

SETTLEMENT AGREEMENT

This Settlement Agreement made as of the 28th day of June, 2006

between:

CERVUS FINANCIAL GROUP INC.
(hereafter referred to as "CFG")

- and -

CERVUS FINANCIAL CORP.
(hereafter referred to as "Cervus")

- and -

CERVUS FUNDING CORP.
(hereafter referred to as "Cervus Funding")

- and -

GARY BARTHOLOMEW
(hereafter referred to as "Bartholomew")

- and -

CYBERNORTH VENTURES INC.
(hereafter referred to as "CyberNorth")

Whereas Cervus and Bartholomew have entered into a Succession Agreement dated February 28, 2006 (the "**Succession Agreement**");

And Whereas Bartholomew is the principal of and majority shareholder of CyberNorth;

And Whereas in connection with the Succession Agreement, Cervus and Bartholomew, on his own behalf and on behalf of CyberNorth, executed a mutual release dated March 2, 2006, a copy of which is attached to this Settlement Agreement as Schedule "A" (the "**Original Mutual Release**");

And Whereas Bartholomew resigned as Chief Executive Officer and as a director of CFG on March 2, 2006 and May 26, 2006, respectively, and as Chairperson of the Board, President and as a director of Cervus on March 2, 2006;

And Whereas Bartholomew has never been an officer or director of Cervus Funding;

And Whereas on June 8, 2006, Cervus and CFG were granted protection under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**");

And Whereas the parties have negotiated a settlement of all claims relating to the Succession Agreement and wish to confirm and amend the releases given pursuant to the Succession Agreement;

Now therefore for good and valuable consideration (the receipt and sufficiency whereof are hereby acknowledged), the parties covenant and agree with each other as follows:

1. This Settlement Agreement is conditional upon approval of this Settlement Agreement (the "**Settlement Approval Order**") by the Ontario Superior Court of Justice (the "**Court**") and the closing (the "**Closing**") of the sale of the shares of Cervus by CFG to 6578268 Canada Inc. (the "**Purchaser**") pursuant to a purchase agreement between CFG, Cervus and the Purchaser dated as of June 8, 2006 (the "**Transaction**"). Bartholomew, CyberNorth and Cervus waive the confidentiality provision of the Mutual Release in order to seek such Settlement Approval Order.

2. CyberNorth shall receive a lump sum payment from the proceeds of the Transaction in the amount of Cdn.\$200,000.00, plus GST, and reimbursement of actual legal expenses incurred by CyberNorth and Bartholomew in connection with this Settlement Agreement and the CCAA Proceedings limited to an aggregate of \$15,000.00, plus GST (such amounts, collectively, the "**Settlement Amount**"). The Settlement Amount shall be paid to Blaney McMurtry LLP, in trust, as soon as practicable from the proceeds of the Transaction and, in any event, no later than two (2) business days after Closing.

3. Bartholomew shall continue to cooperate and assist CFG with the settlement and completion of the transfer of 8,100,000 shares of CFG by certain founding shareholders of CFG, including Bartholomew, to CFG and a CFG management performance trust in accordance with the Founders' Undertaking dated March 2, 2006.

4. Notwithstanding the releases with respect to the Succession Agreement contemplated hereunder, Bartholomew shall continue to be bound by the covenants and obligations contained in Section 3.2, Section 4.2 and Article 5 of the Succession Agreement and such covenants and obligations are hereby incorporated into this Settlement Agreement subject to the following amendments:

- (a) the covenants contained in section 5.1 (a) to (c) of the Succession Agreement for the purposes of incorporation of such sections into this Settlement Agreement shall expire on November 30, 2006; and
- (b) the reference to "residential mortgages" in section 5.1(a) of the Succession Agreement for the purposes of incorporation of such section into this Settlement Agreement shall be to "conforming prime residential mortgages".

5. Cervus confirms and agrees that it has indemnified Bartholomew as set out in the bylaws of Cervus and under section 124 of the *Canada Business Corporations Act* (collectively, the "**Cervus Indemnities**") and CyberNorth and Bartholomew confirm and agree that there are no other indemnities in favour of Bartholomew or CyberNorth from Cervus. This Settlement

Agreement does not deal with or affect any indemnities provided to Bartholomew and/or CyberNorth by CFG under its bylaws and the *Business Corporations Act* (Alberta) or otherwise.

6. The parties confirm, acknowledge and agree as follows with respect to the Original Mutual Release:

- (a) the Original Mutual Release continues in full force and effect;
- (b) the Original Mutual Release is for the benefit of and is binding upon Cervus and its shareholders and subsidiaries, including, without limitation, CFG, the sole shareholder of Cervus, and Cervus Funding, a wholly owned subsidiary of Cervus, and is for the benefit of and is binding upon Bartholomew and CyberNorth and their respective executors, successors and assigns; and
- (c) the Original Mutual Release is hereby amended as follows:
 - (i) the Claims (as defined in the Original Mutual Release) released by Bartholomew, on his own behalf and on behalf of CyberNorth, include, without limitation, claims for indemnity under the Cervus Indemnities, except for the Remaining Indemnification Claims. "Remaining Indemnification Claims" shall mean Claims of Bartholomew against Cervus under the Cervus Indemnities in respect of goods and services delivered or provided to or contracted for by Cervus while Bartholomew was an officer and/or director of Cervus. The Remaining Indemnification Claims must be disclosed in the books and records of Cervus as at Closing;
 - (ii) subject to any applicable overriding provision of the CCAA, paragraph 1 of the Original Mutual Release shall be amended to delete the reference to "pre-dating the execution of this Mutual Release" and replacing it with "as at the date of closing of the purchase agreement between Cervus, CFG and 6578268 Canada Inc. dated as of June 8, 2006,"; and
 - (iii) the following covenant by Bartholomew, on his own behalf and on behalf of CyberNorth, is hereby added to the Original Mutual Release: "Bartholomew (including, without limitation, CyberNorth) will not make any claim or commence or maintain any action or proceeding against any person or corporation in respect of the matters released herein who would be entitled to claim contribution or indemnity or other relief over from Cervus, whether under the provision of the *Negligence Act*, R.S.O. 1990, c. N-1, or other legislation, or at common law or equity, anywhere in the world."

7. The Settlement Approval Order shall authorize and direct CFG to use its best efforts to renew the existing directors and officers insurance policy (the "Policy") or purchase tail insurance on the expiry of the Policy on September 19, 2006, unless (a) CFG has obtained an order from the Court barring all claims against directors and officers of CFG and setting a bar date prior to September 19, 2006 for the submission of claims against directors and officers, and (b) notice has been given to the insurer before September 19, 2006 in accordance with the Policy

of any claims filed in such claims bar process. The Settlement Approval Order shall authorize and direct payment for any renewal insurance or purchase of any tail insurance in accordance with the terms of the Policy from the proceeds of the Transaction without further order of the Court.

8. It is a condition of this Settlement Agreement that Bartholomew and CyberNorth execute the mutual release attached as Schedule "B" (the "**Additional Mutual Release**") and the acknowledgement attached as Schedule "C" (the "**Acknowledgement**") in triplicate, contemporaneously with execution of this Settlement Agreement, which shall be held in escrow by Fraser Milner Casgrain LLP and released to Cervus, CFG and the Purchaser on Closing and upon payment to Blaney McMurtry LLP, in trust, of the Settlement Amount in accordance with paragraph 1 hereof. Cervus, CFG and Cervus Funding shall execute and deliver the Additional Mutual Release to Bartholomew and CyberNorth on Closing.

9. This Settlement Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario. The parties to this Settlement Agreement hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

10. The rights and obligations under this Settlement Agreement may not be transferred. This Settlement Agreement shall enure to the benefit of and be binding on the parties and their respective heirs, executors, successors and permitted assigns.

11. This Settlement Agreement, together with the mutual releases and acknowledgement attached as Schedules "A", "B" and "C", constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions and there are no warranties, representations or other agreements between the parties hereto in connection with this subject matter except as specifically set forth herein.

12. This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same document. Counterparts may be executed either in original or faxed form and each party hereto adopts any signatures received by a receiving fax machine as the original signature of the party.

13. Bartholomew hereby accepts and agrees to the terms and conditions of this Settlement Agreement and acknowledges having received or had the opportunity to receive independent legal advice prior to execution hereof.

[remainder of page intentionally left blank; signature page follows]

In witness whereof the parties have executed this Settlement Agreement as of the date written above.

CERVUS FINANCIAL GROUP INC.

By: _____
Name:
Title:

I have authority to bind the corporation

CERVUS FINANCIAL CORP.

By: _____
Name:
Title:

I have authority to bind the corporation

CERVUS FUNDING CORP.

By: _____
Name:
Title:

I have authority to bind the corporation

Witness:

Name:

Gary Bartholomew

CYBERNORTH VENTURES INC.

By: _____
Name: Gary Bartholomew
Title:

I have authority to bind the corporation

SCHEDULE "A"
ORIGINAL MUTUAL RELEASE

SCHEDULE "B"

FORM OF ADDITIONAL MUTUAL RELEASE

MUTUAL RELEASE

IN CONSIDERATION of the payment of \$2.00 (TWO DOLLARS) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, GARY BARTHOLOMEW, his executors, successors and assigns, and CYBERNORTH VENTURES INC., for itself, and on behalf of its affiliates, parents or subsidiaries, and all of its and their respective employees, officers, directors, shareholders, servants, advisors, agents, successors and assigns (hereinafter collectively referred to as "Bartholomew/CyberNorth") and CERVUS FINANCIAL GROUP INC., CERVUS FINANCIAL CORP. and CERVUS FUNDING CORP., their affiliates, parents or subsidiaries and all of their respective employees, officers, directors, shareholders, servants, advisors, agents, successors and assigns (hereinafter collectively referred to as "Cervus") hereby mutually release, remise and forever discharge each other jointly and severally, from any and all actions, causes of action, proceedings, obligations, debts, accounts, contracts and covenants, whether express or implied, claims and demands, for damages, indemnity, costs, interest, loss or injury, in law or equity, whether express or implied, of every nature and kind whatsoever and howsoever arising, which Bartholomew/CyberNorth or Cervus may have had, may now have, or may hereinafter have for any matter, whether known or unknown, relating to or arising from the Succession Agreement (collectively, the "Claims") other than claims with respect to obligations of the parties hereto under the Settlement Agreement dated as of June 28, 2006.

AND IT IS FURTHER AGREED that, for the aforesaid consideration, the undersigned will not make any claim or commence or maintain any action or proceeding against any other person, firm or corporation in which any claim could arise against the undersigned for contribution or indemnity or any other relief over in respect of the matters herein released.

AND IT IS FURTHER AGREED that the giving of the consideration aforesaid is understood by the undersigned to be without admission of any liability of the undersigned.

THE PROVISIONS HEREOF shall enure to the benefit of and be binding upon the undersigned and their respective executors, affiliates, parents, or subsidiaries, and all their respective employees, officers, directors, shareholders, servants, advisors, agents, successors and assigns and anyone claiming through or under them.

THIS MUTUAL RELEASE may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same document. Counterparts may be executed either in original or faxed form and each party hereto adopts any signatures received by a receiving fax machine as the original signature of the party.

THIS MUTUAL RELEASE shall be governed by and construed in accordance with the laws of the Province of Ontario. The parties to this Mutual Release hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

[remainder of page intentionally left blank; signature page follows]

IN WITNESS WHEREOF the undersigned have executed this Mutual Release
this ___ day of _____, 2006.

CERVUS FINANCIAL GROUP INC.

By: _____
Name:
Title:

I have authority to bind the corporation

CERVUS FINANCIAL CORP.

By: _____
Name:
Title:

I have authority to bind the corporation

CERVUS FUNDING CORP.

By: _____
Name:
Title:

I have authority to bind the corporation

Witness:

Name:

Gary Bartholomew

CYBERNORTH VENTURES INC.

By: _____
Name: Gary Bartholomew
Title:

I have authority to bind the corporation

SCHEDULE "C"
FORM OF ACKNOWLEDGEMENT
ACKNOWLEDGMENT

TO: Cervus Financial Group Inc. ("**CFG**")

AND TO: Cervus Financial Corp. ("**Cervus**")

AND TO: Cervus Funding Corp.
(together with CFG and Cervus, collectively, the "**Applicants**")

AND TO: 6578268 Canada Inc. (the "**Purchaser**")

AND TO: Macquarie Bank Limited

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, the undersigned hereby confirm and acknowledge the following:

1. They have supported the Applicants' application for the Approval and Vesting Order approving the transactions contemplated by the purchase agreement between Cervus, CFG and the Purchaser dated as of June 8, 2006 (the "**Purchase Agreement**"), including, without limitation, the conveyance of the Intercompany Transferred Assets by CFG to Cervus and of the Purchased Assets by CFG to the Purchaser.
2. There are no commissions, success fees or other fees or amounts payable by any of the aforementioned addressees to any of the undersigned under, related to or arising from the Purchase Agreement.
3. All initially capitalized terms unless otherwise defined herein shall have the meanings given to them in the Purchase Agreement.

Dated this ____ day of _____, 2006.

Witness:

Name:

Gary Bartholomew

CYBERNORTH VENTURES INC.

By: _____

Name: Gary Bartholomew

Title:

I have authority to bind the corporation