



CERVUS FILES FOR PROTECTION UNDER CCAA AND ENTERS INTO TRANSACTION WITH MACQUARIE BANK

TORONTO, June 8, 2006 – Cervus Financial Group Inc. (“Cervus” or the “Company”), (CFG:TSX), announced today that it has filed for protection under the *Companies’ Creditors Arrangement Act* (“CCAA”). The Superior Court of Justice (Ontario) (the “Ontario Court”) granted an Initial Order which, among other things, stays all proceedings against Cervus and its wholly owned subsidiary Cervus Financial Corp., and appoints KPMG Inc. as Monitor.

The Court authorized Cervus to and it has entered into an agreement (the “Agreement”) with a wholly-owned subsidiary of Macquarie Bank Limited (“Macquarie Bank”) whereby Macquarie Bank will acquire the business of Cervus. The Court also authorized first priority debtor-in-possession financing (the “DIP Financing”) for a \$4 million operating facility and \$5 million letter of credit facility to be provided by Macquarie Bank.

In addition to the Initial Order, the Ontario Court granted a Sale Approval Process Order fixing June 15, 2006 as the date for the hearing of the motion to approve the Agreement and providing for notice to the shareholders and unsecured creditors of Cervus of such motion by, among other things, issuing this press release and placing newspaper advertisements.

The Agreement provides for the transfer of certain assets from the Company to its wholly-owned subsidiary, Cervus Financial Corp., and then the sale of all of the shares of Cervus Financial Corp. to Macquarie Bank for aggregate cash consideration of \$12,500,000, subject to certain purchase price adjustments including a reduction for all amounts owing under the DIP Financing on the closing date, as described below.

Pursuant to the terms of the Initial Order, the Sale Approval Process Order and the Agreement: (a) the Company will not actively solicit any other offers or participate in any negotiations or discussions regarding any other offers, enter into any agreement with respect to any other transaction, or seek or support approval by the Court of any other transaction; and (b) the Company will also be obligated to immediately pay a break up fee equal to all of the expenses incurred by Macquarie Bank in respect of the proposed transaction if the Ontario Court fails to approve the completion of the sale to Macquarie Bank at the hearing of the motion to approve the Agreement, or if the Ontario Court approves an alternative transaction, or if thereafter the Company terminates the Agreement and completes an alternative transaction with a different party.

As part of the DIP Financing, Macquarie Bank has provided a \$5 million letter of credit to the Company’s bank in order to ensure that the current banking facilities are made available to the Company until closing, and Macquarie Bank will also provide a \$4 million operating facility to Cervus Financial Corp. from the time the Agreement is approved by the Court until closing of the transaction.

The completion of the sale is subject to a number of conditions including the granting by the Ontario Court of an approval and vesting order under the CCAA. Both Cervus and Macquarie Bank intend that the period of time between entering into the Agreement and completion will be as soon as practicable. By entering into the Agreement, the Board of Directors are confident that Cervus Financial Corp. can continue to fund its mortgage commitments, maintain the confidence of its employees and suppliers, and to pay all liabilities.

The Board of Directors has determined that the Agreement is in the best interests of the shareholders of the Company. After payment of known unsecured creditor claims against the Company (creditor claims against Cervus Financial Corp. continuing uncompromised), the estimated distribution to shareholders is between \$0.00 and \$0.10 per share. However, this amount may vary significantly due to the use of the proposed operating facility, delays in completing the transaction, resolution of creditors’ claims and the fees and costs of completing the proposed sale to Macquarie Bank and the completion of the CCAA process.



Any creditor or shareholder who wishes to be heard on the motion for the approval of the Agreement, including the vesting of all issued and outstanding shares of Cervus Financial Corp. in Macquarie Bank, should file an appearance in the CCAA proceedings with the Ontario Court before June 15, 2006. A copy of the Initial Order, Sale Approval Process Order, supporting affidavits and the Monitor's report are available on www.kpmg.ca/cervus.

Prior to entering into the Agreement, Cervus' Board of Directors examined all the strategic options available to the Company, including discussions with nine potential trade and financial buyers as well as entertaining the consideration of an initiative to privatize and recapitalize the Company backed by some potential investors. The Board determined the transaction with Macquarie Bank to be the best available alternative, and in the best interests of all the stakeholders. Peter Williams, Chief Executive Officer, said, "in getting to know the Macquarie Bank team, we concluded that their understanding of the business model, their appreciation of the opportunity and the quality of their operations make this a good fit for Cervus. We are impressed with their organization and people as well as their ideas for expanding this business in the Canadian market. We believe Macquarie Bank will appeal to our brokers and be very successful in this market."

Macquarie Bank is a diversified international financial services organization, listed on the Australian Stock Exchange (ASX:MBL) and headquartered in Sydney, Australia. Macquarie Bank's market capitalization is approximately \$A15 billion, with total assets under management of \$A140 billion (at March 31, 2006). Macquarie Bank is rated P1/A2 by Moody's Investors Services and A1/A by Standard & Poor's and employs almost 8,200 people in 24 countries.

As previously announced, Cervus suffered a compression of its margins as well as experienced a cash burn rate that is unsustainable without additional capital. During the period of last autumn through the winter, the entire residential mortgage industry has been adversely affected by an historically adverse "spread compression" (i.e. a reduction in the profit margin on the acquisition and sale of the Company's mortgage pools). This resulted in unanticipated demands on the Company's unrestricted cash during the past six months. Although market spreads have recently improved, the Company's financial condition has hindered its ability to take advantage of the improvement. Furthermore, the Company's bank has sent formal notice terminating its credit facilities and banking arrangements, and demanding that the Company make arrangements with another lender for the warehouse credit facility arrangement and the settlement payment services that are necessary for the Company to be able to carry on its business. In reaction to these pressures, the Board of Directors and the Company's senior management have aggressively taken steps to improve the Company's operations, ensure its mortgage origination capability was not impaired, as well as increase its liquidity by raising additional working capital last December.

As a consequence of its circumstances, the Company issued a press release on March 2, 2006 announcing that it would attempt to raise up to an additional \$20 million for working capital purposes and to explore strategic partnerships with partners.

The Company also actively worked to replace its warehouse credit facility and settlement payment services. To date, the Company has not been successful in replacing these services. The Company's bank has sent a formal notice to the Company terminating their credit facility and account relationship although the bank has informally agreed to extend its credit facility and banking arrangements with the Company provided that the \$5 million letter of credit from Macquarie Bank continues to be available.

The Company engaged in a number of discussions and meetings with potential investors about the possibility of raising additional capital by means of the private placement of equity. However, the falling share price made it difficult to obtain a commitment of sufficient magnitude from these potential investors.

Finally, the Company held discussions and met with numerous potential strategic Canadian and international partners. This led to negotiations with several parties, which ultimately resulted to the proposed transaction with Macquarie Bank.



The Company does not have sufficient immediately available cash to continue to carrying on its business without entering into an arrangement with a strategic partner or to raise additional working capital. The Board of Directors determined that the best alternative available to the Company is the proposed transaction with Macquarie Bank.

About Cervus

Cervus Financial Group Inc. is a Canadian financial services company created as an industry initiative with leading mortgage broker companies and fixed income investment banks to become a high-yield residential mortgage producer.

Cervus works on the basis of a “*Customer for Life*” model, where the borrower is the client of the mortgage broker and Cervus is effectively the “Back Office – Servicer” between borrowers and investors. Cervus is focused on funding and servicing insurable conventional and high ratio insured residential mortgages originated through mortgage brokers. Cervus is currently licensed under Ontario, Quebec, British Columbia and Alberta mortgage broker/lender legislation and is seeking similar regulatory approvals in other Canadian Provinces as required. Cervus’ head office and Ontario operations centre is located in Toronto, with additional sales offices in Vancouver, Calgary and in Montreal. Cervus Financial Group Inc. conducts all lending operations through its wholly-owned subsidiary, Cervus Financial Corp.

Forward-looking (safe harbour) statement

Statements made in this news release that relate to future plans, events or performances are forward-looking statements. Any statement containing words such as “believes,” “plans,” “expects” or “intends” and other statements which are not historical facts contained in this release are forward-looking, and these statements involve risks and uncertainties and are based on current expectations. Consequently, actual results could differ materially from the expectations expressed in these forward-looking statements.

Additional information about Cervus is available on SEDAR (www.sedar.com).

The TSX does not accept responsibility for the adequacy or accuracy of this release.

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