

November 16, 2010

HMS FINANCIAL INC. ET AL CLASS ACTION

TO CLASS MEMBERS:

Further to the Notice to Class that was sent out yesterday, as there seems to be some confusion as to what the San Diego Funds are, I am responding to the many many e-mails I've received with one response.

The San Diego Funds are a group of just over 300 cheques / bank drafts which were seized back in 2004 by the FBI. A Receiver in San Diego has already returned funds to people listed in the Schedule "C" attached. When we say "Traceable Claims" we mean people who can provide a bank draft that matches one of the seized cheques / bank drafts. Schedule "A" to the Notice is a list of people who have already provided me with a bank draft number that matches the list we have. Schedule "B" to the Notice is a list of people, or last names that appear on the list that also appear in our list of class members who have not provided a copy of their bank draft. If your name does not appear on one of these lists, it is unlikely that you have a traceable claim, HOWEVER, there is a possibility, so if you have any inkling that your money was sent to San Diego, please provide me with copies of the cheques / bank drafts used to make your investment, and we will compare them to the list of drafts seized to ensure they are not traceable.

Of the 300 plus cheques, there were several that were in the names of Customer Care Specialists (CCS's). The other way that a claim can be traceable is if you can show that the money you paid to one of those CCS's was pooled with other investors and then sent to San Diego by your CCS. This will obviously be a much harder claim to prove, but if you can obtain sufficient evidence from your CCS (i.e. their deposit slips, tracking records showing which funds were sent where) to meet the test of traceability, then those claims will be considered by the court.

I am well aware that many of you have already provided me with copies of your documentation. Unfortunately, with over 900 class members, it is not possible for me to go through all of the documentation and search to see if bank drafts were provided and if they match one of the drafts in the list. Therefore, after considering the information above, if you feel you may have a traceable claim, we are asking that you provide those Bank Drafts to us. **ONLY BANK DRAFTS** can be used to trace your claim, no other documentation is necessary unless you believe you can show a traceable claim in the second category. If you have provided me with your only copy, please e-mail me and in that instance I will locate your documents.

If you do not have a traceable claim to the San Diego funds, you are not "out of luck", so to speak, in getting funds back. We have made various settlements which have not been disbursed, and we anticipate that not all of the San Diego funds will be traced, and the remainder of those funds will be pooled and distributed to the entire class upon conclusion of this matter.

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Schedule "C"

HMS-Adair
Disbursement Recipients: All Defendants-In-Interpleader With Directly Traceable Funds

Name	Address	City/Country/Zip	Base Amount	Pro Rata % Of Accrued Int	Interest Due-2/11/09	Interest Due-7/31/2010	Total Distributable Funds
Allen, Willa Mae	1819 Neville Drive	Louisville, KY 40216	15,000.00	0.015678896	132.50	132.50	15,132.50
Alvey, Carol	1233 Phyllis Ave	Louisville, KY 40215	5,000.00	0.005226299	44.17	44.17	5,044.17
Avey, Tim	1233 Phyllis Ave	Louisville, KY 40215	20,000.00	0.020905195	176.67	176.67	20,176.67
Beattie, Ivy A.	Box 28 Busby	Alberta, Canada T0G0H0	5,000.00	0.005226299	44.17	44.17	5,044.17
Burtz, Vernon D & Mary	6615 West Oreil Road	Louisville, KY 40272	5,000.00	0.005226299	88.33	88.33	10,088.33
Diver, Theodore	5175 Foxhall Drive North	West Palm Beach, FL 33417	10,000.00	0.010452597	106.00	106.00	12,106.00
Findlay, Don	Unit 204 10 Bay Street	Thornbury, ON N0H2P0	12,000.00	0.012543117	129.85	129.85	14,829.85
Fletcher, Mark & Misty	9931-69 Ave	Grande Prairie, Alberta T8V5G3	14,700.00	0.015366318	132.50	132.50	15,132.50
Fontaine-Joanne & Roland	4403-41st Avenue	Beaumont, Alberta T4X 1M6	15,000.00	0.015678896	176.67	176.67	20,176.67
Funk, Harry & Dorothy	13 Brookside Crescent	Portage La Prairie, Manitoba R1N3W9	20,000.00	0.020905195	176.67	176.67	20,176.67
Giesbrecht, Gerald & Pamela	4907 Claret Street NW	Calgary, Alberta T2L 1C2	5,000.00	0.005226299	44.17	44.17	5,044.17
Gordon-Brown, Carolyn	53403 Range Road 274	Spruce Grove Alberta T7X3R9	105,000.00	0.109752273	927.50	927.50	105,927.50
Granger, Albert & Suzanne	2903-29 Ave S	Lehridge, Alberta T1K6S8	40,000.00	0.04181039	353.33	353.33	40,353.33
Haight, Ron & Carol	#36, 51128 RR 261	Spruce Grove, Alberta T7X1B8	90,000.00	0.094073377	795.00	795.00	90,795.00
Hammell, Deborah & Brent	18 Cranfield Crescent SE	Calgary, Alberta T3M1A6	25,000.00	0.026131494	220.83	220.83	25,220.83
Harris, Jake & Kathy	6302-99A Street	Grande Prairie, Alberta T8W2K7	45,000.00	0.047036689	397.50	397.50	45,397.50
Hensstridge, Shawn & Brenda	225-53313 RR 280	Spruce Grove, Alberta T7X3V7	15,000.00	0.015678896	132.50	132.50	15,132.50
Hilliard, Terry & Ester	RR #1 Site #1	Westlock Alberta T7P2N9	15,000.00	0.015678896	132.50	132.50	15,132.50
Hinsz, Chad	1407 Loewen Court	Edmonton, Alberta T6R2X9	5,000.00	0.005226299	44.17	44.17	5,044.17
Hinsz, Keith & Jane	1407 Loewen Court	Edmonton, Alberta T6R2X9	40,000.00	0.04181039	353.33	353.33	40,353.33
Kloss, Kendall & Kari	#10 Woodland Crescent	Sylvan Lake, Alberta T4S1L9	15,000.00	0.015678896	132.50	132.50	15,132.50
Kovacic, Daralynne	42 Westpark Way	Fort Saskatchewan, Alberta T8L3W8	15,000.00	0.015678896	136.92	136.92	15,636.92
L'Arrivee, Dennis & Valerie	16221-131 A Street	Edmonton, Alberta T6V1X7	30,000.00	0.031357792	265.00	265.00	30,265.00
Lighthouse Pentecostal Church	16221-131 A Street	Edmonton, Alberta T6V1X7	10,000.00	0.010452597	88.33	88.33	10,088.33
Link, H. Marjorie	49 Boulder Boulevard	Stony Plain, Alberta T7Z1V6	5,000.00	0.005226299	44.17	44.17	5,044.17
McCaw, Christina & Reginald	15925-94 Avenue	Edmonton, Alberta T5R5K9	10,000.00	0.010452597	88.33	88.33	10,088.33
Miller, Walter & Doris	69 Feero Drive	Whitecourt, Alberta T7S1E7	5,000.00	0.005226299	44.17	44.17	5,044.17
Murley, Barbara	1181 Broadriver Church Road	Eastanolee, GA 30538	5,000.00	0.005226299	44.17	44.17	5,044.17
Nehring, Robert	148 Foxhaven Place	Sherwood Park, Alberta T8A5Y3	25,000.00	0.026131494	220.83	220.83	25,220.83
Paras, Anita & Thomas Edward	12728-147 Avenue NW	Edmonton, Alberta T6V1V3	20,000.00	0.020905195	176.67	176.67	20,176.67
Pirker, Deborah	619 Revell Wynd	Edmonton, Alberta T6R2H9	5,000.00	0.005226299	44.17	44.17	5,044.17
Pohl, Frazier	11 West Lake Drive	Edmonton, Alberta T6R2H9	5,000.00	0.005226299	44.17	44.17	5,044.17
Client Trust Account of Winet, Patrick & Weaver (Angel Rhoades)	701 B Street, Suite 1725	Westlock, Alberta T7P2P6	50,000.00	0.052262987	441.67	441.67	50,441.67
Rimmer, Robert & Joanne	Fox 5810	Westlock, Alberta T7P2P6	7,000.00	0.007316818	61.83	61.83	7,061.83
Rowat, Darren & Wanda	6438 Dallas Drive	Kamloops, BC V2C4X5	50,000.00	0.052262987	441.67	441.67	50,441.67
Sampert, Raymond L. & Margaret M.	611 Revell Wynd	Edmonton, Alberta T6R2H9	70,000.00	0.073168182	618.33	618.33	70,618.33
Sanders, F. Rhett & Virginia	5081 Plich Landing Drive	Conway, South Carolina 29527	5,000.00	0.005226299	44.17	44.17	5,044.17
Schweitzer, Craig & Lisa	1330 Wallace Road #59	Salem, Oregon 97304	5,000.00	0.005226299	44.17	44.17	5,044.17
Scott, Grace	31 Christina Court	Sherwood Park, Alberta T8H2H4	5,000.00	0.005226299	88.33	88.33	10,088.33
Shaw, Paul & Elise	P.O. Box 1611	Lac La Biche, Alberta T0A2C0	10,000.00	0.010452597	574.17	574.17	10,654.17
Stoff, George & Mary	Box 5269	Westlock, Alberta T7P2P5	65,000.00	0.010452597	88.33	88.33	65,574.17
Taylor, Keith T. & Kari L.	Box 5269	Westlock, Alberta T7P2P4	10,000.00	0.010452597	88.33	88.33	10,088.33
Willock, Dan & Catherine	Box 3011 7Cumberland Street	Pickton, Ontario K0K2T0	15,000.00	0.015678896	132.50	132.50	15,132.50
Wories, Steven & Alexandria	Box 771	Sexsmith, Alberta T0H3C0	10,000.00	0.010452597	88.33	88.33	10,088.33

Total Distributable	956,700.00	100%	8,450.85	965,150.85
Federal Judgement Rate at 2/11/09	0.60%			
Accrued Int: 2/11/09 to 7/31/10 - 530 DAYS	8,450.85			
Per Diem Interest	15.95			
Total Due at 7/31/10	965,150.85			

2/11/2009
7/31/2010
530

EXHIBIT 1