

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

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

**SUPPLEMENTAL CLASS NOTICE  
REGARDING ALLOCATION OF SETTLEMENT FUNDS,  
PLAN OF DISTRIBUTION, CLAIMS PROCEDURE, 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 Supplemental Notice (the "Notice") is given to inform you, as a possible member of the Class (defined fully below), of the status of the settlements in this litigation, the allocation of funds from certain settlements to the Class, the plan for the distribution of settlement funds, the procedures for submitting a claim seeking to share in such funds, and other steps that you may take. 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 plan of distribution and related matters.

PLEASE READ THIS NOTICE CAREFULLY. YOUR RIGHTS MAY BE AFFECTED. IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN SETTLEMENT FUNDS PURSUANT TO THE PROOF OF CLAIM PROCEDURE.

CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT A PROOF OF CLAIM, ON THE FORM ACCOMPANYING THIS NOTICE, ON OR BEFORE SEPTEMBER 14, 2001.

BANKS, SECURITIES BROKERS, AND OTHER NOMINEES: PLEASE SEE INSTRUCTIONS IN PART VIII BELOW.

**INFORMATION REGARDING OTHER MERCURY-RELATED SETTLEMENT NOTICES**

You may have received, or may shortly receive, one or more other notices regarding settlements in other cases relating to Mercury Finance Company. As previous notices to the Class have stated, other cases (in addition to those consolidated in this litigation) were filed on behalf of purchasers and holders of Mercury securities, including those referred to in Bankruptcy Court proceedings as State Class Claimants<sup>1</sup> and Holder Claimants.<sup>2</sup> The fact that you receive a class settlement notice in another Mercury-related case does not, by itself, mean that you are a member of a class in that case. However, if you satisfy the requirements for class membership stated in that notice, you may be included in the settlement described in it and may be permitted to submit a claim seeking to share in the applicable settlement fund. Whether or not you do so, you may still participate in the settlements in this case, assuming that you are a Class member and timely submit an acceptable Proof of Claim in accordance with this Notice and the accompanying Proof of Claim and Release form. Your claim in this case will not be disallowed on the basis that you participate in or submit a claim in connection with another settlement.

**I. BACKGROUND OF THE LITIGATION**

The plaintiffs in this consolidated proceeding 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 KPMG Peat Marwick LLP (now known as KPMG LLP) ("Peat Marwick"), which was Mercury's independent auditor. The plaintiffs claimed 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 plaintiffs sought to recover damages and other relief from the defendants on behalf of themselves and other purchasers of Mercury common stock.

All of the defendants denied any wrongdoing and denied that they had any liability or that they caused any damage to plaintiffs or other purchasers of Mercury common stock.

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<sup>1</sup> All persons and entities that purchased shares of Mercury common stock or debt securities during the period from and including January 3, 1994, through and including January 29, 1997, inclusive, for violation of various provisions of Illinois statutory and common law.

<sup>2</sup> All persons and entities that purchased shares of Mercury common stock prior to February 23, 1994, and held said shares through and including January 29, 1997, inclusive (the "Holder Class Period"), for violation of various provisions of Illinois common law and Delaware common and corporate law.

## **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 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 (the "Class Period").

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.

## **III. THE SETTLEMENTS AND PREVIOUS CLASS NOTICES**

Three previous notices have advised Class members in this case of settlements reached with certain defendants and related matters, including the bankruptcy proceedings concerning Mercury. The most recent notice, dated April 14, 2000, concerned the settlement with defendant Peat Marwick. That settlement established a settlement fund of \$40,500,000 (the "Peat Marwick Settlement Fund"), the net amount of which, as increased by interest earned and decreased by payments for attorneys' fees and litigation expenses as approved by the Court, notice costs, taxes, and settlement and claims administration expenses, is expected to be available for distribution to the Class. The Peat Marwick settlement was approved by the Court on July 12, 2000. An objector to the settlement filed an appeal from the Court's Order of Final Judgment to the United States Court of Appeals for the Seventh Circuit. That appeal is pending.

Two earlier notices advised the Class of partial settlements reached with Mercury and the individual defendants, who were officers and directors of Mercury. Those settlements were approved by the Court in 1999. Collectively, the settlements with Mercury and the individual defendants recovered a total of \$32,221,000, plus interest, for the benefit of a broad Settlement Class that included, not only the Class in this litigation, but other groups of purchasers and holders of Mercury securities. Proceedings were subsequently conducted in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court") to determine the allocation of the total amount recovered in those settlements among the groups within the Settlement Class.

## **IV. ALLOCATION FROM SETTLEMENTS WITH MERCURY AND THE INDIVIDUAL DEFENDANTS**

The allocation proceedings in the Bankruptcy Court regarding the settlements with Mercury and the individual defendants have now been completed. A Stipulation and Agreed Order resolving the allocation issues with regard to all of the groups in the Settlement Class has been signed and entered by the Court. On December 29, 2000, the Court also entered an Agreed Dismissal Order, dismissing appeals that had been taken from the allocation determination in the Bankruptcy Court. That Order concluded the allocation proceedings. As a result, approximately \$15,900,000 has been allocated to the Class in this case, and an escrow account for those funds has been established. A total of \$14,400,000 was deposited in the account on January 31, 2001; \$275,100 was added on February 8, 2001; and \$248,640 was added on February 15, 2001. The foregoing amounts have been earning interest from the date of deposit. A further amount, estimated to be \$975,000, is expected to be deposited soon. The total of these deposits, together with interest earned, constitutes the Company, Officers, and Directors Settlement Fund.

## **V. PLAN OF DISTRIBUTION AND CLAIMS PROCEDURE**

Under the proposed plan of distribution, the settlement funds ultimately available for distribution to the Class from both the Peat Marwick Settlement Fund and the Company, Officers, and Directors Settlement Fund (together, the "Combined Net Settlement Fund") will be distributed to all Class members who submit acceptable Proofs of Claim ("Authorized Claimants"). The Settlement Administrator will determine each Authorized Claimant's proportional share of the Combined Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss."

An Authorized Claimant's "Recognized Loss" means the difference, if any, between the amount he, she, or it paid for Mercury common stock during the Class Period, and the sum for which said shares were sold at a loss on or before January 29, 1997. As to those shares which an Authorized Claimant purchased during the Class Period and continued to hold as of the close of trading on January 29, 1997, Recognized Loss means the difference, if a loss, between the amount paid for each such share purchased during the Class Period and \$2.46 per share, the mean of the closing prices on trading days during the 90-day period after January 29, 1997.

In the event a Class member has more than one purchase or sale during the Class Period, all purchases and sales will be matched on a First In First Out ("FIFO") basis, with sales during the Class Period matched in chronological order, first against any shares owned by the Authorized Claimant at the beginning of the Class Period on April 10, 1995, and then against purchases made during the Class Period.

Each Authorized Claimant will be allocated a proportional share of the Combined Net Settlement Fund based on his, her, or its Recognized Loss compared to the Total Recognized Losses of all Authorized Claimants. The amount distributed to an Authorized Claimant will depend in part on the number of acceptable Proofs of Claim submitted and the number of shares represented by those claims. No distribution will be made to an Authorized Claimant whose computed share, upon the initial computation allocating the Fund among all Authorized Claimants, is less than \$5.00; any such amounts shall be reallocated among all other Authorized Claimants in proportion to their shares. Any settlement funds remaining after the completion of distributions to Authorized Claimants will be contributed to a public interest or charitable organization approved by the Court.

Each Class Member who submits a Proof of Claim will be deemed to have submitted to the jurisdiction of the United States District Court

for the Northern District of Illinois with respect to all matters relating to his, her, or its claim. Class members who do not submit acceptable Proofs of Claim will not receive any payment or share in the settlement proceeds, but they will nevertheless be bound by the judgments and settlements in the litigation. Further information on the specific procedure for submitting claims is set forth in the accompanying Proof of Claim and Release form.

In order to be eligible to receive any distribution from the Combined Net Settlement Fund, you must complete and sign the accompanying Proof of Claim and Release form and submit it on or before September 14, 2001, addressed to:

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

Claims are regarded as submitted on the postmark date.

The distribution to Claimants will be deferred until all claims submitted to the Settlement Administrator have been evaluated and any related disputes have been resolved, the issues relating to the Peat Marwick settlement and pending appeal been finally resolved, all Court-approved payments of fees and expenses have been made, all taxes, claims administration, and settlement-related expenses have been paid, and the amount of funds ultimately available for distribution has been finally determined.

#### **VI. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES**

Plaintiffs' Lead Counsel will submit an application on behalf of plaintiffs' counsel for an award of attorneys' fees and reimbursement of expenses from the Company, Officers, and Directors Settlement Fund. In accordance with the three previous notices to the Class concerning the settlements with Mercury, the individual defendants, and Peat Marwick, the application will request fees not exceeding one-third of the Company, Officers, and Directors Settlement Fund (after subtracting the amount of any expenses awarded) and litigation expenses, including the fees and expenses of experts, that were not reimbursed in connection with the Peat Marwick settlement. Such unreimbursed expenses are presently estimated to be approximately \$400,000. Thus, the application will be consistent with the information stated in previous notices to the Class, and will also be consistent with the award of fees and expenses made by the Court in connection with the Peat Marwick settlement. The application for an award of fees and expenses from the Company, Officers, and Directors Settlement Fund will be filed at least seven days before the hearing described below. All payments of fees and expenses must be approved by the Court.

#### **VII. HEARING ON PLAN OF DISTRIBUTION AND RELATED MATTERS**

A hearing will be held before the Honorable Charles R. Norgle, Sr., United States District Judge, at 9:30 a.m., local time, on Friday, July 6, 2001, 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 plan of distribution is fair and reasonable and should be approved, whether the application submitted by Plaintiffs' Lead Counsel on behalf of plaintiffs' counsel for an award of attorneys' fees and expenses should be granted, and to consider any 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 plan of distribution and other matters described in this Notice, you need not attend the hearing or take any steps with regard to the hearing. If you wish to submit a claim, however, you must complete, sign, and timely submit the accompanying Proof of Claim and Release form.

Any member of the Class may attend the hearing, in person or through counsel, and show cause why the plan of distribution should or should not be approved, or why the application for attorneys' fees and expenses should or should not be granted. 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, postmarked no later than June 26, 2001, 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, to establish Class membership, copies of 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

Counsel for Lead Plaintiff and the Class

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 plan of distribution, with or without modification, without further notice to the Class. All proceedings with respect to the plan of distribution, settlement administration, and any related disputes shall continue to be subject to the jurisdiction of the Court.

### **VIII. 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, within ten (10) calendar days of receiving this Supplemental Notice, (1) to forward 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) to 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  
Settlement Administrator  
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 all beneficial owners so designated. Additional copies of this Notice for forwarding to beneficial owners may be obtained from the Settlement Administrator. After submission of appropriate documentation to the Settlement Administrator, the reasonable costs of complying with this request will be reimbursed.

(Note to Banks, Securities Brokers, and Other Nominees: You may have responded to the foregoing request in connection with the notice directed to the Class in April 2000 regarding the Peat Marwick settlement in this litigation. If you did so by providing names and addresses to the Settlement Administrator, you need not provide the same information again. However, you should inform the Settlement Administrator of any new information, such as changes of address.)

### **IX. ADDITIONAL INFORMATION**

This Notice presents a summary of certain matters described above. For further information, you may inspect the documents filed in this litigation 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. 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: May 4, 2001.

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

Copies of this Supplemental Notice, including the Proof of Claim and Release form, may be obtained at the following Internet address: <http://www.gilardi.com/mercurylitigation>