

**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.  
AND THE OTHER APPLICANTS LISTED ON SCHEDULE "A"**

**Applicants**

**ENDORSEMENT OF JUSTICE MORAWETZ**  
**JUNE 8, 2006**

The Applicants are in a cash flow crisis. While they may be solvent on a balance sheet test, I am satisfied based on the record, and hearing the submissions of counsel, that they are insolvent on a cash flow basis, and without DIP Financing being provided, the operation of the business cannot continue.

I am also satisfied the steps have been taken to obtain the best possible outcome for the stakeholders. A sales process has been ongoing for a considerable period and a purchaser for the assets has been identified. In the circumstances it is appropriate to approve the break-up fee as described in the affidavit of Peter Williams.

Counsel for the Applicants submitted that it was essential that the proposed transaction be consummated as soon as possible. The record establishes that the longer it takes to close the transaction – the amount available to stakeholders decreases. If the transaction does close in the timeline outlined in the materials, I am advised that there is a possibility that the creditors will be paid in full, and it is conceivable that there will be some return for the shareholders.

I am also advised by Applicants' counsel that the structure of the proposed transaction would not preclude another party from coming forward to bid on the assets and that KPMG Inc. as Monitor is available to deal with this possibility.

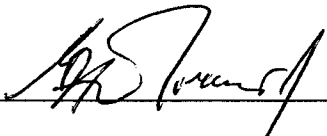
The Applicants are in a position to communicate, almost instantaneously, with the stakeholders to inform them of this filing, and also to inform them of the terms of the Sale Approval Process Order, which Order provides for a hearing date to approve the proposed sale to 6578268 Canada Inc., which hearing is scheduled for Thursday, June 15, 2006.

It is recognized that the timing of such a hearing is, to put it bluntly, extremely short. However, in the circumstances of this case, I have been persuaded that it represents the best outcome for the stakeholders.

I am also satisfied that DIP Financing is necessary to keep this entity afloat. The DIP Facility involving both Macquarie Bank, as described at paragraph 71 of the Williams affidavit and the RBC Warehouse DIP, as described at paragraphs 72 & 73 are both approved.

The record establishes that the prerequisites for CCAA protection have been established.

Recognizing that the Applicants are in a financial crisis, and given that the proposed solution provides potential payment in full to creditors, continued employment for the workforce and a potential return to shareholders, an Order shall issue in the form submitted granting CCAA protection and an Order shall also issue in the form submitted approving the Sales Approval Process.



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“G. B. Morawetz J.”

**SCHEDULE "A"**

**Cervus Financial Corp.**

**Cervus Funding Corp.**