

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.**

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

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 this proceeding are governed by an order of this Court dated June 8, 2006 (the “Initial Order”), attached hereto as **Appendix A**, and 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 Eleventh 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;
- (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
April 13, 2007	Amended Shareholder Distribution
May 28, 2007	Stay Extension Order

On August 30, 2007, an Order was granted which approved the Monitor's activities as disclosed in the Tenth Report of the Monitor dated August 22, 2007 and extended the Stay Date to November 30, 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

As discussed in previous reports of the Monitor, on April 17, 2007, an Order (the "Liquidation Order") was granted by the Court of Queen's Bench for Alberta which, among other things, appointed KPMG as liquidator of CFG Holdings ("Liquidator"). A copy of the Second Report of the Liquidator, which provides an update on the status of the liquidation proceeding is attached hereto as **Appendix B**.

In addition, on August 30, 2007, an Order (the "Receivership Order") was granted by this Honourable Court which, among other things, appointed KPMG ("Receiver") as receiver, without security, of all of the assets, undertakings and properties of CMB I GP Limited ("GP") and CMB I Limited Partnership ("CMB"). In accordance with the First Report of the Liquidator, a copy of the First Report of the Receiver, which provides further detail on the status of the receivership proceedings is attached hereto as **Appendix C**.

IV. UPDATED NET CASH POSITION

A rollforward of the Company's net cash position from August 11, 2007 (the date of the last update to the net cash position provided in the Tenth Report) to October 20, 2007 is summarized below.

CFG Holdings Inc.
Rollforward of Net Cash Position
For the Period August 11 to October 20, 2007

Opening cash position (1)	\$	3,760
Add:		
Transfer from Liquidator		363
Less:		
Professional fees		(3,884)
GST		(233)
Bank Charges		(6)
Cash position as at October 20, 2007 (2)	\$	0

Notes:

(1) The opening cash position was summarized in the Tenth Report of the Monitor.

(2) The Monitor's trust bank account for the CCAA proceeding was closed on October 20, 2007.

The Monitor is currently holding no funds in its trust bank account. The account was closed on October 20, 2007 as the Monitor does not anticipate any further cash activity over the balance of these 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 PROCEEDING

The stay period provided by the Stay Extension Order expires November 30, 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 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.”

As described in the First Report of the Receiver, in order to advance the liquidation proceedings of CFG Holdings, the Company successfully applied to this Honourable Court, within the context of its CCAA proceedings, for the Receivership Order regarding GP and CMB. As previously described in the First Report of the Liquidator, the Company has an interest in GP, the general partner of CMB. The administration of the receivership of those entities will necessarily extend the time required to conclude the liquidation proceedings of the Company.

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 March 31, 2008.

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 March 31, 2008, as requested by the Company.

RESPECTFULLY SUBMITTED,

Dated the 26th day of November, 2007.

KPMG INC.

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



*Per: Todd Martin
Senior Vice-President*

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

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Commercial List

Proceeding commenced at Toronto

ELEVENTH REPORT OF KPMG INC., MONITOR

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