of Alberta and have invested money with the HMS Scheme, directly or indirectly, and suffered a loss of all or a part of that investment. If you are an Alberta resident you are automatically a class member unless you choose to "opt out", the deadline for which was August 14, 2009.

However, you are free to make an application to the Court to now opt out. If you do choose to apply to opt out of this Class Action, you must provide our office with copies of your application materials, which must have been previously filed with the Court, by July 30, 2011.

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Non-resident Albertans are required to “opt in” to the Class, and the deadline for doing so was August 14, 2009. We are, however, keeping a list of Late Opt-Ins and intend to apply to the Court to have any Late Opt-Ins added to the Class. In order to make this application as soon as possible, if you are a non-resident and wish to opt in please provide us with your completed form (attached to this Notice or by filling out the electronic online form which can be accessed at http://www.mross.com/law/HMS_Claims) by July 30, 2011.

If you become a member of the Class (either as an Alberta resident who does not opt-out or as a non-Alberta resident who is added to the list of Late Opt-Ins and later added to the class), you will be bound by the determination of the common issues as decided by the Court, whether reached by settlement or otherwise, favorable or not. Class members who opt out of the Class will not benefit from any successful judgment or settlement.

It is ultimately up to the Court to decide if you will be allowed to opt in or opt out of the Class at this time.

Legal Fees and Disbursements

This matter is being pursued by Class Co-Counsel on a contingency fee basis, which means that you do not have to pay any money up front to have us act on your behalf. We get paid only if we recover funds on your behalf, in which case our Contingency Fee Agreement with the Representative Plaintiffs allows us to retain 33.33% plus disbursements on any recovery, before a distribution is made to Class Members. This fee is subject to Court approval, and pursuant to Section 39 of the *Class Proceedings Act*, class members do have the option to object to the Court at the time of the approval of such fees. The Court has already issued Orders approving our contingent fee arrangement and payment to us in the context of some specific, limited early payments to Class members with “directly traceable” claims to specific funds seized as part of the HMS Scheme.

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Actions You Must Take to Participate in the Class Action

If you meet the criteria of Class membership listed above, please fill out the attached form and return it to our offices, at the contact information listed below by fax, e-mail or regular mail or complete the online form on the website listed above by July 30, 2011.

It is important that you complete the information sheet attached so that we ensure we have all of your current contact information, as many of the records available to us are outdated and incomplete.

We do **not** need any further documentation at this time. At the close of the action, when the Court is ready to make a distribution to Class members, a process for submitting documents supporting your specific claim will be sent to all Class members. We do not need any of your documentation in that regard at this time, but you should maintain those documents, as you will need them to prove your claim in the future.

PLEASE NOTE: Our preferred form of communication with Class members is by e-mail. If you do not have an e-mail address, please communicate with us by fax or regular mail. Voicemails are often missing information, and it is a very time consuming and costly endeavor for our team to return your call, sometimes several times, to obtain the required information.

Unfortunately with well over 1000 known Class members at this time, telephone calls are not an efficient way to ensure that we have the information from you that we require.

Further, given the size of the Class, we ask that Class members not contact our office for individual updates on the proceedings. We are unable to respond to individual requests for updates either by e-mail or by telephone. Thank you for your understanding in this regard.

We send updates to all class members, by e-mail or regular mail, whenever there are any major steps taken, and all updates are posted on our Co-Counsel's website at the following links:

<http://www.cuminggillespie.com/blog/category/hms-financial>
<http://www.cuminggillespie.com/practice-areas/class-action/securities/hms-financial-inc.html>

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PLEASE RETURN COMPLETED FORMS TO:

McLennan Ross LLP
C/O Lynn Sedgwick
600, 12220 Stony Plain Road
Edmonton, Alberta T5N 3Y4

Fax: 780-482-9100

E-mail: lsedgwick@mross.com

ATTENTION: LYNN SEDGWICK

RE: HMS FINANCIAL INC. CLASS ACTION

Name of Investor: _____

If responding on behalf of the Estate of an Investor

Name of Executor of Estate of Investor: _____

Full Mailing Address: _____

City: _____

Province / State: _____

Postal / Zip Code: _____

Phone Number: _____

E-mail Address: _____

Total Amount of Principal Investment: _____