

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.**

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

August 22, 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”).

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 Inc. (the “Company”) pursuant to Section 215 of the Alberta *Business Corporations Act*, R.S.A. 2000 c. B-9 (the “Alberta Act”). A copy of the Liquidation Order is attached hereto as **Appendix A**. 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 First Report of the Liquidator (the “Report”) are as defined in the Liquidation Order or in the Ninth Report of the Monitor (the “Ninth Report” – attached hereto as **Appendix B**).

The purpose of this Report is to provide information to this Honourable Court and the Applicant’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

On April 19, 2007, the Liquidation Order was granted by this Honourable Court which, among other things, ordered that:

- (i) the Alberta Court recognize each of the Orders granted by the Ontario Court in the context of the CCAA proceedings (the “Ontario Orders”);
- (ii) KPMG be appointed as liquidator of the Company pursuant to Section 215 of the Alberta *Business Corporations Act*, R.S.A. 2000 c. B-9;
- (iii) KPMG, in the fulfillment of its duties as Liquidator, is entitled to rely upon any claims bar process directed and implemented in accordance with the Ontario Orders and no further or other notice to creditors or claimants or advertisements for creditors or claimants is required in the context of the liquidation of the assets of the Company;
- (iv) KPMG, in the context of its role as Liquidator, was vested with all right, power and authority as had been vested in the Monitor by the Ontario Orders as well as any right, power and authority as might be specifically authorized by the Liquidation Order or as provided for by the Alberta *Business Corporations Act*;
- (v) KPMG, in the course of the liquidation of the Company, was authorized and directed to make all payments authorized to be made by the Monitor or by the Liquidator pursuant to the Ontario Orders, including, without limitation, payments to shareholders of the Company which had been authorized by the Ontario Orders and such payments were to be made in accordance with Section 242(3) of the Alberta *Business Corporations Act*; and
- (vi) the Alberta Court seeks the aid and assistance of the Ontario Court in recognizing the Liquidation Order and in implementing the Liquidation Order for the purpose of coordinating the proceedings contemplated by the Liquidation Order with the CCAA proceedings for the purpose of assisting in the liquidation and dissolution of any subsidiary of the Company or any limited partnership in which such subsidiary is a general partner.

As previously indicated, a copy of the Liquidation Order is attached hereto as **Appendix A**.

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

A. Distribution to Shareholders and Senior Management

As described in the Ninth Report, on April 25, 2007, in accordance with the Amended Shareholder Distribution Order, the Monitor wire transferred \$3,391,505, from the net Sale Proceeds that it was holding in trust, to the Liquidator in order to facilitate the distributions contemplated by the Amended Shareholder Distribution Order and the Shareholder Distribution Order. The transfer amount of \$3,391,505 was arrived at after taking into consideration the separate amount of \$137,768 required for the Senior Management distribution (described below) and a reserve of \$188,000 for professional fees (incurred and outstanding fees, as well as estimates of fees to complete both the CCAA and liquidation proceedings). The reserve amount for professional fees was approved by the Company.

On April 26, 2007, in accordance with the Liquidation Order, the Liquidator wire transferred \$3,191,217 to Computershare Ltd. ("Computershare"), the Company's share registrar, with instructions to implement a distribution to the Company's shareholders in the amount of \$0.09307 per share. The Liquidator also provided Computershare with a letter to accompany the distribution in order to provide shareholders with information related to the distribution. A copy of the letter to shareholders is attached hereto as **Appendix C**. On April 27, 2007, Computershare implemented the distribution to the Company's shareholders in accordance with the Company's share register as at April 20, 2007 (the Record Date).

On May 1, 2007, also in accordance with the Liquidation Order, the Liquidator made distributions to the Senior Management group totaling \$137,768 (prior to required withholdings for income taxes). The Liquidator also provided each member of the Senior Management group with a letter to provide information related to the distribution. A copy of the letter to the Senior Management is attached hereto as **Appendix D**.

Having implemented the distributions described above, there are no further distributions to be made by the Liquidator to the Company's shareholders or Senior Management.

Since the time that the distribution to shareholders was implemented by Computershare, the Liquidator has received periodic inquiries from shareholders who have not received their distribution. In virtually all of these instances, either: (i) the mailing address for the shareholder on the share registrar maintained by Computershare required updating; or (ii) the distribution had not yet progressed through the securities/broker network to the shareholder's brokerage account. In response to such inquiries, the Liquidator has been providing shareholders with contact information for Computershare or advising the shareholders to contact their securities broker.

B. CMB I GP Limited and CMB I Limited Partnership

As briefly described in the Ninth 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, the CMB I Limited Partnership ("CMB" or the "Limited Partnership"). CMB was initially established by the Company as a vehicle to provide an incentive to both the Company, as the GP, and various mortgage broker firms who are limited partners in CMB (the "Limited Partners") to aggregate mortgage origination volumes.

Upon the closing of the Sale Agreement on July 6, 2006, the underlying business reasons for continuing the GP and the Limited Partnership ceased. Both the GP and the Limited Partnership are now dormant. In the circumstances, the Liquidator, its legal counsel and the Company's legal counsel, reviewed the Limited Partnership Agreement dated May 14, 2004 as between the GP as the general partner, 1617763 Ontario Inc. as the initial limited partner and the Limited Partners, and collectively concluded that in order to conclude the liquidation of CFG Holdings, it is necessary to dissolve the Limited Partnership (the only significant asset of the Limited Partnership is approximately \$381,000 of distributions from CFG to the Limited Partnership which are currently held by Computershare).

On June 18, 2007, the Liquidator emailed a letter to the Limited Partners (a copy of the letter is attached hereto as **Appendix E**) which, among other things:

- provided background information regarding KPMG's appointment as Monitor and Liquidator of the Company;
- advised that it was necessary to dissolve CMB as part of the liquidation of the Company, and that in consultation with CFG's legal counsel, it had been determined that the dissolution could be pursued in two alternatives ways:

- Alternative 1 – dissolution in accordance with the Limited Partnership Agreement

This alternative would first require an extraordinary resolution of the board of directors of the GP approving the dissolution. The Limited Partners would then pass an ordinary resolution for the appointment of a receiver and manager ("Receiver") of CMB. Under such appointment, the Receiver would take the necessary steps to dissolve CMB which could include, among other things: (i) coordinating the preparation and filing of outstanding tax returns (GST, income taxes, etc.); (ii) implementing a process to ensure that creditor claims, if any, are identified and paid; (iii) liaising with Computershare to obtain the remaining assets of CMB (approximately \$381,000 of shareholder distributions to CMB from the Company); (iv) determining /verifying the amounts to be paid to each limited partner; and (v) arranging for the preparation and filing of any regulatory documents required to effect the dissolution; and

- Alternative 2 – dissolution pursuant to a Court Order

The Company could apply to the Ontario Superior Court of Justice (the "Ontario Court"), within the context of the CCAA proceedings, for an Order appointing KPMG as liquidator of CMB. It was noted in the letter that this method had the potential to be a more costly approach than that of dissolving CMB in accordance with the Limited Partnership Agreement; and

- requested that all of the Limited Partners confirm, on or before July 6, 2007: (i) as to whether they are in support of the dissolution of CMB in accordance with the Limited Partnership Agreement; and (ii) as to whether any Limited Partner(s) is/are willing to act as the Receiver or if they can identify some other party qualified party to act as Receiver with respect to such dissolution.

No substantive responses were received from any of the Limited Partners regarding the confirmation sought in the June 18, 2007 letter, with the exception of one Limited Partner that indicated that it was not interested in acting as Receiver.

Accordingly, on July 11, 2007, KPMG emailed a Second Notification to the Limited Partners (a copy of the email is attached hereto as **Appendix F**) which, among other things:

- advised that in order to advance the dissolution of the Limited Partnership, it was anticipated that a Court application would be required seeking the appointment of KPMG as Court-appointed Receiver of the Limited Partnership. It was noted in the email, for clarity, that as part of that application, a charge would be sought over the assets of the Limited Partnership to cover KPMG's professional fees as Receiver, as well as those of legal counsel involved in the receivership; and
- requested that any Limited Partners disagreeing with the intended course of action (i.e. Court application for the appointment of KPMG as Receiver) contact the Liquidator prior to July 27, 2007.

As of the date of this Report, none of the Limited Partners have expressed to KPMG disagreement with a Court application for the appointment of KPMG as Receiver or any other significant issues regarding the dissolution of CMB. Therefore, the Company intends to apply to the Ontario Court, within the context of the Company's CCAA proceedings, for an Order appointing KPMG as Receiver of the GP and CMB. At the time of that application, the Company will also be seeking an extension of the Stay Date (as defined in the Initial Order) to November 30, 2007.

IV. NET CASH POSITION

The net cash position of the Liquidator from the date of its appointment to August 10, 2007 is summarized below.

CFG Holdings Inc.
Summary of the Liquidator's Net Cash Position
For the Period to August 10, 2007

Opening cash position		\$	-
Add:			
Transfer from Monitor (net), (1)			3,361,505
Less:			
Distribution to shareholders	3,191,217		
Distribution to senior management	137,768		
Other (2)	165		3,329,151
			<hr/>
Cash position as at August 1, 2007		\$	32,354

Notes:

(1) The net transfer amount reflects the return of \$30,000 to the Monitor from the Liquidator to pay professional fees. The \$30,000 was not incremental to the \$188,000 reserve for professional fees and was included in that reserve.

(2) Other charges includes bank charges and other miscellaneous expenses.

The Liquidator is currently holding \$32,354 in its trust bank account. Those funds will be used to pay professional fees related to the liquidation proceedings.

V. SUMMARY AND CONCLUSIONS

In order to advance the liquidation proceedings of the Company, the Liquidator respectfully recommends that this Honourable Court grant the Order sought by the Company to have KPMG appointed as Receiver of each of CMB I GP Limited and CMB I Limited Partnership.

RESPECTFULLY SUBMITTED,

Dated the ^{22nd} day of August, 2007.

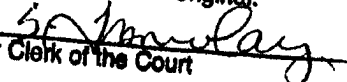
KPMG INC.

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



*Per: Alan J. Hutchens
Senior Vice-President
416-777-8916*

I hereby certify this to be a
true copy of the original.


for Clerk of the Court

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.

BEFORE THE HONOURABLE
MR. JUSTICE B. R. BURROWS
IN CHAMBERS, LAW COURTS,
EDMONTON, ALBERTA

ON THURSDAY, THE 19TH DAY OF
APRIL, 2007.

ORDER

UPON THE APPLICATION of counsel on behalf of CFG Holdings Inc. (the "Company") and Peter Haig Williams (being a shareholder of the Company); AND UPON HAVING READ the Affidavit of Peter Haig Williams, filed; AND UPON NOTING the consent of KPMG Inc. to being appointed the liquidator of the Company; AND UPON NOTING that the Company had sought protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "CCAA") by way of proceedings in the Ontario Superior Court of Justice (the "Ontario Court"); AND UPON NOTING THAT numerous Orders (the "Ontario Orders") had been granted by the Ontario Court in Court file number 06-CL-6482 in the context of the CCAA proceedings (the "CCAA Proceedings"); AND UPON NOTING that the Ontario Court has requested that the Alberta Court of Queen's Bench recognize the Ontario Orders and grant aid and assistance to the Ontario Court with respect to the implementation and coordination of proceedings as contemplated by the Ontario Orders including, without limitation, proceedings in relation to the liquidation and dissolution of the Company and the implementation of a process for the distribution of funds to the shareholders of the Company; AND UPON NOTING that the

registered office of the Company is in Alberta; AND UPON NOTING that a claims bar process had been established in the context of the *CCAA* Proceedings and that all claims of creditors against the Company which are not barred by the claims bar process implemented in the context of the *CCAA* Proceedings have been satisfied or resolved; AND UPON IT APPEARING that it is just and equitable that the Company should be liquidated and dissolved; IT IS HEREBY ORDERED THAT:

1. Service of notice of the application for this Order and any Affidavit in support is deemed good and sufficient upon all interested parties, the time for service is abridged to the time actually given and all further and other service is dispensed with.
2. This Honourable Court does recognize each of the Ontario Orders copies of which are attached as part of Exhibit A to the Affidavit of Peter Haig Williams, filed.
3. KPMG Inc. is hereby appointed without security as liquidator of the Company pursuant to Section 215 of the Alberta *Business Corporations Act*, R.S.A. 2000 c. B-9, and KPMG Inc. shall in that capacity, subject to the remaining terms of this Order liquidate the assets of the Company.
4. KPMG Inc., shall, in the fulfillment of its duties as liquidator, be entitled to rely upon any claims bar process directed and implemented in accordance with the Ontario Orders and no further or other notice to creditors or claimants or advertisements for creditors or claimants need be effected by KPMG Inc. in the context of the liquidation of the assets of the Company.
5. KPMG Inc., shall, in the context of its role as liquidator of the Company be vested with all right, power and authority as has been vested in KPMG Inc. in its capacity as monitor by the Ontario Orders as well as any other right, power and authority as may be specifically authorized by this Order or as provided for by the Alberta *Business Corporations Act*.
6. KPMG Inc. in the course of the liquidation of the Company is authorized and directed to make all payments authorized to be made by KPMG Inc. in its capacity as Monitor or by the liquidator of the Company pursuant to the Ontario Orders, including, without

limitation, payments to the shareholders of the Company which have been authorized by the Ontario Orders and such payments shall be made in accordance with Section 242(3)(h) of the Alberta *Business Corporations Act*.

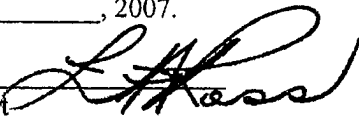
7. KPMG Inc. is authorized to apply to this Honourable Court for advice and directions in the context of the liquidation of the assets of the Company and the dissolution of the Company or, with respect to the fulfillment of its duties generally pursuant to this Order.
8. KPMG Inc. is authorized to apply to this Honourable Court in due course for the dissolution of the Company and in such event, KPMG Inc. shall give notice of such application to the Registrar of Corporations and counsel for the Company, Fraser Milner Casgrain LLP. No further or other service of notice of an application for dissolution shall be required to be effected.
9. This Honourable Court seeks the aid and assistance of the Ontario Court in recognizing this Order and in implementing this Order for the purpose of coordinating the proceedings contemplated by this Order with the *CCAA* Proceedings and for the purpose of assisting in the liquidation or dissolution of any subsidiary of the Company or any limited partnership in which such subsidiary is a general partner.
10. KPMG Inc. in its capacity as liquidator shall give notice of its appointment to the Registrar of Corporations and shall cause a certified copy of this Order to be filed in the Ontario *CCAA* Proceedings in Court file number 06-CL-6482.
11. All of the rights and protections afforded to the Monitor, as an officer of the Court under the Initial Order granted in the *CCAA* Proceedings (including but not limited to paragraph 52 thereof, which is expressly incorporated herein by reference) and the subsequent Ontario Orders granted in the *CCAA* Proceedings, all of which are recognized by this Order are hereby extended to KPMG Inc. in respect to the fulfillment of its function and duties whether as Monitor or as liquidator, and in its carrying out of the provisions of this Order or any Order recognized by this Order.

12. KPMG Inc. shall make available a copy of this Order on its web site at www.kpmg.ca/cervus. All further and other service and notice of this Order is dispensed with.

" B. R. Burrows "
J. C. Q. B. A.

ENTERED THIS 10th DAY OF
April, 2007.

Clerk of the Court



Action No. 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.**



ORDER

EDMDOCS\RRUTMAN\1466020-6

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Court File No. 06-CL-6482

**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 CFG HOLDINGS INC., FORMERLY
CERVUS FINANCIAL GROUP INC.**

**NINTH REPORT OF
KPMG INC., MONITOR**

May 25, 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 this proceeding are governed by an order of this Court dated June 8, 2006 (the "Initial Order"), as amended by a further order of this Court dated June 15, 2006. Pursuant to the Initial Order, KPMG Inc. ("KPMG") was appointed as monitor (the "Monitor") of the Applicants during these CCAA proceedings.

On June 15, 2006, this Honourable 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" or the remaining "Applicant").

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

Capitalized terms not defined in this Ninth Report of the Monitor (the "Report") are as defined in the Initial Order, the Sale Agreement, the Claims Order or previous reports of the Monitor.

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

- (i) the status of the legal proceedings involving the Applicant;
- (ii) an update on the Company's liquidation and dissolution proceedings and the distribution to shareholders and Senior Management;
- (iii) the Company's updated net cash position; and
- (iv) the Company's request to extend the stay of proceedings.

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 Monitor 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 Monitor does not express an opinion or any other form of assurance on the financial or other information presented herein. The Monitor may refine

or alter its observations as further information is obtained or is brought to its attention after the date of this report.

The Monitor 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, is 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 CCAA proceedings of the Applicant:

June 8, 2006	Initial Order
June 8, 2006	Sale Approval Process Order
June 15, 2006	Order Amending Initial Order
June 15, 2006	Approval and Vesting Order
June 29, 2006	Order Approving Settlement
July 7, 2006	Order Extending Stay of Proceedings
September 6, 2006	Order Amending Title of Proceedings, Order Amending Initial Order and Extending the Stay of Proceedings, and Claims Order
October 13, 2006	Creditor Distribution Order
December 27, 2006	Shareholder Distribution Order
February 27, 2007	Extension Order
March 9, 2007	Distribution Direction Order

Each of the above orders has been described in previous Monitor's reports.

On April 13, 2007, an Order was granted (the "Amended Shareholder Distribution Order"), which among other things, varied the Shareholder Distribution Order, to order and/or request that:

- (i) contemporaneous with the distributions to shareholders in accordance with paragraphs 4, 5, and 14 of the Amended Shareholder Distribution Order, the Monitor, if it is appointed as liquidator of the Company pursuant to the liquidation and dissolution of the Company under the Alberta *Business Corporations Act*, is to make a payment in cash, subject to any appropriate withholdings that may be retained by the Monitor, to the Senior Management of the Company, and to the Chairman of the Board of the Company (the "Senior Management"), from the net Sales Proceeds, of an amount equivalent to the distribution that the Senior Management would have received with respect to their shareholdings had the Company fully implemented the Founders Undertaking, and the amounts equivalent to the number of shares that certain members of Senior Management would have received as a result of the settlement of Claims related to employment contracts and other compensation arrangements, and had they been issued shares of the Company;
- (ii) the distribution of the "Distributed Proceeds", as described in the Amended Shareholder Distribution Order, as varied, is to be conducted by the Monitor as a reduction of the stated capital of the Company, if it is appointed as liquidator of the Company upon the application

of a shareholder, pursuant to the liquidation and dissolution of the Company under the Alberta *Business Corporations Act*, as contemplated under the provisions of the Amended Shareholder Distribution Order, and for the purposes of implementing this distribution to shareholders, the Monitor, if appointed liquidator, may transfer the funds to be distributed that are currently being held in its capacity as Monitor, to an account established in the liquidation and dissolution proceeding under the Alberta *Business Corporations Act*, if the Monitor is appointed as liquidator of those proceedings;

- (iii) the Court of Queen's Bench of Alberta (the "Alberta Court") consider the CCAA proceeding herein when making Orders relating to the liquidation and dissolution of the Company and the distribution of the assets of the Company to the shareholders of the Company pursuant to the Amended Shareholder Distribution Order, as varied, and this Court requested the aid and assistance of the Alberta Court to coordinate proceedings in the Alberta Court with proceedings in this Court under the CCAA; and
- (iv) the Stay Date be extended to May 31, 2007.

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

III. UPDATE ON THE COMPANY'S LIQUIDATION AND DISSOLUTION PROCEEDINGS AND THE DISTRIBUTION TO SHAREHOLDERS AND SENIOR MANAGEMENT

On April 19, 2007, an Order was granted by the Alberta Court (the "Liquidation Order"), which among other things, ordered that:

- (i) the Alberta Court recognize each of the Orders granted by the Ontario Court in the context of the CCAA proceedings (the "Ontario Orders");
- (ii) KPMG be appointed as liquidator of the Company (the "Liquidator") pursuant to Section 215 of the Alberta *Business Corporation Act*, R.S.A. 2000 c. B-9;
- (iii) KPMG, in the fulfillment of its duties as Liquidator, is entitled to rely upon any claims bar process directed and implemented in accordance with the Ontario Orders and no further or other notice to creditors or claimants or advertisements for creditors or claimants is required in the context of the liquidation of the assets of the Company;
- (iv) KPMG, in the context of its role as Liquidator, was vested with all right, power and authority as had been vested in the Monitor by the Ontario Orders as well as any right, power and authority as might be specifically authorized by the Liquidation Order or as provided for by the Alberta *Business Corporations Act*; and
- (v) KPMG, in the course of the liquidation of the Company, was authorized and directed to make all payments authorized to be made by the Monitor or by the Liquidator pursuant to the Ontario Orders, including, without limitation, payments to shareholders of the Company which had been authorized by the Ontario Orders and such payments were to be made in accordance with Section 242(3) of the Alberta *Business Corporation Act*.

A copy of the Liquidation Order is appended to the Affidavit of Daniel R. Dowdall, sworn May 25, 2007, and filed with the Court in support of the motion to extend the Stay Date.

On April 25, 2007, in accordance with the Amended Shareholder Distribution Order, the Monitor transferred \$3,391,505, from the net Sale Proceeds that it was holding in trust, to the Liquidator in order to facilitate the distributions contemplated by the Amended Shareholder Distribution Order and the Shareholder Distribution Order. The transfer amount of \$3,391,505 was arrived at after taking into consideration the separate amount of \$137,768 required for the Senior Management distribution (described below) and a reserve of \$188,000 for professional fees (incurred and outstanding fees, as well as estimates of fees to complete both the CCAA and liquidation proceedings). The reserve amount for professional fees was approved by the Company. An update on the amount of remaining funds held in trust by the Monitor is provided in Section IV of this Report.

On April 26, 2007, in accordance with the Liquidation Order, the Liquidator transferred \$3,191,217 to Computershare Ltd. ("Computershare"), the Company's share registrar, with instructions to implement a distribution to the Company's shareholders in the amount of \$0.09307 per share. On April 27, 2007, Computershare implemented the distribution to the Company's shareholders in accordance with the Company's share register as at April 20, 2007 (the Record Date).

On May 1, 2007, also in accordance with the Liquidation Order, the Liquidator made distributions to the Senior Management group totaling \$137,768.

Having effected the distributions described above, there are no further distributions to be made by the Liquidator to the Company's shareholders or Senior Management.

The Liquidator is currently holding \$32,439 in its trust bank account. Those funds will be used to pay professional fees related to the liquidation proceedings and other miscellaneous costs incurred to implement the distributions.

IV. UPDATED NET CASH POSITION

As described in Section III of this Report, in accordance with the Amended Shareholder Distribution Order, the Monitor transferred \$3,391,505 to the Liquidator on April 25, 2007 in order to facilitate the distributions to the Company's shareholders and Senior Management. The amount transferred to the Liquidator for distribution was determined after taking into consideration a reserve of \$188,000 for professional fees and costs to conclude the CCAA proceedings and the liquidation proceedings. The reserve amount for professional fees was approved by the Company.

A rollforward of the Company's net cash position from April 11, 2007 (the date of the last update to the net cash position provided in the Eighth Report of the Monitor) to May 22, 2007 is summarized below.

CFG Holdings Inc.
Rollforward of Net Cash Position
For the Period April 11 to May 22, 2007

Opening cash position (1)		\$ 3,536,505
Add:		
Interest income		6,927
Less:		
Transfer to Liquidator (net), (2)	3,361,505	
Professional fees	168,119	
Other (3)	10,048	3,539,672
Cash position as at May 22, 2007		\$ 3,760

Notes:

- (1) The opening cash position was summarized in the Eighth Report of the Monitor.
- (2) The net transfer amount reflects the return of \$30,000 to the Monitor from the Liquidator to pay professional fees. The \$30,000 was not incremental to the \$188,000 reserve for professional fees and was included in that reserve.
- (3) Other charges includes GST, bank charges and other miscellaneous expenses.

The Monitor is currently holding \$3,760 in its trust bank account (in addition to the \$32,439 referred to earlier in this Report which is held by the Liquidator). Those funds will be used to pay professional fees related to concluding these CCAA proceedings.

As indicated in the previous reports of the Monitor, the Company has no ongoing operations and the balance of these proceedings will relate primarily to the completion of these CCAA proceedings. As such, a weekly cash flow projection has not been prepared.

V. EXTENSION OF CCAA PROCEEDINGS

The stay period provided by the Amended Shareholder Distribution Order expires May 31, 2007.

Among other things, the Liquidation Order provides that “all rights and protections afforded to the Monitor, as an officer of the Court under the Initial Order granted in the CCAA Proceedings (including but not limited to paragraph 52 thereof, which is expressly incorporated herein by reference) and the subsequent Ontario Orders granted in the CCAA proceedings, all of which are recognized by this Order are hereby extended to KPMG Inc. in respect to the fulfillment of its function and duties whether as Monitor or as liquidator, and in its carrying out of the provisions of this Order or any Order recognized by this Order.”

Further, having implemented the distribution to shareholders and Senior Management (as described in this Report), the primary matter remaining to be addressed in the liquidation proceeding is the Company’s interest in the general partner of a limited partnership, the CMB I Limited Partnership (“CMB”). CMB was initially established by the Company as a vehicle to provide an incentive to both the Company and various mortgage broker firms (who are limited partners in CMB) to aggregate mortgage origination volumes. The Liquidator is working with the Company and its legal counsel to investigate the most cost effective manner to wind-up CMB.

As the Liquidation Order refers back to the rights and protections afforded to the Monitor under the Initial Order, it is preferable to the Monitor and the Company that the CCAA proceeding continue until such time as the liquidation proceedings are concluded.

The Monitor supports the Company’s request to extend the Stay Date to August 31, 2007.

VI. SUMMARY AND CONCLUSIONS

The Monitor believes that CFG Holdings is acting in good faith and with due diligence in these proceedings. Accordingly, the Monitor respectfully recommends that the Court approve an extension of the Stay Date to August 31, 2007, as requested by the Company.

RESPECTFULLY SUBMITTED,

Dated the ~~25~~²⁸ day of May, 2007.

KPMG INC.

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



*Per: Alan J. Hutchens
Senior Vice-President
416-777-8916*

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 CFG HOLDINGS INC., FORMERLY CERVUS FINANCIAL GROUP INC.

Court File No: 06-CL-6482

SUPERIOR COURT OF JUSTICE

Commercial List

Proceeding commenced at Toronto

NINTH REPORT OF KPMG INC., MONITOR

Miller Thomson LLP
Barristers and Solicitors
Suite 5800
40 King Street West
Toronto, Ontario M5H 3S1

Jeffrey C. Carhart

Phone: 416-595-8615
Fax: 416-595-8695

Solicitors for KPMG Inc., Monitor



KPMG Inc.
 Suite 3300 Commerce Court West
 PO Box 31 Stn Commerce Court
 Toronto ON M5L 1B2
 Canada

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 Fax (416) 777-3364
 Fax (416) 777-8818
 Internet www.kpmg.ca

April 27, 2007

To: Shareholders of CFG Holdings Inc., formerly Cervus Financial Group Inc.

Dear Shareholder:

On June 8, 2006, Cervus Financial Group Inc. and certain of its direct and indirect subsidiaries, Cervus Financial Corp. and Cervus Funding Corp. (together the "Applicants") 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").

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

On April 19, 2007, pursuant to Section 125 of the Alberta Business Corporations Act, R.S.A. 2000 c. B-9, KPMG Inc. was appointed as liquidator of the Company. In accordance with the Order dated April 19, 2007, the enclosed cheque represents a final distribution to you as a shareholder of the Company in the amount of \$0.09307 per share, in accordance with the share register of the Company as at April 19, 2007, from the remaining proceeds of the sale of the assets of the Company held in trust by the Liquidator. For Canadian income tax purposes, the distribution constitutes a return of paid-up capital in connection with the liquidation and dissolution of the Company. This distribution should be treated as proceeds of disposition of your shares and not as a dividend for Canadian income tax purposes. Shareholders are urged to consult their own tax advisers with regard to the income tax consequences to them of the distribution and the liquidation and dissolution of the Company in their own particular circumstances.

KPMG Inc. has made all Orders issued by the Ontario and Alberta Courts in connection with these proceedings available on its website at www.kpmg.ca/cervus.

Yours very truly,

KPMG Inc.
Court Appointed Liquidator of
CFG Holdings Inc., formerly Cervus Financial Group Inc.



KPMG Inc.
 Suite 3300 Commerce Court West
 PO Box 31 Stn Commerce Court
 Toronto ON M5L 1B2
 Canada

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 Fax (416) 777-3364
 Fax (416) 777-8818
 Internet www.kpmg.ca

May 1, 2007

To: Senior Management (as referenced and defined in the April 12, 2007 Order of the Ontario Superior Court of Justice)

Dear Senior Management Member:

Background

On June 8, 2006, Cervus Financial Group Inc. and certain of its direct and indirect subsidiaries, Cervus Financial Corp. and Cervus Funding Corp. (together the "Applicants") 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").

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

On December 27, 2006, a Shareholder Distribution Order was granted, which among other things approved: (i) a procedure for implementing an interim distribution to shareholders of the Company; and (ii) a payment in cash to the former senior management of the Company and to the chairman of the board of the Company, from the net Sale Proceeds, of the cash equivalent of the distribution that they would have received had they been issued shares of the Company.

Senior Management Distribution

On April 13, 2007, an Order was granted, which among other things, varied the Shareholder Distribution Order, to order that contemporaneous with the distributions to shareholders provided for in the Order, that the Monitor, if it is appointed as Liquidator of the Company pursuant to the liquidation and dissolution of the Company under the *Alberta Business Corporations Act*, is to make a payment in cash, subject to any appropriate withholdings that may be retained by the Monitor, to the Senior Management of the company and to the Chairman of the Board of the Company (the "Senior Management"), from the net Sales Proceeds, of an amount equivalent to the distribution that the Senior Management would have received with respect to their shareholdings had the Company fully implemented the Founders Undertaking, and the amounts equivalent to the number of shares that certain members of Senior Management would have received as a result of the settlement of Claims related to employment contracts and other compensation arrangements, and had they been issued shares of the Company.

On April 19, 2007, an Order was granted by the Court of Queen's Bench of Alberta, appointing KPMG Inc. as Liquidator of the Company. Among other things, the Order authorized and directed KPMG Inc., in the course of the liquidation of the Company, to make all payments authorized to be made by KPMG Inc. in its capacity as Monitor or by the Liquidator of the Company pursuant to

KPMG Inc. is a subsidiary of KPMG LLP, which is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



Page 2

the Orders granted by the Ontario Court. Accordingly, the enclosed payment represents a final distribution to you as a member of the Senior Management of the Company in an amount equivalent to \$0.09307 per share. We note that withholdings for income taxes and other contributions have been deducted from this distribution to you. Attached with this letter please find a copy your T4 Statement of Remuneration Paid. You should consult with your own tax advisers regarding the personal income tax implications of this distribution to you.

KPMG Inc. has made all Orders issued by the Ontario and Alberta Courts in connection with these proceedings available on its website at www.kpmg.ca/cervus.

Yours very truly,

KPMG Inc.
Court Appointed Liquidator of
CFG Holdings Inc., formerly Cervus Financial Group Inc.

A handwritten signature in cursive script, appearing to read 'A. Hutchens'.

Per: Alan J. Hutchens
Senior Vice-President

Hutchens, Alan J

From: Hutchens, Alan J
Sent: Monday, June 18, 2007 5:30 PM
To: debbie_prolinkmortgage@hotmail.com; rdowding@mcncanada.com;
richard@capitalmortgages.com; art@northwoodmortgage.com;
wsudsbury@rogers.com; mhall@orianafinancial.com; jefflal@jaipurgroup.com;
chandy@fairchoice.ca; phansel@users.morty.com; mbeckette@tmacc.ca; ✓
rsingh@dmcan.com; ouroffice@macklemmortgages.com;
gthomas@mortgagegrp.com; fulvio@assuredmortgage.ca; joetaibi@bellnet.ca;
jbargis@telus.blackberry.net
Cc: Dowdall, Dan; Ilchenko, Alex; Jeffrey Carhart; Chow, Johnny E.
Subject: CFG Holdings Inc., formerly Cervus Financial Group Inc. / Dissolution of CMB 1
Limited Partnership

Attachments: CFG Ltr CMB 1 LPs.pdf

TO: THE LIMITED PARTNERS OF CMB 1 LIMITED PARTNERSHIP

Please see the enclosed letter regarding the proposed dissolution of CMB 1 Limited Partnership.

Please contact us if you have any questions concerning the letter. Thank you.



CFG Ltr CMB 1
LPs.pdf (156 KB)...

Alan J. Hutchens
Partner, KPMG LLP
Transaction Advisory Services
Restructuring and Insolvency
416.777.8916



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Fax (416) 777-3364
Fax (416) 777-8818
Internet www.kpmg.ca

PRIVATE & CONFIDENTIAL

Limited
To the ~~General~~ Partners of CMB I Limited Partnership

June 18, 2007

Dear Sirs:

Re: Dissolution of CMB I Limited Partnership

We are writing this letter in our capacity as the Court-appointed Monitor and Liquidator of CFG Holdings Inc., formerly Cervus Financial Group Inc. ("CFG"). CFG is the sole shareholder of CMB I GP Limited (the "General Partner"), which is the general partner of CMB I Limited Partnership (the "Limited Partnership"). This letter is being sent to you in your capacity as a limited partner of the Limited Partnership.

As you know, in June, 2006, CFG and Cervus Financial Financial Corp. ("CFC") and Cervus Funding Corp. ("Funding") initiated proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to which, among other things, KPMG Inc. (the "Monitor") was appointed as Monitor of CFG, CFC and Funding.

On June 15, 2006, the Ontario Superior Court of Justice (the "Ontario Court") granted an Order approving a sale agreement as between CFG, CFC and 65782668 Canada Inc., a subsidiary of Macquarie Bank. Pursuant to that order and that transaction, among other things: (i) the shares of CFC – and thereby, in effect, the active business operations of CFC and Funding – were sold to a company designated by Macquarie Bank; and (ii) the CCAA proceedings initiated by CFG, CFC and Funding have now been terminated in respect of all but CFG.

On April 19, 2007, CFG applied for and obtained an Order of the Court of Queen's Bench of Alberta (the "Alberta Court") authorizing a process of liquidation of any remaining assets of CFG and a dissolution of CFG in accordance with the Alberta Business Corporations Act (the "Liquidation Order"). KPMG Inc. was appointed as liquidator of CFG pursuant to the Liquidation Order.

In order to complete the liquidation of CFG, it is now necessary to dissolve the Limited Partnership. The Liquidator, in consultation with CFG's legal counsel, has determined that the dissolution could be pursued in two (2) alternative ways:

1. Dissolution in Accordance with the Limited Partnership Agreement

The Limited Partnership Agreement provides for the following mechanism to dissolve the Limited Partnership:

- (i) The board of directors of the General Partner could pass an extraordinary resolution, approving the dissolution of the Limited Partnership; and
- (ii) The Limited Partners of the Limited Partnership could pass an ordinary resolution to the effect that the General Partner or some other party appointed by the Limited Partnership – such as one of the limited partners – who would agree to do so would act as receiver and manager (the "Receiver") of the Limited Partnership. Under such appointment, the Receiver would take the necessary steps to dissolve the Limited Partnership which could include, among other things: (i) coordinating the preparation and filing of outstanding tax returns (GST, income taxes, etc.); (ii) implementing a process to ensure that creditor claims, if any, are identified and paid; (iii) liaising with Computershare to obtain the assets of the Limited Partnership; (iv) determining/verifying the amounts to be paid to each limited partner; and (v) arranging for the preparation and filing of any regulatory documents required to effect the dissolution. During the course of such liquidation, the Receiver would be paid for his or her reasonable fees and disbursements from the assets of the Limited Partnership (including approximately \$381,000 of distributions from CFG to the Limited Partnership which are currently held by Computershare).
- (iii) Upon its being satisfied that all of the steps contemplated in points (i) and (ii) above had been satisfactorily completed, KPMG Inc., as the liquidator of CFG, would presumably be in a position where it could take steps to notify the Alberta Court that all of the assets of CFG vis-à-vis the Limited Partnership have been dealt with and that the liquidation of CFG could then move towards completion in accordance with the Liquidation Order.

2. Dissolution Pursuant to a Court Order

An alternative to dissolving the Limited Partnership in accordance with the Limited Partnership Agreement is for CFG to apply to the Ontario Court within the context of the CCAA proceedings for an Order appointing KPMG Inc. as liquidator of the Limited Partnership. However, this method has the potential to be a more costly approach than that of dissolving the Limited Partnership in accordance with the Limited Partnership Agreement.



As noted above, in order to pursue a process of dissolution in accordance with the Limited Partnership Agreement it will be necessary for one of the limited partners of the Limited Partnership to volunteer to act as Receiver – or for one of those limited partners to identify another qualified party to act as such a Receiver – in accordance with the terms of the Limited Partnership Agreement. If there are no such qualified volunteers, CFG will proceed with the dissolution of the Limited Partnership pursuant to a Court order.

Please note that while KPMG Inc. is prepared to act as liquidator of the Limited Partnership under a Court supervised process, we are not in a position to act as a privately appointed Receiver on behalf of the limited partners.

Next Steps

On or before **July 6, 2007**, the Monitor requests confirmation from all of the limited partners: (i) as to whether they are in support of the dissolution of the Limited Partnership in accordance with the Limited Partnership Agreement; and (ii) as to whether any limited partner(s) is/are willing to act as the Receiver – or if they can identify some other qualified party to act as Receiver - with respect to such dissolution.

The brief summary of the provisions of the Limited Partnership Agreement set out above do not represent a full description of those matters relating to the potential dissolution of the Limited Partnership – in particular, this letter does not purport to represent a consideration of the implications and obligations which would result from any limited partner, or any other party, seeking to take on the position of a Receiver as contemplated in the Limited Partnership Agreement. Therefore, anyone wishing to consider serving as a Receiver should seek their own independent legal advice, and any other advice which they may desire, with respect to such matters.

Should you have any questions concerning the above, please contact the undersigned (at 416-777-8916) or Johnny Chow of KPMG Inc. (at 416-777-3250).



*CMB I Limited Partnership
June 18, 2007*

Yours very truly,

KPMG Inc.
in its capacity as Court Appointed Monitor of
CFG Holdings Inc., formerly Cervus Financial Group Inc.
and not in its personal or corporate capacity

A handwritten signature in cursive script, appearing to read 'A. Hutchens'.

Per: Alan J. Hutchens
Senior Vice-President

cc: Messrs. Daniel Dowdall and Alex Ilchenko, Fraser Milner Casgrain LLP
Jeffrey Carhart, Miller Thomson LLP

Hutchens, Alan J

From: Hutchens, Alan J
Sent: Wednesday, July 11, 2007 4:47 PM
To: debbie_prolinkmortgages@hotmail.com; rdowding@mcncanada.com;
richard@capitalmortgages.com; art@northwoodmortgage.com;
wsudsbury@rogers.com; mhall@orianafinancial.com; jeffal@jaipurgroup.com;
chandy@fairchoice.ca; phansel@users.morty.com; Michael Bequette;
rsingh@dmcan.com; ouroffice@macklemmortgages.com;
gthomas@mortgagegrp.com; fulvio@assuredmortgage.ca; jtaibi@reagroup.ca;
jbargis@telus.blackberry.net
Cc: Dowdall, Dan; Ilchenko, Alex; Jeffrey Carhart; Chow, Johnny E.
Subject: CFG Holdings Inc., formerly Cervus Financial Group Inc. / Dissolution of CMB I
Limited Partnership

Attachments: CFG Ltr CMB 1 LPs.pdf

TO: THE LIMITED PARTNERS OF CMB I LIMITED PARTNERSHIP -- SECOND NOTIFICATION

In our capacity as Court-appointed Monitor and Liquidator of CFG Holdings Inc., formerly Cervus Financial Group Inc. ("CFG"), we previously wrote to the Limited Partners of CMB I Limited Partnership (the "Limited Partnership"), to provide information related to the liquidation of CFG and the dissolution of the Limited Partnership. For ease of reference, our letter that was emailed to the Limited Partners on June 18, 2007 is enclosed below.

In our June 18, 2007 letter, we requested confirmation from all of the Limited Partners by July 6, 2007 as to whether they were: (i) in support of the dissolution of the Limited Partnership in accordance with the Limited Partnership Agreement; and (ii) willing to act as the Receiver - or if they could identify some other qualified party to act as Receiver - with respect to such dissolution.

With the exception of one Limited Partner that indicated that it was not interested in acting as Receiver, we have not received any substantive responses to the confirmations requested in our June 18, 2007 letter.

At this point, in order to advance the dissolution of the Limited Partnership, we anticipate that a Court application will be required seeking the appointment of KPMG Inc. as Court-appointed Receiver of the Limited Partnership. For clarity, as part of that application, we would also be seeking a charge over the assets of the Limited Partnership to cover our professional fees as Receiver as well as those of legal counsel involved in the receivership. In our view, this is consistent with the intent of paragraphs 13.3 and 13.4 of the Limited Partnership Agreement.

If any of the Limited Partners disagree with our proceeding with a Court application for the appointment of KPMG Inc. as Receiver, we request that you contact us prior to July 27, 2007.

Additionally, if there is interest among the Limited Partners in convening a conference call in order to address any questions that you may have, please contact us.

Should you have any questions concerning the above, please contact me by return email or at 416-777-8916 or Johnny Chow at 416-777-3250. Thank you.



CFG Ltr CMB 1
LPs.pdf (156 KB)...

Alan J. Hutchens
Partner, KPMG LLP
Transaction Advisory Services
Restructuring and Insolvency
416.777.8916



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PRIVATE & CONFIDENTIAL

To the General Partners of CMB I Limited Partnership

June 18, 2007

Dear Sirs:

Re: Dissolution of CMB I Limited Partnership

We are writing this letter in our capacity as the Court-appointed Monitor and Liquidator of CFG Holdings Inc., formerly Cervus Financial Group Inc. ("CFG"). CFG is the sole shareholder of CMB I GP Limited (the "General Partner"), which is the general partner of CMB I Limited Partnership (the "Limited Partnership"). This letter is being sent to you in your capacity as a limited partner of the Limited Partnership.

As you know, in June, 2006, CFG and Cervus Financial Financial Corp. ("CFC") and Cervus Funding Corp. ("Funding") initiated proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to which, among other things, KPMG Inc. (the "Monitor") was appointed as Monitor of CFG, CFC and Funding.

On June 15, 2006, the Ontario Superior Court of Justice (the "Ontario Court") granted an Order approving a sale agreement as between CFG, CFC and 65782668 Canada Inc., a subsidiary of Macquarie Bank. Pursuant to that order and that transaction, among other things: (i) the shares of CFC – and thereby, in effect, the active business operations of CFC and Funding - were sold to a company designated by Macquarie Bank; and (ii) the CCAA proceedings initiated by CFG, CFC and Funding have now been terminated in respect of all but CFG.

On April 19, 2007, CFG applied for and obtained an Order of the Court of Queen's Bench of Alberta (the "Alberta Court") authorizing a process of liquidation of any remaining assets of CFG and a dissolution of CFG in accordance with the Alberta Business Corporations Act (the "Liquidation Order"). KPMG Inc. was appointed as liquidator of CFG pursuant to the Liquidation Order.



In order to complete the liquidation of CFG, it is now necessary to dissolve the Limited Partnership. The Liquidator, in consultation with CFG's legal counsel, has determined that the dissolution could be pursued in two (2) alternative ways:

1. Dissolution in Accordance with the Limited Partnership Agreement

The Limited Partnership Agreement provides for the following mechanism to dissolve the Limited Partnership:

(i) The board of directors of the General Partner could pass an extraordinary resolution, approving the dissolution of the Limited Partnership; and

(ii) The Limited Partners of the Limited Partnership could pass an ordinary resolution to the effect that the General Partner or some other party appointed by the Limited Partnership – such as one of the limited partners – who would agree to do so would act as receiver and manager (the "Receiver") of the Limited Partnership. Under such appointment, the Receiver would take the necessary steps to dissolve the Limited Partnership which could include, among other things: (i) coordinating the preparation and filing of outstanding tax returns (GST, income taxes, etc.); (ii) implementing a process to ensure that creditor claims, if any, are identified and paid; (iii) liaising with Computershare to obtain the assets of the Limited Partnership; (iv) determining/verifying the amounts to be paid to each limited partner; and (v) arranging for the preparation and filing of any regulatory documents required to effect the dissolution. During the course of such liquidation, the Receiver would be paid for his or her reasonable fees and disbursements from the assets of the Limited Partnership (including approximately \$381,000 of distributions from CFG to the Limited Partnership which are currently held by Computershare).

(iii) Upon its being satisfied that all of the steps contemplated in points (i) and (ii) above had been satisfactorily completed, KPMG Inc., as the liquidator of CFG, would presumably be in a position where it could take steps to notify the Alberta Court that all of the assets of CFG vis-à-vis the Limited Partnership have been dealt with and that the liquidation of CFG could then move towards completion in accordance with the Liquidation Order.

2. Dissolution Pursuant to a Court Order

An alternative to dissolving the Limited Partnership in accordance with the Limited Partnership Agreement is for CFG to apply to the Ontario Court within the context of the CCAA proceedings for an Order appointing KPMG Inc. as liquidator of the Limited Partnership. However, this method has the potential to be a more costly approach than that of dissolving the Limited Partnership in accordance with the Limited Partnership Agreement.



As noted above, in order to pursue a process of dissolution in accordance with the Limited Partnership Agreement it will be necessary for one of the limited partners of the Limited Partnership to volunteer to act as Receiver – or for one of those limited partners to identify another qualified party to act as such a Receiver – in accordance with the terms of the Limited Partnership Agreement. If there are no such qualified volunteers, CFG will proceed with the dissolution of the Limited Partnership pursuant to a Court order.

Please note that while KPMG Inc. is prepared to act as liquidator of the Limited Partnership under a Court supervised process, we are not in a position to act as a privately appointed Receiver on behalf of the limited partners.

Next Steps

On or before **July 6, 2007**, the Monitor requests confirmation from all of the limited partners: (i) as to whether they are in support of the dissolution of the Limited Partnership in accordance with the Limited Partnership Agreement; and (ii) as to whether any limited partner(s) is/are willing to act as the Receiver – or if they can identify some other qualified party to act as Receiver - with respect to such dissolution.

The brief summary of the provisions of the Limited Partnership Agreement set out above do not represent a full description of those matters relating to the potential dissolution of the Limited Partnership – in particular, this letter does not purport to represent a consideration of the implications and obligations which would result from any limited partner, or any other party, seeking to take on the position of a Receiver as contemplated in the Limited Partnership Agreement. Therefore, anyone wishing to consider serving as a Receiver should seek their own independent legal advice, and any other advice which they may desire, with respect to such matters.

Should you have any questions concerning the above, please contact the undersigned (at 416-777-8916) or Johnny Chow of KPMG Inc. (at 416-777-3250).



*CMB I Limited Partnership
June 18, 2007*

Yours very truly,

KPMG Inc.
in its capacity as Court Appointed Monitor of
CFG Holdings Inc., formerly Cervus Financial Group Inc.
and not in its personal or corporate capacity

A handwritten signature in black ink that reads 'A. Hutchens'.

Per: Alan J. Hutchens
Senior Vice-President

cc: Messrs. Daniel Dowdall and Alex Ilchenko, Fraser Milner Casgrain LLP
Jeffrey Carhart, Miller Thomson LLP

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

Court File No: 06-CL-6482

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.

SUPERIOR COURT OF JUSTICE

Commercial List

Proceeding Commenced at Toronto

FIRST REPORT OF KPMG INC., LIQUIDATOR

**Miller Thomson LLP
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