

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In the Matter of:)	
)	
MERCURY FINANCE COMPANY OF ILLINOIS)	Case No. 97 C 3035
)	
Consolidated Pretrial Proceeding)	Hon. Charles R. Norgle, Sr.
)	
)	

**NOTICE OF CLASS ACTION,
PROPOSED SETTLEMENT WITH
KPMG PEAT MARWICK LLP, AND HEARING**

TO: ALL PERSONS AND ENTITIES THAT PURCHASED SHARES OF MERCURY FINANCE COMPANY COMMON STOCK ON THE OPEN MARKET DURING THE PERIOD APRIL 10, 1995, THROUGH JANUARY 29, 1997.

This Notice is given to inform you about this class action and a proposed settlement with defendant KPMG Peat Marwick LLP (now known as KPMG LLP) ("Peat Marwick"). The Notice advises you of the steps that members of the Class (defined below) may take with respect to this litigation and the settlement. The Notice also advises you of a hearing to be held in the United States District Court for the Northern District of Illinois (the "Court") to consider the proposed settlement and related matters. This Notice does not express any opinion by the Court concerning the merits of the claims or defenses asserted by the parties.

A. Statement of Plaintiff Recovery: The Peat Marwick Settlement will result in the creation of a cash settlement fund with an aggregate value of \$40,500,000 (the "Gross Settlement Fund"), which, subject to deductions for costs of notice and administration and for attorneys' fees and expenses as approved by the Court, will be available for distribution to members of the Class (as defined below). The Peat Marwick settlement funds represent a recovery estimated to be \$0.17 per share. The amount distributable to members of the Class on a per share basis from those settlement funds will depend upon the net amount of funds after the above deductions, but is presently estimated to be \$0.10 per share. The combined amount distributable to members of the Class from the Peat Marwick Settlement and previous settlements with other defendants will depend upon the outcome of the allocation procedure described in previous notices. See Section VI.

B. Statement of Potential Outcome of Case: Plaintiffs' counsel have conducted a damages analysis and have concluded that, if plaintiffs prevailed on all of their claims against all defendants, the maximum amount of damages recoverable could be estimated at approximately \$10.51 per share, before any reduction for the risks involved in establishing liability and damages, defendants' ability to respond to judgment, proportionate liability, and other potential issues and discounts. See Section VII.

C. Statement of Attorneys' Fees and Costs Sought: Plaintiffs' Lead Counsel, on behalf of all plaintiffs' counsel in this litigation, will apply to the Court for an award of attorneys' fees in an amount not to exceed one-third of the Gross Settlement Fund, or approximately \$0.05 per share, and for reimbursement of actual costs and expenses incurred in the prosecution of this litigation, in an amount presently estimated to be approximately \$950,000, or substantially less than \$0.01 per share. See Section IX.

D. Reasons for Settlement: Plaintiffs' Lead Counsel believe that the settlement with Peat Marwick is very favorable to the Class and is fair, reasonable, and adequate. Plaintiffs' Lead Counsel have reached this conclusion after investigating and considering, among other things, the strengths and weaknesses of plaintiffs' claims against Peat Marwick, the uncertainties inherent in this complex litigation, and the substantial benefit provided by the settlement to the members of the Class. See Section IV.

E. Identification of Attorneys' Representatives: Any questions regarding the settlement and this Notice may be directed to: Stacey L. Mills of Heins Mills & Olson, P.L.C. (Plaintiffs' Lead Counsel), 700 Northstar East, 608 Second Avenue South, Minneapolis, Minnesota 55402, Tel. (612) 412-3580.

PLEASE READ THIS NOTICE CAREFULLY AND IN FULL. YOUR RIGHTS MAY BE AFFECTED. IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN FUNDS RECOVERED IN THE SETTLEMENT DESCRIBED IN THIS NOTICE, AS WELL AS FUNDS RECOVERED IN PREVIOUS SETTLEMENTS.

I. BACKGROUND OF THE LITIGATION

The plaintiffs in this consolidated proceeding have asserted claims under the federal securities laws, including Section 10(b) of the Securities Exchange Act of 1934, 15 U.S.C. §78j(b), and related Rule 10b-5, 17 C.F.R. §240.10b-5, as well as certain state law claims, against Mercury Finance Company ("Mercury"), certain officers and directors of Mercury, and Peat Marwick, which was Mercury's independent auditor. Those claims are set forth in an Amended Consolidated Complaint (the "Complaint") filed on April 17, 1998. The

plaintiffs claim that the price of Mercury's common stock, trading on the New York Stock Exchange, was artificially inflated during the period April 10, 1995, through January 29, 1997, by accounting irregularities that resulted in the overstatement of Mercury's publicly-reported financial results and that, as a result, plaintiffs and other purchasers of Mercury common stock in that period sustained financial damage. The claims against Peat Marwick relate to its role as the auditor of Mercury's financial statements for 1994 and 1995. Plaintiffs claim, in part, that Peat Marwick issued fraudulent audit reports on Mercury's financial statements for those years. The plaintiffs seek to recover damages and other relief from the defendants on behalf of themselves and other purchasers of Mercury common stock.

All of the defendants, including Peat Marwick, have denied any wrongdoing and have denied that they have any liability or that they caused any damage to plaintiffs or other purchasers of Mercury common stock.

II. THE CLASS

By Order dated March 12, 1999, the Court granted the motion of Lead Plaintiff Minnesota State Board of Investment ("MSBI") for certification of a class of purchasers of Mercury common stock (the "Class") pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and confirmed the appointment of MSBI as the representative plaintiff for the Class, and its counsel Heins Mills & Olson, P.L.C., as Plaintiffs' Lead Counsel. The Class consists of:

All persons and entities that purchased shares of common stock of Mercury Finance Company on the open market during the period April 10, 1995, through January 29, 1997, inclusive.

Excluded from the Class are the defendants; members of the immediate families of the individual defendants; any parent, subsidiary, affiliate, partner, officer, executive, or director of any defendant; any entity in which any excluded person has a controlling interest; and the legal representatives, heirs, successors, and assigns of any excluded person or entity. Also excluded from the Class are persons and entities that submit timely and valid requests for exclusion pursuant to the procedure described below. The period April 10, 1995, through January 29, 1997, inclusive, is the Class Period.

III. PREVIOUS SETTLEMENTS AND NOTICES

At the time of the Court's Order certifying the Class, settlements had been reached with Mercury and the individual defendants, and prosecution of the case was continuing only against Peat Marwick, the only remaining defendant. In connection with the earlier settlements, two previous notices have advised Class members and others involved or potentially involved in related litigation of various matters, including the background of this and other Mercury-related litigation, the bankruptcy proceedings concerning Mercury, the reasons for and terms of the proposed partial settlements, and the hearings before the Court on those partial settlements and related matters. One of the previous notices concerned partial settlements reached with Mercury and individual defendants Andrew McNally IV, Clifford R. Johnson, Fred G. Steingraber, and Philip J. Wicklander. The other previous notice concerned partial settlements reached with the remaining two individual defendants, John Brincat, Sr., and the Estate of James A. Doyle. The two previous notices were directed to a class certified for settlement purposes (the "Settlement Class"), whose membership was broader than the Class here involved. The Settlement Class included not only the Class in this case (identified in the previous notices as the "Federal Class Claimants"), but also other purchasers and holders of Mercury securities, referred to as the State Class Claimants, the Holder Claimants, and the ERISA Claimants.

The Court has approved both of the previous partial settlements, and such approval became final in 1999. As a result of those settlements, a total of \$32,221,000, plus accruing interest, has been recovered for the benefit of the Settlement Class. The Class may also have an interest in certain claims (the "Assigned Claims") that, as part of the previous settlements, Mercury and the individual defendants assigned to a trust approved by the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court"). Proceedings are currently underway in In re Mercury Finance Company, No. 98 B 20763, pending in the Bankruptcy Court, to determine the allocation of the total amount recovered in those settlements among the groups in the Settlement Class, including the Class in this case.

IV. REASONS FOR SETTLEMENT WITH PEAT MARWICK

A settlement has now been reached with Peat Marwick, the last defendant in this case. Plaintiffs' Lead Counsel, who have substantial experience in securities fraud litigation and other complex cases, reached this settlement as a result of arm's-length negotiations with counsel for Peat Marwick with a view toward settling the issues in dispute on the most favorable terms for the Class. Plaintiffs' Lead Counsel have conducted a substantial amount of legal research and extensive investigation and discovery into the facts and circumstances concerning the claims asserted in the Complaint. In light of the benefits to be obtained under the proposed settlement and the costs, risks, and delays associated with continued litigation and likely appeals, they believe that the settlement with Peat Marwick is fair, reasonable, adequate, and in the best interests of the Class.

Peat Marwick has denied any wrongdoing or liability whatsoever in any way relating to the matters at issue in this litigation. It has denied the claims and allegations of plaintiffs' Complaint, denied the existence and validity of the Assigned Claims, denied that it has done or failed to do anything that would give rise to any such claims, and has denied having caused any financial damage or other harm to plaintiffs or other members of the Class, or to Mercury or any other defendant. While denying any wrongdoing, Peat Marwick has also considered the uncertainty and risks of complex litigation and has concluded that further conduct of the litigation would be expensive, burdensome, and distracting to its personnel and that it would be in its best interests to conclude the litigation on the terms set forth in the settlement agreement, without in any way acknowledging any fault or liability.

This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in the litigation or the merits of the claims or defenses asserted. This Notice is to advise you of the pendency of the litigation and the proposed settlement and of your rights in connection therewith.

V. TERMS OF THE PROPOSED SETTLEMENT WITH PEAT MARWICK

The complete terms and conditions of the proposed settlement with Peat Marwick are set forth in the Agreement of Settlement with Defendant KPMG Peat Marwick LLP (the "Settlement Agreement") and the Exhibits thereto. The Settlement Agreement is dated April 7, 2000. It is on file with the Court and subject to the Court's approval. The following is a summary of the terms of the proposed settlement with Peat Marwick:

- Peat Marwick will pay \$40,500,000 into an interest-bearing account (the "Gross Settlement Fund"). All interest earned will become part of the Gross Settlement Fund.
- The Gross Settlement Fund will be used to pay: the claims of Class members in accordance with a plan of distribution and claims procedure to be approved by the Court, notice expenses, the attorneys' fees and expenses of plaintiffs' counsel pursuant to an application submitted by Plaintiffs Lead Counsel, the expenses of the Lead Plaintiff, the expenses of claims administration and distribution, and other settlement-related expenses, such as bank fees, taxes and the cost of tax-related accounting work, and to create a reserve fund to meet unforeseen contingencies.
- The distribution of the balance of the Gross Settlement Fund (the "Net Settlement Fund") to claimants pursuant to a plan of distribution and claims administration process will be deferred pending final determination of the funds allocated to the Class from the previous settlements. Funds available from this settlement and the previous settlements may be combined for settlement administration and distribution purposes.
- If the settlement becomes effective, no funds will revert to Peat Marwick. Any settlement funds remaining after the completion of distributions to claimants will be contributed to a public interest or charitable organization approved by the Court.
- Class members will release all claims that they have or may have against Peat Marwick and related persons and entities based on or relating to purchases of Mercury common stock on the open market, or any facts or matters alleged or that could have been alleged in the Amended Consolidated Complaint, or any services that Peat Marwick performed or was engaged to perform with respect to Mercury, as fully set forth in detailed provisions of the Settlement Agreement concerning released claims, unknown claims, and released persons.
- The settlement also provides for the assignment to Peat Marwick of the interests of the Class (to the extent finally allocated to the Class) in any claims that Mercury and the individual defendants had or may have had against Peat Marwick relating to the subject matter of this litigation and which, in connection with the previous settlements, were assigned to a trust in the bankruptcy proceeding (the "Assigned Claims"). In assigning those claims, Mercury and the individual defendants made no warranty or representation as to their existence or validity. Plaintiffs' counsel have considered and assessed the Assigned Claims and have concluded that they have no value.
- If the settlement is not approved by the Court or does not become effective for any reason, the Gross Settlement Fund, less notice costs and other authorized paid or incurred settlement-related expenses, shall be returned to Peat Marwick and the pre-settlement status of the litigation will generally be restored.

VI. STATEMENT OF PLAINTIFF RECOVERY

The settlement with Peat Marwick will result in the creation of a cash settlement fund of \$40,500,000, which will be increased by interest and decreased by amounts approved by the Court to pay notice costs, attorneys' fees, reimbursement of litigation expenses, and settlement and claims administration expenses. The Net Settlement Fund will be available for distribution to plaintiffs and other members of the Class. The Peat Marwick settlement funds alone, without considering the previous settlements, represent a recovery estimated to be \$0.17 per share with respect to all shares purchased in the Class Period. The amount distributable on a per share basis from this settlement with respect to all such shares depends on the ultimate amount of the Net Settlement Fund, but is presently estimated to be \$0.10 per share. The amount distributable from this settlement and the previous settlements together will depend on the outcome of the allocation process pertaining to the previous settlements, and is therefore virtually impossible to estimate prior to the conclusion of the allocation process. The amount actually received by any Class member who submits a claim that is approved will depend on the overall number and amount of claims actually submitted, and the terms of the plan of distribution.

VII. STATEMENT OF POTENTIAL OUTCOME OF CASE

Plaintiffs' counsel have conducted an analysis of the damages sustained by the members of the Class, without regard to the liability of Peat Marwick. By using widely recognized methodologies, and by analyzing the trading prices and volume of Mercury common stock prior to, during, and subsequent to the Class Period, counsel have concluded that the Class Members have sustained damages on an average

of \$10.51 per share. This amount represents the maximum amount of damages potentially recoverable, before any reduction for the risks involved in establishing liability and damages, defendants' ability to respond to judgment, proportionate liability, and other potential issues and discounts.

Although Peat Marwick denies all liability, it agrees that, if Plaintiffs prevailed on each of their claims and if proportionate liability were disregarded, the maximum amount of damages recoverable by each member of the Class would be an average of \$10.51 per share.

VIII. OPTIONS AVAILABLE TO MEMBERS OF THE CLASS

If you are a member of the Class, you have a choice as to whether or not to remain a member. If you choose to remain a member, you will be eligible to submit a claim seeking to share in the settlement funds in accordance with a plan of distribution approved by the Court, and, upon approval of the proposed settlement by the Court, you will be bound by the terms of the proposed settlement, described in Section V of this Notice. If you wish to submit a claim seeking to share in the settlement funds, you need not take any action at this time. After the net amount of funds available from this settlement and from the previous settlements has been determined, a further notice will be directed to the Class describing the plan of distribution and the procedure for submitting claims. If you wish to receive such further notice and either you did not receive this Notice by direct mail to your correct address or your address changes, you should send a notice of your address to the Settlement Administrator at the following address:

Mercury Finance Litigation
Gilardi & Co. LLC
P.O. Box 5100
Larkspur, CA 94977-5100

If you do not wish to be included in the Class and you do not wish to participate in the proposed settlement described in this Notice, you may request to be excluded. To do so, you must send a written request to be excluded to the Settlement Administrator at the above address. A request for exclusion must be sent by first-class mail, postage prepaid, and be postmarked on or before June 16, 2000. The request for exclusion must state that you wish to be excluded from the Class, must be signed by you or on your behalf, must set forth the name and number of this case (In re Mercury Finance Company of Illinois, No. 97 C 3035), your name, address, and telephone number, and the name and address of the record owner if different from your own, and must include documentation of your purchase(s) of shares of common stock of Mercury Finance Company during the period April 10, 1995, through January 29, 1997 (such as purchase confirmations or brokerage statements) to establish your status as a member of the Class. If your request for exclusion does not include all of the foregoing information or is not timely postmarked, it will not be valid and you will remain a member of the Class.

If you submit a timely and valid request for exclusion from the Class, (a) you will be excluded from the Class, (b) you will not share in the proceeds of the settlement described in this Notice, (c) you will not be bound by any judgment or orders entered in connection with the settlement or in the litigation, (d) you will not be precluded, by reason of your decision to request exclusion from the Class, from otherwise prosecuting an individual claim, if timely, against Peat Marwick based on the matters complained of in the litigation, and (e) you will no longer be represented by Plaintiffs' Lead Counsel.

If you are a member of the Class and do not submit a timely and valid request for exclusion, (1) you will be entitled to seek to share in the settlement funds by later submitting a claim pursuant to a plan of distribution approved by the Court, and (2) whether or not you submit a claim, you will be bound by the terms of the settlement, if approved by the Court, and by any orders and judgment entered in connection with the settlement and in connection with any further litigation of the case. You will continue to be represented by Plaintiffs' Lead Counsel. However, you may, if you wish, be represented by privately-retained counsel of your own choice at your own expense.

IX. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

In connection with the settlement, Plaintiffs' Lead Counsel will submit an application on behalf of plaintiffs' counsel for attorneys' fees and reimbursement of litigation expenses. Plaintiffs' counsel have pursued this litigation and have advanced expenses on behalf of plaintiffs and the Class without receiving compensation for their services or reimbursement of their expenses. They have done so with the understanding that, if they obtained a recovery, their expenses would be reimbursed and they would receive fees from the fund recovered.

In accordance with the previous notices concerning the settlements with Mercury and the individual defendants, the application for an award of attorneys' fees in connection with the settlement with Peat Marwick will request fees not exceeding one-third of the Gross Settlement Fund, or approximately \$0.05 per share, and reimbursement of expenses incurred in the prosecution of this litigation, in an amount presently estimated to be approximately \$950,000, or substantially less than \$0.01 per share. The application will be filed at least seven days before the Final Approval Hearing. A similar application for an award of attorneys' fees in an amount not to exceed one-third of the funds allocated to the Class from the previous settlements and for the reimbursement of any litigation expenses not otherwise reimbursed will be made after the conclusion of the allocation process pertaining to those settlements. All payments of fees and expenses must be approved by the Court.

X. FINAL APPROVAL HEARING

A hearing will be held before the Honorable Charles R. Norgle, Sr., United States District Judge, at 10:00 a.m., local time, on June 30, 2000, at the United States District Court for the Northern District of Illinois, Courtroom 2341, Dirksen Building, 219 South Dearborn Street, Chicago, Illinois, for the purpose of determining whether the proposed settlement with Peat Marwick is fair, reasonable, and adequate, and should be granted final approval; whether the application submitted by Plaintiffs' Lead Counsel on behalf of plaintiffs' counsel for an award of attorneys' fees and litigation expenses should be granted; whether an Order of Final Judgment and Dismissal should be entered dismissing this litigation against Peat Marwick with prejudice and without costs and barring plaintiffs and other members of the Class from commencing or prosecuting any released claim against Peat Marwick or any related released persons; and to consider related matters.

The hearing may be adjourned and continued on one or more dates subsequent to the above date, as may be directed by the Court, without further notice.

If you are satisfied with the proposed settlement with Peat Marwick and the related matters described in this Notice, you need not attend the hearing or take any steps with regard to the hearing.

Any member of the Class (who has not submitted a timely and valid request for exclusion) may attend the hearing, in person or through counsel, and show cause why the settlement with Peat Marwick should or should not be approved, why the application for attorneys' fees and expenses should or should not be granted, or why a judgment of dismissal as to Peat Marwick should or should not be entered. However, no member of the Class shall be entitled to contest the foregoing matters unless such Class member shall have sent by first-class mail, postage prepaid and postmarked no later than June 16, 2000, copies of the Class member's statement of position or objection and any supporting papers (which must include the name and number of this case (In re Mercury Finance Company of Illinois, No. 97 C 3035) and documents reflecting the purchase(s) of shares of Mercury common stock by the Class Member during the Class Period) to the Court at the following address:

Clerk of the United States District Court,
Northern District of Illinois
Dirksen Building
219 South Dearborn Street
Chicago, IL 60604

and to the following counsel:

Stacey L. Mills
Heins Mills & Olson, P.L.C.
700 Northstar East
608 Second Avenue South
Minneapolis, MN 55402

William F. Lloyd
Sidley & Austin
Bank One Plaza
10 South Dearborn Street
Chicago, IL 60603

Counsel for Lead Plaintiff and the Class

Counsel for KPMG Peat Marwick LLP.

Unless otherwise ordered by the Court, any member of the Class who does not submit a statement of position or objection to the foregoing matters in the manner provided shall be deemed to have waived any such position or objection.

Any member of the Class may, but need not, enter an appearance in this matter, through such Class member's own counsel and at such Class member's own expense. Any Class member who does not do so will continue to be represented by Plaintiffs' Lead Counsel.

The Court may approve the settlement with modifications acceptable to the settling parties without further notice to the Class. If the proposed settlement is given final approval by the Court, it will be binding on all Class members. All proceedings with respect to the settlement and any related disputes shall continue to be subject to the jurisdiction of the Court.

XI. SPECIAL NOTICE TO BANKS, SECURITIES BROKERS, AND OTHER NOMINEES

If you purchased shares of Mercury common stock during the period April 10, 1995, through January 29, 1997, inclusive, as nominee for the beneficial interest of a person or entity other than yourself, you are hereby requested by the Court to, within ten (10) calendar days of receiving this Notice, (1) provide copies of this Notice to the persons or entities having the beneficial interest and provide the Settlement Administrator with written confirmation that the Notice has been so forwarded, or (2) provide the Settlement Administrator with the name and last known address of each person or entity for whom or which you effected such purchase by writing to the Settlement Administrator at the following address:

Mercury Finance Litigation
Gilardi & Co. LLC
P.O. Box 5100
Larkspur, CA 94977-5100

Within ten (10) days of receipt of such information, the Settlement Administrator shall send copies of this Notice to each beneficial owner so designated. Additional copies of this Notice for forwarding to such beneficial owners may be obtained by writing to the Settlement Administrator. After submission of appropriate documentation to the Settlement Administrator, the reasonable costs of complying with this request will be reimbursed.

XII. ADDITIONAL INFORMATION

This Notice presents only a summary of the litigation, the claims and defenses of the parties, the settlement with Peat Marwick, the provisions of the release, and related matters. For further information, you may inspect the papers filed in this litigation, including the Court's orders, the plaintiffs' Complaint, the Settlement Agreement, and other documents, during regular business hours on any business day at the Office of the Clerk of the United States District Court for the Northern District of Illinois, Twentieth Floor, Dirksen Building, 219 South Dearborn Street, Chicago, Illinois 60604.

You may send questions in writing to the Settlement Administrator at the address shown above, together with a self-addressed, stamped envelope. You may also contact Plaintiffs' Lead Counsel at the address shown above, or you may seek the advice of your own attorney at your own expense.

PLEASE DO NOT CONTACT THE COURT REGARDING THIS NOTICE.

DATED: April 14, 2000

Clerk of the Court
United States District Court
Northern District of Illinois

Additional copies of this Notice may be obtained at the following Internet address: <http://www.gilardi.com/mercurylitigation>