

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

THE HONOURABLE MR. ) THURSDAY, THE 8<sup>th</sup> DAY  
 )  
JUSTICE MORAWETZ ) OF JUNE, 2006

IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985 c. C-36 as amended

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR  
ARRANGEMENT WITH RESPECT TO CERVUS FINANCIAL GROUP INC.,  
AND THE OTHER APPLICANTS LISTED ON SCHEDULE "A"

Applicants



**SALE APPROVAL PROCESS ORDER**

**THIS APPLICATION**, made by the Applicants, was heard this day at 393  
University Avenue, Toronto, Ontario.

**ON READING** the Notice of Application herein, the affidavit of Peter Williams sworn June 8, 2006 (the "Williams Affidavit"), the First Report of the Monitor dated June 8, 2006, and on hearing the submissions of counsel for the Applicants, the Monitor and such other counsel as may be in attendance on this motion,

**Confirmation of Service**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this motion is properly returnable today, and that all parties entitled to notice of this Application have been duly served with notice of this Application and any further service is hereby dispensed with.

**Approval Motion Hearing Date**

2. **THIS COURT ORDERS** that the motion for approval (“Approval Motion”) of the Purchase and Sale Agreement between Cervus Financial Group Inc. (“CFG”), Cervus Financial Corp. (“CFC”) and 6578268 Canada Inc. (the “Purchaser”) dated as of June 8, 2006 (the “Purchase Agreement”) attached as Exhibit “D” to the Williams Affidavit, the transactions contemplated therein (the “Transactions”) and the vesting of assets pursuant thereto, will be heard by this Court at 393 University Avenue on June 15, 2006.

**Notice to Shareholders and Unsecured Creditors**

3. **THIS COURT ORDERS** that notice of the Approval Motion shall be given by the Applicants to the holders of all issued and outstanding common shares of CFG and to unsecured creditors of CFG by:

- (a) issuing forthwith the press release substantially in the form attached hereto as Schedule “B” and filing it with the System for Electronic Document Analysis and Retrieval (“SEDAR”);
- (b) posting forthwith such press release on the Monitor's website at [www.kpmg.ca/cervus](http://www.kpmg.ca/cervus);
- (c) mailing forthwith such press release to the Founders and Individual Shareholders as defined in the Williams Affidavit;
- (d) filing forthwith a Material Change Report with SEDAR; and
- (e) placing advertisements in the Globe & Mail and National Post on Saturday, June 10 and Monday, June 12, 2006 substantially in the form attached hereto as Schedule “C”,

and such notice shall be good and sufficient notice of the Approval Motion to such shareholders and unsecured creditors.

**Exclusivity**

4. **THIS COURT ORDERS** that from the date hereof until the hearing of the Approval Motion, none of CFG, CFC or any of their respective affiliates or subsidiaries, nor any of their respective directors, officers, managers, employees, agents, advisors or representatives will (i) solicit offers for a possible sale, merger, combination, consolidation, recapitalization, restructuring, refinancing or other disposition of all or any material part of the Cervus Group as defined in the Purchase Agreement or any member of the Cervus Group's assets or issued or unissued capital stock (each, an "Acquisition Proposal") with any party other than the Purchaser or provide any information to any party other than the Purchaser in connection with an Acquisition Proposal, (ii) participate in any negotiations or discussions regarding any Acquisition Proposal, whether solicited or unsolicited, (iii) enter into any agreement with respect to any Acquisition Proposal, or (iv) seek or support approval by the Court of any Acquisition Proposal.

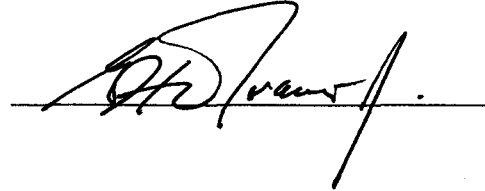
**Break-Up Fee**

5. **THIS COURT ORDERS** that the Break-Up Fee as defined in Section 8.3 of the Purchase Agreement is hereby approved and shall be payable immediately to the Purchaser if the Court makes an order approving an Acquisition Proposal or if the Court fails to approve the Purchase Agreement on the hearing of the Approval Motion. The Break-Up Fee shall be an obligation secured by the DIP Lender Charge established by the Initial Order.

**General**

6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Applicants and the Monitor in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor,

as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and its agents in carrying out the terms of this Order.

A handwritten signature in black ink, appearing to be "D. Evans", written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUN 08 2006

PER/PAR: 

**SCHEDULE "A"**

Cervus Financial Corp.

Cervus Funding Corp.

## SCHEDULE "B"

### **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](http://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](http://www.sedar.com)).

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

For further information, please contact:

Cervus Financial Group Inc.  
Peter Williams  
Chief Executive Officer  
416-861-1315 ext 275  
[pwilliams@cervus.com](mailto:pwilliams@cervus.com)

**SCHEDULE "C"**

**Court File No.**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Commercial List)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT  
ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR  
ARRANGEMENT WITH RESPECT TO CERVUS FINANCIAL GROUP INC., et al.**

**NOTICE TO SHAREHOLDERS AND CREDITORS OF  
CERVUS FINANCIAL GROUP INC. ("Cervus" or the "Company"),**

Cervus (CFG:TSX), 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 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 issued and outstanding shares of Cervus Financial Corp. to Macquarie Bank for aggregate cash consideration of \$12,500,000, subject to certain purchase price adjustments. It is anticipated that the transaction will provide for the payment of all creditors, as well as providing a return to the shareholders.

The sale is being implemented by the Company, and its subsidiaries, through an application under the *Companies' Creditors Arrangement Act* (the "CCAA"). An Initial Order from the Ontario Superior Court of Justice was obtained by the Company on June 8, 2006 (the "Initial Order"). Under the terms of the Initial Order, the Company has obtained Debtor in Possession financing to allow the Company to operate until closing of the Agreement. The Company also obtained a Sale Approval Process Order dated June 8, 2006, approving the process for approval of the Agreement (the "Sale Approval Process Order").

KPMG Inc. was appointed under the Initial Order as the Court-Appointed Monitor of the Company and its subsidiaries, and will be providing information about the restructuring under the CCAA to all of the stakeholders, including the creditors and shareholders of the Company.

Shareholders and creditors of the Company may obtain further information, as well as copies of the Initial Order, the Sale Approval Process Order and the materials filed with the Court, at the following website established by the Monitor: [www.kpmg.ca/cervus](http://www.kpmg.ca/cervus).

The Sale Approval Process Order has set June 15, 2006 as the hearing date for the motion for an order approving the Agreement, vesting certain assets including all of the issued and outstanding shares of Cervus Financial Corp. in Macquarie Bank and authorizing Cervus to implement the transactions contemplated in the Agreement.

If any shareholders or creditors of the Company wish further information with respect to this restructuring, please contact:

KPMG Inc.  
Suite 3300 Commerce Court West  
P.O. Box 31 Stn Commerce Court  
Toronto, Ontario  
M5L 1B2

Johnny E. Chow  
Tel: (416) 777-3250  
Fax: (416) 777-3364

Email: [johnnychow@kpmg.ca](mailto:johnnychow@kpmg.ca)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985 c. c-36 as amended

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO  
CERVUS FINANCIAL GROUP INC., et al.

06-CL-6482

Court File No.:

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding Commenced at Toronto

**ORDER**

**FRASER MILNER CASGRAIN LLP**

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Daniel Dowdall

LSUC # 16737D

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Solicitors for the Applicants