

Action: 0703 04915

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF EDMONTON**

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

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9;

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT AND A PROPOSED LIQUIDATION AND DISSOLUTION
WITH RESPECT TO CFG HOLDINGS INC., FORMERLY CERVUS
FINANCIAL GROUP INC.**

**SECOND REPORT OF
KPMG INC., LIQUIDATOR**

November 26, 2007

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I. PURPOSE, QUALIFICATIONS AND RESTRICTIONS OF THIS REPORT

On June 8, 2006, Cervus Financial Group Inc. (“CFG”) and certain of its direct and indirect subsidiaries, Cervus Financial Corp. (“CFC”) and Cervus Funding Corp. (“Funding”) (collectively the “Applicants” or the “Companies”) filed for and obtained protection from their creditors under the *Companies’ Creditors Arrangement Act* R.S.C. 1985 c. C-36, as amended (the “CCAA”). The terms of that proceeding are governed by an order of the Ontario Superior Court of Justice (the “Ontario Court”) dated June 8, 2006 (the “Initial Order”), as amended by a further order of the Ontario Court dated June 15, 2006. Pursuant to the Initial Order, KPMG Inc. (“KPMG”) was appointed as monitor (the “Monitor”) of the Applicants during the CCAA proceedings.

On June 15, 2006, the Ontario Court granted an Approval and Vesting Order, which among other things, provided for the approval of an agreement of purchase and sale among CFG, CFC and 6578268 Canada Inc. (the “Sale Agreement”) as well as termination of the CCAA proceedings in connection with CFC and Funding upon the delivery, by the Monitor, of the Vesting Certificate as defined in the Sale Agreement. The Monitor delivered the Vesting Certificate on July 6, 2006 and, as such, the CCAA proceedings for CFC and Funding were terminated at that time. In addition, under the provisions of the Approval and Vesting Order, CFG was permitted to change its name to CFG Holdings Inc. (“CFG Holdings” or the “Company”).

On August 9, 2006, the above referenced name change was completed and on September 6, 2006, the Ontario Court granted orders which, among other things, amended the title of the CCAA proceedings in order to reflect the name change of CFG to CFG Holdings.

On April 19, 2007, an Order (the “Liquidation Order”) was granted by the Court of Queen’s Bench for Alberta (the “Alberta Court”) which, among other things, appointed KPMG (the “Liquidator”) as liquidator of CFG Holdings pursuant to Section 215 of the Alberta *Business Corporations Act*, R.S.A. 2000 c. B-9 (the “Alberta Act”). It was necessary to apply to the Alberta Court for the Liquidation Order as the Company was incorporated under the Alberta Act.

Capitalized terms not defined in this Second Report of the Liquidator (the “Report”) are as defined in the Liquidation Order or in the First Report of the Liquidator (the “First Report”)

The purpose of this Report is to provide information to this Honourable Court and the Company’s stakeholders in connection with the following:

- (i) the status of the legal proceedings involving the Company;
- (ii) an update on the Company’s liquidation and dissolution proceedings; and
- (iii) an update on the Liquidator’s net cash position.

The information contained in this report has been obtained from the records of the Company and is based on discussions with, and representations made by, management of the Company, including former management and the Board of Directors, and other professional advisors retained in this matter.

The financial information of the Company has not been audited, reviewed or otherwise verified by the Liquidator as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this report may not disclose all significant matters about the Company. Accordingly, the Liquidator does not express an opinion or any other form of assurance on the financial or other information presented herein. The Liquidator may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report.

The Liquidator assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this report. Any use which any party makes of this report, or any reliance on or decisions to be made based on this report, are the sole responsibility of such party.

All references to dollars are in Canadian currency unless otherwise noted.

II. LEGAL PROCEEDINGS

This Honourable Court has granted the following orders in connection with the liquidation proceedings of the Company:

April 19, 2007 Liquidation Order

The Liquidator has made all Orders issued by this Honourable Court in this matter, and all Orders issued by the Ontario Court in the CCAA proceedings, and other information, available on its website at www.kpmg.ca/cervus.

III. UPDATE ON THE COMPANY'S LIQUIDATION AND DISSOLUTION PROCEEDINGS

As described in the First Report, having implemented the distribution to shareholders and Senior Management, the primary matter remaining to be addressed in the Company's liquidation proceeding is the Company's interest in CMB I GP Limited (the "GP"), the general partner of a limited partnership, CMB I Limited Partnership ("CMB"). As contemplated in the First Report, on August 30, 2007, an Order was granted by the Ontario Court which, among other things, appointed KPMG as receiver, without security, of all of the assets, undertakings and properties of GP and CMB ("Receiver"). A copy of the First Report of the Receiver, which provides further detail on the status of the receivership proceedings is attached to the Eleventh Report of the Monitor as **Appendix C**.

IV. UPDATED NET CASH POSITION

A rollforward of the net cash position of the Liquidator from August 11 (the date of the last update to the net cash position provided in the First Report) to November 23, 2007 is summarized below.

CFG Holdings Inc.
Summary of the Liquidator's Net Cash Position
For the Period August 11 to November 23, 2007

Opening cash position	\$ 32,354
Less:	
Transfer to Monitor	(363)
Cash position as at November 23, 2007	\$ 31,991

The Liquidator is currently holding \$31,991 in its trust bank account. Those funds will be used to pay professional fees related to the liquidation proceedings.

V. SUMMARY AND CONCLUSIONS

As described in the First Report of the Receiver, in order to advance the liquidation proceedings of CFG Holdings, the Company successfully applied to the Ontario Court, within the context of its CCAA proceedings, for an Order appointing KPMG as receiver of GP and CMB. The administration of the receivership of those entities will necessarily extend the time required to conclude the liquidation proceeding of the Company. In addition, the Company will be seeking an extension of the Stay Date (as defined in the Initial Order with the CCAA proceedings) to March 31, 2008.

RESPECTFULLY SUBMITTED,

Dated the 26th day of November, 2007.

KPMG INC.

**In its capacity as Court-Appointed Liquidator of
CFG HOLDINGS INC., formerly Cervus Financial Group Inc.**



*Per: Todd Martin
Senior Vice-President*

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SECOND REPORT OF KPMG INC., LIQUIDATOR

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