

This Amended and Restated Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and is not, and under no circumstances is to be construed as, a public offering of such securities. No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered hereunder nor has it reviewed this offering memorandum and any representation to the contrary is an offence. There is no market for these securities, so that it may be difficult or even impossible for the holders to sell them. They may sell them only pursuant to an exemption prescribed by securities legislation of their particular province or with a prospectus or with the granting of an exemption. The securities, however, may be redeemed in accordance with the provisions of this offering memorandum.

No person has been authorized to give any information or to make any representations about the Classes not contained in this Amended and Restated Offering Memorandum. Any such information or representation which is given or received must not be relied upon by any investor.

Western Chartered Financial Portfolio Programme

Offering Shares of the following Classes of CFG CUSTOM PORTFOLIO CORPORATION:

Class A-2 T-Series Shares
Class B-2 Income Shares
Class C-2 Equity Shares
Class D-2 Real Estate Shares
Class E-2 Alternative Investment Shares
Class F-2 Speculative Shares

Amended and Restated Offering Memorandum

April 14, 2008

CFG Custom Portfolio Corporation is a “connected issuer” of R.N. Croft Financial Group Inc. under applicable securities laws. See “MANAGEMENT OF THE CLASSES – Conflict of Interest”

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SUMMARY OF THE WESTERN CHARTERED FINANCIAL PORTFOLIO PROGRAMME

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Corporation. The following is a summary only and is qualified by the more detailed information contained in this offering memorandum.

Western Chartered Financial Portfolio Programme

The Western Chartered Financial Portfolio Programme is a discretionary investment management service offered by Croft Financial Group that enables investors to identify their investment objectives and preferences for investment risk and to acquire a customized asset allocation comprised of Shares of Classes. The Corporation has retained Croft Financial Group to manage the investments of each of the Classes of the Corporation. Croft Financial Group uses advanced analytical techniques to evaluate the return/risk characteristics of the Classes and to develop a Custom Portfolio for each investor, based on information about the investor provided in the MIAA.

Once developed and implemented, the weighting of each Class in an investor's Custom Portfolio is constantly monitored by Croft Financial Group. A reasonable range of weighting variations is permitted to take into account daily fluctuations in the value of the Shares of the Classes but, from time to time, rebalancing is required. Rebalancing is the process of adjusting the components of an investor's Custom Portfolio as market conditions change so that the Custom Portfolio matches the investor's investment objectives over time. Croft Financial Group will periodically rebalance the mix of Classes in an investor's Custom Portfolio to the original designated levels by redeeming Shares of one or more Classes and applying the redemption price to purchase Shares of one or more other Classes. This may occur if one or more Classes exceed the desired weightings for an investor's Custom Portfolio through market fluctuations. Investors will not be contacted prior to a rebalancing, but will receive confirmation of the rebalancing transactions.

The redemption of Shares of a Class on a rebalancing is not a disposition of such shares for tax purposes.

The Corporation

The Corporation is an open-end mutual fund corporation incorporated on August 18, 2006 under the laws of Canada. Each Class of the Corporation represents separate segregated investment fund with its own investment objective. An investment in a Class is represented by Shares of that Class.

The Corporation is authorized to issue an unlimited number of Shares of an unlimited number of classes of Shares. The Classes and Shares offered hereunder are:

- Class A-2 T-Series Shares
- Class B-2 Income Shares
- Class C-2 Equity Shares
- Class D-2 Real Estate Shares
- Class E-2 Alternative Investment Shares
- Class F-2 Speculative Shares

The Offering

Shares of the Corporation are offered on a continuous basis at a price equal to the applicable Net Asset Value per Share at the time of purchase to eligible investors resident in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Offering Jurisdictions") pursuant to exemptions from the prospectus requirements of the Offering Jurisdictions. The initial Net Asset Value of a Share will be \$10.00. Thereafter, Shares will be offered at the applicable Net Asset Value per Share.

Eligible Investors

In order to be eligible to purchase Shares, investors must enter into an MIAA with Croft Financial Group and, in the case of residents of Ontario, be an accredited investor.

Investment Objectives of the Classes

Class A-2 T-Series;

The investment objective of the Class is to provide a competitive total rate of return, comprised of capital gains and income from interest and dividends, while maintaining a lower level of volatility than pure equity funds, by investing primarily in a diversified portfolio of Canadian, US and International equity and fixed income securities with no restrictions on the capitalization of the issuers.

Class B-2 Income;

The investment objective of the Class is to generate a stable stream of income by investing in four major segments of the financial markets. These include:

1. fixed income securities and mortgage-backed securities of all terms to maturity issued by Canadian federal or provincial governments, foreign governments, chartered banks, and loan, trust and other issuers operating in and/or outside Canada. The Class may also invest in convertible fixed income securities of domestic or foreign corporations selected from a generally recognized index of U.S. and Canadian markets;
2. dividend paying common shares of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge the equity positions or to provide additional income. The Class may invest in ADRs trading on the New York Stock Exchange or NASDAQ;
3. convertible preferred securities or preferred equity securities of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge or to provide additional income; and
4. Canadian income trusts or exchange traded funds that hold a basket of income trusts listed on a recognizable Canadian equity market.

Class C-2 Equity;

The investment objective of the Class is to produce long term capital growth by

investing primarily in high quality large and mid-cap (the term “mid-cap” typically means companies with a market capitalization of at least \$1 billion Cdn. and not more than \$5 billion Cdn.) equity securities and convertible instruments issued by Canadian and foreign issuers.

The Class may invest in index participation units that conform to the requirements of NI 81-102 and that are designed to replicate the performance of one or more Canadian, U.S., international or emerging market or sector indices.

The Class may, from time to time, purchase exchange traded funds or mutual funds.

The Class may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. The Class may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

Class D-2 Real Estate;

The investment objective of the Class is to provide investors with positive cash flow and long term capital gains through an investment in exchange-traded real estate investment trusts of Canadian and foreign issuers, exchange traded funds that are designed to replicate generally recognizable Canadian and foreign real estate indices and securitized real estate projects for which there may not be an actively traded secondary market.

Class E-2 Alternative Investment;

The investment objective of the Class is to earn superior equity or equity related returns that are not correlated to major stock market indices. The objective is to reduce risk by investing in a diversified portfolio.

Class F-2 Speculative;

The investment objective of the Class is to earn high returns by investing in high risk securities and strategies.

Investment Strategies

Class A-2 T-Series:

The Class intends to deliver its objectives using a balanced portfolio that includes investments in equity securities from any geographic region of the world with no restrictions as to the capitalization of the issuer.

The Class will also invest in income producing securities that include investment grade government and corporate bonds and debentures, investment grade preferred shares, income trusts and equity based option writing strategies.

The Class may use option contracts to create synthetic stock positions (e.g. buy calls and write puts) should the portfolio manager from time to time deem it of value to reduce foreign exchange exposure within the class.

The Class will make fixed quarterly distributions of an amount comprised of net income and/or return of capital based on a pre-determined fixed payout rate established as of July 30 of the prior year end. The payout will normally be reinvested in more Units of the Class unless instructed by the investor to be paid in cash. Investors will receive tax slips annually reflecting the portions of distributions consisting of net income, net realized capital gains, and a return of capital.

Class B-2 Income:

The Class intends to achieve its investment objective by investing in four major segments of the financial markets. Croft Financial Group determines what weight will be applied to each segment of the market during the course of a business cycle:

1. The Class can invest in fixed income securities, including bonds of all maturities issued by Canadian federal or provincial governments, Canadian and foreign issuers, Canadian chartered banks, and loan, trust and other companies operating in Canada, as well as potentially investing in convertible bonds and debentures issued by corporations chosen from a generally recognized index of U.S. and Canadian markets.
2. The Class may purchase common shares issued by the largest corporations selected from a generally recognized index of Canadian equity markets, currently being the S&P/TSX 60 Index. The Class may also invest in common shares issued by corporations selected from a generally recognized index of U.S. equity markets, currently being the S&P 500 Index or Nasdaq 100 index, or ADRs of corporations selected from those corporations whose ADRs are trading on the New York Stock Exchange or NASDAQ. The Class may also invest in index participation units that conform to the requirements of NI 81-102 and that are designed to replicate the performance of one or more Canadian or U.S. indices. The Class may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. The Class may also, from time to time, buy puts to hedge against downside market movements and/or write cash secured puts. The Class intends to use the premium from the sale of these put and/or call options to generate regular income and to limit the long term risks of the Class's portfolio.
3. The Class may invest in investment grade preferred shares or convertible preferred shares of Canadian corporations chosen from a generally recognized index of Canadian markets.
4. The Class may invest in Canadian income trusts or exchange traded funds that hold a basket of income trusts issued by Canadian corporations and

listed on a recognizable Canadian equity market.

The Class may also depart temporarily from its investment objective as a result of adverse market or economic conditions by reducing its exposure to equity securities. Finally, the Class may hold a portion of its assets in cash equivalents and utilize such cash equivalents to provide cover in respect of the writing of cash covered put options.

Class C-2 Equity:

The Class intends to achieve its investment objective by investing in high quality large and mid cap (the term “mid-cap” typically means companies with a market capitalization of at least \$1 billion Cdn. and not more than \$5 billion Cdn.) equity securities and convertible instruments issued by foreign and domestic companies.

The Class will from time to time engage in option strategies designed to reduce risk and/or enhance upside potential. The Class may employ leverage to meet its investment objectives, and may hedge the portfolio by using certain exchange traded securities or mutual funds that are designed to profit when equity securities are generally declining.

Class D-2 Real Estate:

The Class intends to achieve its investment objective by investing in real estate investment trusts of Canadian and foreign issuers, and exchange traded funds that are designed to replicate generally recognizable Canadian or foreign real estate indices.

The Class may also invest up to 20% of the Class in securitized real estate projects that provide positive cash flow and potential long term capital gains. There may not be an actively traded secondary market.

Class E-2 Alternative Investment:

The Class intends to achieve its investment objective by purchasing hedge funds, or the use of hedging strategies such as a long / short strategy, or a convertible hedge strategy. The strategies will generally have low correlations with equity stock market indices.

The Class may also invest in structured products that generally have a low correlation to major stock market indices.

Class F-2 Speculative:

The Class intends to achieve its investment objective by investing in small capitalization (market capitalization that is less than \$ 1 billion Cdn.) companies that trade on recognizable Canadian or foreign stock exchanges, or the TSX Venture Exchange.

The Class may invest in venture capital situations either through direct

investments or through funds or pools that provide exposure to this market.

The Class may employ strategies that will benefit the Class during periods where equity markets are declining, and may invest in high risk option strategies such as leveraged call or put buying.

**Investment
Restrictions**

The Classes have no geographic, industry sector or market capitalization restrictions. The Classes are subject to certain investment restrictions. The Classes may, subject to applicable law, invest in securities of issuers that are related and/or connected to Croft Financial Group.

Leverage

A Class may utilize leverage to a maximum of 50% in the aggregate (at the time of incurring the leverage) of the Gross Asset Value of a Class. A Class may borrow or purchase securities on margin. A Class may take short sale positions and write covered and uncovered options to enhance returns.

Risk Factors

There are risks associated with an investment in the Classes as a result of, among other considerations, the proposed nature and undertakings of the Classes.

**Croft Financial
Group**

Croft Financial Group is the manager of the Corporation and is responsible for the management of the Classes and their portfolios as well as the day-to-day administration of the Classes. Croft Financial Group was formed under the laws of Canada on December 5, 1989, and is located at 1315 Lawrence Avenue East, Suite 408, Toronto, Ontario, M3A 3R3. Croft Financial Group provides full service investment management and advisory services to mutual fund corporations and private family accounts.

**Western
Chartered
Financial**

Western Chartered Financial is a financial planning firm that provides financial planning services. Western Chartered Financial is located at 1596 Third Avenue, Prince George, British Columbia B2L 3G4. Western Chartered Financial receives service fees from Croft Financial Group for clients that are referred by Western Chartered Financial to Croft Financial Group.

**Fees and
Expenses**

An investor pays a Portfolio Management Fee to Croft Financial Group as provided in the MIAA between the investor and Croft Financial Group. Each Class pays a Management Fee to Croft Financial Group equal to 0.25% per annum which is calculated and accrued on each Valuation Date. In addition, Class F-2 Speculative pays Croft Financial Group a Performance Bonus on an annual basis in respect of a fiscal year of the Class not later than 90 days after each fiscal year equal to 20% of the amount by which the aggregate of:

- (a) the Class Net Asset Value per Share of Class F-2 Speculative at the end of such fiscal year (without regard to any accrual of the Performance Bonus); and
- (b) any distribution per Class F-2 Share declared during such year;

exceeds the Class Net Asset Value per Share of Class F-2 Speculative at the beginning of such fiscal year; provided that no Performance Bonus shall be payable with respect to any fiscal year of Class F-2 Speculative unless the

Class generates an annual return on investment of at least 10% in such fiscal year. For this purpose, “return on investment” in respect of Shares of Class F-2 for a fiscal year shall be calculated by dividing (i) the amount by which the aggregate of the Class Net Asset Value per Share of Class F-2 Speculative at the end of such fiscal year and any per Share distribution declared during such year in respect of the Shares of such Class exceeds the Class Net Asset Value per Share for such Class at the beginning of such fiscal year by (ii) the Class Net Asset Value per Share of Class F-2 Speculative at the beginning of such fiscal year. The estimated Performance Bonus, if any, will be accrued on each Valuation Date as a liability of Class F-2 Speculative, reducing the Net Asset Value and therefore the price at which Shares of the Class may be redeemed, notwithstanding the accrual of such Performance Bonus may subsequently be reversed.

The Corporation will be responsible for the costs of initially organizing the Corporation and offering its Shares, including, without limitation, the fees and expenses of counsel and the Corporation’s auditors. These costs will be allocated on a pro rata basis as an asset of each Class for the purpose of calculating Net Asset Value and will be amortized over a period not less than 2 years and not greater than 5 years, at the discretion of the manager, payable in not less than 24 equal monthly amounts or not greater than 60 equal monthly amounts.

Each Class will pay for all routine and customary expenses relating to the Class’s operation, including registrar and transfer agency fees and expenses, custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Classes, all costs and expenses associated with the sale of Shares including private placement report fees, expenses related to providing financial and other reports to Shareholders and convening and conducting meetings of Shareholders, if any. Croft Financial Group will, or will arrange to, provide the services associated with such expenses. Croft Financial Group may retain Croft Capital Management to provide some of these services to a Class. Each Class will be responsible for all taxes, assessments or other governmental charges levied against the Corporation on a pro rata basis based on the Net Asset Value of the Class, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Classes.

Croft Financial Group will pay a servicing fee as defined in the following schedule as compensation for ongoing financial planning advice and service from Western Chartered Financial.

| Fees charged on a per family basis | | Percent Fees ¹ |
|---|------------------------|----------------------------------|
| On the First | \$250,000 | 1.50% |
| On amounts from | \$250,000 to \$500,000 | 1.25% |
| On amounts over | \$500,000 | 1.00% |

¹“Servicing Fees” are calculated monthly in arrears based on the valuation as of the last business day of the month.

Shares All Shares of a Class offered hereinunder are non-voting and entitled to participate equally in a Class's distributions and in its assets on liquidation. Shares are issued as fully paid and non-assessable and are redeemable at their Net Asset Value.

Valuation of the Class and Shares The Net Asset Value of each Class is calculated after the close of business on each Valuation Date. A "Valuation Date" is Wednesday (or the next Business Day thereafter if a Wednesday is not a Business Day) in each week, or such other time as Croft Financial Group determines is appropriate. On each Valuation Date, The Investment Administration Solution Inc. calculates the Net Asset Value of each Class. Generally, this is based on the market value of the assets of the Class, less any liabilities of the Class, divided by the total number of Shares of the Class held by Shareholders. The Net Asset Value will fluctuate with the value of the Class's investments. See "Valuation and Net Asset Value".

Purchasing and Redeeming Shares Shares of a Class may only be purchased for investors who have entered into a MIAA with Croft Financial Group. The MIAA will enable Croft Financial Group to purchase and redeem Shares on an investor's behalf in a manner consistent with the investor's Custom Portfolio. The number of Shares issued to the investor will be equal to the quotient obtained by dividing the dollar amount invested in a Class by the Net Asset Value per Share on the next Valuation Date.

The estimated Performance Bonus, if any, will be accrued on each Valuation Date as a liability of Class F-2 Speculative, reducing the Net Asset Value and therefore the price at which Shares of the Class may be redeemed, notwithstanding the accrual of such Performance Bonus may subsequently be reversed.

Distributions The board of directors of the Corporation may declare dividends, at its discretion, payable on any Class of the Corporation. The board of directors has adopted a policy of assessing annually the Corporation's net income and net realized capital gains and declaring income dividends and, to the extent possible, sufficient capital gains dividends from time to time to offset capital gains tax which would otherwise be payable by the Corporation, and may declare capital gains dividends in excess of this amount.

The dividends will be reinvested automatically in additional Shares of the Corporation. A Shareholder who wishes to receive distributions in cash shall, upon completing an appropriate written request in advance, be paid all or part of the distributions payable into the Shareholder's Croft Financial Group investment account.

**Canadian
Federal Income
Tax
Considerations**

It is assumed that at all material times the Corporation will qualify as a mutual fund corporation under the Tax Act. The Corporation is generally taxable on its taxable income at normal corporate rates. A corporation that qualifies as an investment corporation, as determined annually under the Tax Act, is entitled to certain preferential tax treatment. The Corporation may qualify as an investment corporation, but no assurance is given that it will qualify throughout its current or subsequent taxation years.

Shareholders must include in their income all net income (including dividends) and net taxable capital gains, if any, payable to them, whether paid by reinvestment in additional Shares or in cash. Dividends paid by the Corporation, other than capital gains dividends, whether paid by reinvestment in additional Shares or in cash, to Shareholders who are individuals are eligible for a dividend tax credit through the gross-up and credit procedure applicable to dividends received from taxable Canadian corporations. Where a Shareholder redeems or otherwise disposes of, or is deemed to dispose of, Shares, generally a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the aggregate of the adjusted cost base to the Shareholder of the Shares and any reasonable costs of disposition.

See “Certain Income Tax Considerations”. Each Shareholder should satisfy himself or herself as to the federal, provincial, territorial and any foreign tax consequences of an investment in Shares by obtaining advice from his or her tax advisor.

**Eligibility for
Investment by
Registered
Plans**

Provided the Corporation is a mutual fund corporation, the Shares of each Class will be qualified investments under the Tax Act for registered tax plans.

If Shares are held in a registered tax plan, income (including dividends) and capital gains received from the Corporation, and capital gains realized on selling or transferring the Shares, will not be taxable in such registered tax plan, but any amounts withdrawn from such registered tax plan may be taxable at such time.

See “Certain Income Tax Considerations”. Each Shareholder should satisfy himself or herself as to the federal, provincial, territorial and any foreign tax consequences of an investment in Shares by obtaining advice from his or her tax advisor.

**Connected
Issuers**

The Corporation is a “connected issuer” of Croft Financial Group under applicable securities laws.

**Statutory and
Contractual
Rights**

Shareholders are entitled to the benefit of certain statutory or contractual rights of action. See “Statutory and Contractual Rights of Action”.

GLOSSARY OF TERMS

“**Business Day**” means each day that the Toronto Stock Exchange is open for trading;

“**Classes**” means Class A-2 T-Series, Class B-2 Income, Class C-2 Equity, Class D-2 Real Estate , Class E-2 Alternative Investment and Class F-2 Speculative;

“**Corporation**” means CFG Custom Portfolio Corporation;

“**Croft Financial Group**” means R. N. Croft Financial Group Inc.;

“**Custodian**” means NBCN Inc. or any sub-custodians of the Custodian appointed by the Corporation;

“**Custodian Agreement**” means the agreement between the Corporation and NBCN Inc. providing for the custody of assets of the Classes;

“**Custom Portfolio**” means the customized asset allocation portfolio comprised of Shares of Classes developed for an investor based on information provided in the MIAA;

“**Gross Asset Value**” means the asset value of the Class calculated as described under “Valuation and Net Asset Value” but without deduction of liabilities;

“**Management Agreement**” means the agreement between Croft Financial Group and the Corporation pursuant to which Croft Financial Group manages the investment portfolios of the Classes;

“**Management Fee**” means the fee paid by each Class to Croft Financial Group which fee is equal to 0.25% per annum which is calculated and accrued monthly;

“**MIAA**” means the managed investment account agreement between Croft Financial Group and an investor in the Western Chartered Financial Portfolio Programme;

“**NI 81-102**” means National Instrument 81-102 *Mutual Funds*.

“**Net Asset Value**” means the net asset value of the Class calculated as described under “Valuation and Net Asset Value”;

“**Net Asset Value per Share**” means the price or Net Asset Value per Share on subscription or redemption of a Share or on liquidation of a Class;

“**Offering Jurisdictions**” means British Columbia, Alberta, Saskatchewan, Manitoba and Ontario;

“**Performance Bonus**” means the annual performance bonus paid to Croft Financial Group by Class F-2 Speculative as described under the heading “Fees and Expenses”;

“**Portfolio Management Fee**” means the fee paid by an investor to Croft Financial Group under the MIAA;

“**Registrar and Transfer Agency Agreement**” means the agreement between the Corporation and The Investment Administration Solution Inc. providing for registrar and transfer agency services to the Classes;

“**Shareholder**” means the holder of one or more Shares of a Class;

“**Shares**” means Shares of the Classes;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time; and

“Valuation Date” means Wednesday in each week or the next Business Day thereafter if a Wednesday is not a Business Day, and such other date or dates as Croft Financial Group determines to be appropriate.

“Western Chartered Financial” means Western Chartered Financial Inc., a financial planning firm with its principal office located at 1596 Third Avenue, Prince George, British Columbia, B2L 3G4.

THE WESTERN CHARTERED FINANCIAL PORTFOLIO PROGRAMME

Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Corporation. The following is a summary only and is qualified by the more detailed information contained in this offering memorandum.

Western Chartered Financial Portfolio Programme

The Western Chartered Financial Portfolio Programme is a discretionary investment management service offered by Croft Financial Group which enables investors to identify their investment objectives and preferences for investment risk and to acquire a customized asset allocation comprised of Shares of Classes. The Corporation has retained Croft Financial Group to manage the investments of each of the Classes of the Corporation. Croft Financial Group uses advanced analytical techniques to evaluate the return/risk characteristics of the Classes and to develop a Custom Portfolio for each investor, based on information about the investor provided in the MIAA.

Once developed and implemented, the weighting of each Class in an investor's Custom Portfolio is constantly monitored by Croft Financial Group. A reasonable range of weighting variations is permitted to take into account daily fluctuations in the value of the Shares of the Classes but, from time to time, rebalancing is required. Rebalancing is the process of adjusting the components of an investor's Custom Portfolio as market conditions change so that the Custom Portfolio matches the investor's investment objectives over time. Croft Financial Group will periodically rebalance the mix of Classes in an investor's Custom Portfolio to the original designated levels by redeeming Shares of one or more Classes and applying the redemption price to purchase Shares of one or more other Classes. This may occur if one or more Classes exceed the desired weightings for an investor's Custom Portfolio through market fluctuations. Investors will not be contacted prior to a rebalancing, but will receive confirmation of the rebalancing transactions.

The redemption of Shares of a Class on a rebalancing is not a disposition of such Shares for tax purposes.

The Corporation

The Corporation is an open-end mutual fund corporation incorporated on August 18, 2006 under the laws of the Canada. Each Class of the Corporation represents separate segregated investment fund with its own investment objective.

The Corporation is authorized to issue an unlimited number of Shares of an unlimited number of classes of Shares. The Classes and Shares offered hereunder are:

- Class A-2 T-Series Shares
- Class B-2 Income Shares
- Class C-2 Equity Shares
- Class D-2 Real Estate Shares
- Class E-2 Alternative Investment Shares
- Class F-2 Speculative Shares

The Offering

Shares of the Corporation are offered on a continuous basis at a price equal to the applicable Net Asset Value per Share at the time of purchase to eligible investors resident in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Offering Jurisdictions") pursuant to exemptions from the prospectus requirements of the Offering Jurisdictions. The initial Net Asset Value of a Share will be \$10.00. Thereafter, Shares will be offered at the applicable Net Asset Value per Share.

Eligible Investors

In order to be eligible to purchase Shares, investors must enter into a MIAA with Croft Financial Group and, in the case of residents of Ontario, be an accredited investor.

Investment Objectives of the Classes

Class A-2 T-Series;

The investment objective of the Class is to provide a competitive total rate of return, comprised of capital gains and income from interest and dividends, while maintaining a lower level of volatility than pure equity funds, by investing primarily in a diversified portfolio of Canadian, US and International equity and fixed income securities with no restrictions on the capitalization of the issuers.

Class B-2 Income;

The investment objective of the Class is to generate a stable stream of income by investing in four major segments of the financial markets. These include;

Fixed income securities and mortgage backed securities of all terms to maturity issued by Canadian federal or provincial governments, foreign governments, chartered banks, and loan, trust and other issuers operating in and/or outside Canada. The Class may also invest in convertible fixed income securities of domestic or foreign corporations selected from a generally recognized index of U.S. and Canadian markets.

Dividend paying common shares of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge the equity positions or to provide additional income. The Class may invest in ADRs trading on the New York Stock Exchange or NASDAQ.

Convertible preferred securities or preferred equity securities of Canadian and foreign issuers selected from a generally recognized index of Canadian equity markets and U.S. equity markets and may employ derivatives such as put and call options to hedge or to provide additional income.

Canadian income trusts or exchange traded funds that hold a basket of income trusts listed on a recognizable Canadian equity market.

Class C-2 Equity;

The investment objective is to produce long term capital growth by investing primarily in high quality large and mid-cap (the term "mid-cap" typically means companies with a market capitalization of at least \$1 billion Cdn. and not more than \$5 billion Cdn.) equity securities and convertible instruments issued by Canadian and foreign issuers.

The Class may invest in index participation units that conform to the requirements of NI 81-102 and that are designed to replicate the performance of one or more Canadian, U.S., international or emerging market or sector indices.

The Class may, from time to time, purchase exchange traded funds or mutual funds.

The Class may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. The Class may also, from time to time, buy puts to hedge against downside market movements, write puts to acquire shares, or buy calls as a stock replacement strategy.

Class D-2 Real Estate;

The investment objective of this Class is to provide investors with positive cash flow and long term capital gains through an investment in exchange-traded real estate investment trusts of Canadian and foreign issuers, exchange traded funds that are designed to replicate generally recognizable Canadian and foreign real estate indices and securitized real estate projects for which there may not be an actively traded secondary market.

Class E-2 Alternative Investment;

The investment objective of the Class is to earn superior equity or equity related returns that are not correlated to major stock market indices. The objective is to reduce risk by investing in a diversified portfolio.

Class F-2 Speculative;

The investment objective of the Class is to earn high returns by investing in high risk securities and strategies.

Investment Strategies

Class A-2 T-Series:

The Class intends to deliver its objectives using a balanced portfolio that include investments in equity securities from any geographic region of the world with no restrictions as to the capitalization of the issuer.

The Class will also invest in income producing securities that includes investment grade government and corporate bonds and debentures, investment grade preferred shares, income trusts and equity based option writing strategies.

The Class may use option contracts to create synthetic stock positions (e.g. buy calls and write puts) should the portfolio manager from time to time deem it of value to reduce foreign exchange exposure within the class.

The Class will make fixed quarterly distributions of an amount comprised of net income and/or return of capital based on a pre-determined fixed payout rate established as of July 30 of the prior year end. The payout will normally be reinvested in more Units of the Class unless instructed by the investor to be paid in cash. Investors will receive tax slips annually reflecting the portions of distributions consisting of net income, net realized capital gains, and a return of capital.

Class B-2 Income:

The Class intends to achieve its investment objective by investing in four major segments of the financial markets. The manager determines what weight will be applied to each segment of the market during the course of a business cycle:

1. The Class can invest in fixed income securities, including bonds of all maturities issued by Canadian federal or provincial governments, Canadian and foreign issuers, Canadian chartered banks, and loan, trust and other companies operating in Canada, as well as potentially investing in convertible bonds and debentures issued by corporations chosen from a generally recognized index of U.S. and Canadian markets.
2. The Class may purchase common shares issued by the largest corporations selected from a generally recognized index of Canadian equity markets, currently being the S&P/TSX 60 Index. The Class may also invest in common shares issued by corporations selected from a generally recognized index of U.S. equity markets, currently being the S&P 500 Index or Nasdaq 100 index, or ADRs of corporations selected from those corporations whose ADRs are trading on the New York Stock

Exchange or NASDAQ. The Class may also invest in index participation units that conform to the requirements of NI 81-102 and that are designed to replicate the performance of one or more Canadian or U.S. indices. The Class may write covered call options in respect of all or part of the securities in its portfolio to the extent such securities are held directly, or in respect of securities that it has the right or obligation to acquire under forward contracts or other derivative instruments. The Class may also, from time to time, buy puts to hedge against downside market movements and/or write cash secured puts. The Class intends to use the premium from the sale of these put and/or call options to generate regular income and to limit the long term risks of the Class's portfolio.

3. The Class may invest in investment grade preferred shares or convertible preferred shares of Canadian corporations chosen from a generally recognized index of Canadian markets.
4. The Class may invest in Canadian income trusts or exchange traded funds that hold a basket of income trusts issued by Canadian corporations and listed on a recognizable Canadian equity market.

The Class may also depart temporarily from its investment objective as a result of adverse market or economic conditions by reducing its exposure to equity securities. Finally, the Class may hold a portion of its assets in cash equivalents and utilize such cash equivalents to provide cover in respect of the writing of cash covered put options.

Class C-2 Equity:

The Class intends to achieve its fundamental investment objective by investing in high quality large and mid cap (the term "mid-cap" typically means companies with a market capitalization of at least \$1 billion Cdn. and not more than \$5 billion Cdn.) equity securities and convertible instruments issued by foreign and domestic companies.

The Class will from time to time engage in option strategies designed to reduce risk and/or enhance upside potential. The Class may employ leverage to meet its investment objectives, and may hedge the portfolio by using certain exchange traded securities or mutual funds that are designed to profit when equity securities are generally declining.

Class D-2 Real Estate:

The investment strategies that the Class will use to achieve its investment objective will include investments in real estate investment trusts of Canadian and foreign issuers, and exchange traded funds that are designed to replicate generally recognizable Canadian or foreign real estate indices.

The Class may also invest up to 20% of the Class in securitized real estate projects that provide positive cash flow and potential long term capital gains. There may not be an actively traded secondary market.

Class E-2 Alternative Investment:

The investment strategies that the Class will use to achieve its investment objective will include the purchase of hedge funds, or the use of hedging strategies such as a long / short strategy, or a convertible hedge strategy. The strategies will generally have low correlations with equity stock market indices.

The Class may also invest in structured products that generally have a low correlation to major stock market indices.

Class F-2 Speculative:

The investment strategies that the Class will use to achieve its investment objective will include investments in small capitalization (market capitalization that is less than \$ 1 billion Cdn.) companies that trade on recognizable Canadian or foreign stock exchanges, or the TSX Venture Exchange.

The Class may invest in venture capital situations either through direct investments or through funds or pools that provide exposure to this market.

The Class may employ strategies that will benefit the Class during periods where equity markets are declining, and may invest in high risk option strategies such as leveraged call or put buying.

General

The Classes generally will seek to remain fully invested. However, they will hold cash-equivalents for defensive purposes during unusual market conditions or to maintain liquidity. Any cash is expected to be held in short-term money market instruments.

As each Class's portfolio is expected to include securities and assets that are not denominated in Canadian dollars, the Classes may invest in or use foreign exchange derivative instruments for the purposes of currency hedging in respect of assets that are not denominated in Canadian dollars.

Leverage

Each Class may utilize the following forms of leverage to a maximum of 50% in the aggregate (at the time of incurring leverage) of the Class's Gross Asset Value:

- (a) a Class may purchase marketable securities on margin or with borrowed Classes provided that:
 - (i) only "marketable securities" (being securities for which a ready market exists and, therefore, can be sold easily and quickly) may be purchased using this form of leverage;
 - (ii) all borrowings by the Class for this purpose must be on normal commercial terms; and
 - (iii) all purchases on margin must comply with the margining requirements of any applicable stock exchange or other regulatory body;
- (b) a Class may take short sale positions in respect of stocks which are listed on a recognized Western European, Canadian, Japanese or U.S. stock exchange up to 50% (at the time of investment) of the Class's Gross Asset Value (less the amount of any other leverage of the Class at the time of investment). Margined short sales must meet minimum margin requirements set by the applicable regulatory authorities;
- (c) a Class may write covered and uncovered options provided that:
 - (i) all options written by the Class must be traded on a recognized options exchange;
 - (ii) the options must be in respect of publicly listed stocks or bonds, a recognized stock or bond index or currencies;

- (iii) the options written must be sold through a broker and must conform with standardized rules issued by applicable exchanges; and
- (iv) to the extent that the Class writes uncovered options, the market value of the underlying assets will not exceed 50% of the Class's Gross Asset Value (less the amount of any other leverage of the Class at the time of investment).

Investment Restrictions

A Class has no geographic, industry sector or market capitalization restrictions. Each Class is currently subject to the following restrictions:

- (a) Each Class will not purchase securities other than through normal market facilities unless the purchase price thereof approximates or is less than the prevailing market price or is negotiated or established on an arm's length basis by Croft Financial Group.
- (b) Each Class will not purchase any security which may, by its terms, require Croft Financial Group or the Class to make a contribution in addition to the payment of the purchase price, provided that this restriction shall not apply to the purchase of securities which are paid for in instalments which are fixed at the time the first instalment is paid.

Each Class may, subject to applicable law, invest in securities of issuers that are related and/or connected issuers to Croft Financial Group.

Croft Financial Group may from time to time establish investment restrictions, policies or guidelines with respect to a Class. Such policies or guidelines, if so established, may be amended from time to time by Croft Financial Group without the consent of, or any notice to, the Shareholders.

Securities Lending

Each Class may enter into securities lending transactions in order to earn additional returns. These transactions would be entered into for the benefit of the Class and therefore, all additional custodial expenses would be paid for by the Class. A Class will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Class and not yet returned to it or sold by the Class in repurchase transactions and not yet repurchased would exceed 50% of the total assets of the Class (exclusive of collateral held by the Class for securities lending transactions and cash held by the Class for repurchase transactions). Each transaction must qualify as a "securities lending arrangement" for the purposes of the Tax Act.

MANAGEMENT OF THE CLASSES

Croft Financial Group

Croft Financial Group is located at 1315 Lawrence Avenue East, Suite 407, Toronto, Ontario M3A 3R3. Croft Financial Group is the manager of each of the Classes. The phone number of Croft Financial Group is (416) 752-7991. You can contact Croft Financial Group by e-mail at rcroft@croftgroup.com or croftfin@aol.com or toll free by calling 1-877-249-2884.

Croft Financial Group manages the Classes pursuant to the terms of the Management Agreement. Croft Financial Group is responsible for managing the investment portfolios of the Classes and compliance with the investment policies, restrictions and practices of the Classes and to provide or arrange for the provision of all general administrative services related to each Class.

The name and municipality of residence, position and office held with Croft Financial Group and current principal occupation of each of the directors and officers of Croft Financial Group are as follows:

| <u>Name and Municipality of Residence</u> | <u>Position and Office held with Croft Financial Group</u> | <u>Current Principal Occupation</u> |
|--|---|--|
| Richard N. Croft Toronto, Ontario | Director, Chief Executive Officer, Secretary and Treasurer | Investment Counsellor and Portfolio Manager, Croft Financial Group |
| Barbara Croft Toronto, Ontario | Chief Financial Officer | Office Manager Croft Financial Group |

Richard Croft has held his current position and principal occupation with Croft Financial Group during the five years preceding the date hereof.

THE CORPORATION

The Corporation is located at 1315 Lawrence Avenue East, Suite 407, Toronto, Ontario, M3A 3R3.

The name and municipality of residence, position and office held with the Corporation and current principal occupation of each of the directors and officers of the Corporation are as follows:

| <u>Name and Municipality of Residence</u> | <u>Position and Office held with Croft Financial Group</u> | <u>Current Principal Occupation</u> |
|--|---|--|
| Richard N. Croft Toronto, Ontario | Director, Chief Executive Officer, Secretary and Treasurer | Investment Counsellor and Portfolio Manager, Croft Financial Group |

The financial year end of the Corporation is July 30.

CONFLICTS OF INTEREST

Principal holders of securities

Classes

As of the date of this Amended and Restated Offering Memorandum, no person or company owns of record or, to the knowledge of the Corporation or Croft Financial Group, beneficially, directly or indirectly, more than 10% of the total outstanding Shares of any of the Classes.

Barbara Croft, an officer of Croft Financial Group owns 100% of the common shares of the Corporation. The common shares of the Corporation carry the right to vote, among other things, for the election of directors. The common shares have no entitlement to dividends and no entitlement to assets of the Corporation on liquidation of the Corporation.

Croft Financial Group

All of the outstanding voting shares of Croft Financial Group, the manager of the Classes, are owned by Richard Croft.

Relationship with Croft Financial Group

The Corporation is a related and connected issuer of Croft Financial Group under applicable securities laws.

Access to Investment Advice

Croft Financial Group has adopted internal policies to ensure that no officer, director or employee of Croft Financial Group other than advising officers and trading officers will participate in the formulation of, or have access prior to implementation to, investment decisions made on behalf of clients, including the Corporation, of Croft Financial Group.

FEES AND EXPENSES

Management Fee

An investor pays a Portfolio Management Fee to Croft Financial Group as provided in the MIAA between the investor and Croft Financial Group. Each Class pays a Management Fee to Croft Financial Group equal to 0.25% per annum which is calculated and accrued on each Valuation Date. In addition, Class F-2 Speculative pays Croft Financial Group a Performance Bonus on an annual basis in respect of a fiscal year of the Class not later than 90 days after each fiscal year equal to 20% of the amount by which the aggregate of:

- (a) the Class Net Asset Value per Share of Class F-2 Speculative at the end of such fiscal year (without regard to any accrual of the Performance Bonus); and
- (b) any distribution per Class F-2 Share declared during such year;

exceeds the Class Net Asset Value per Share of Class F-2 Speculative at the beginning of such fiscal year; provided that no Performance Bonus shall be payable with respect to any fiscal year of Class F-2 Speculative unless the Class generates an annual return on investment of at least 10% in such fiscal year. For this purpose, "return on investment" in respect of Shares of Class F-2 for a fiscal year shall be calculated by dividing (i) the amount by which the aggregate of the Class Net Asset Value per Share of Class F-2 Speculative at the end of such fiscal year and any per Share distribution declared during such year in respect of the Shares of such Class exceeds the Class Net Asset Value per Share for such Class at the beginning of such fiscal year by (ii) the Class Net Asset Value per Share of Class F-2 Speculative at the beginning of such fiscal year. The estimated Performance Bonus, if any, will be accrued on each Valuation Date as a liability of Class F-2 Speculative, reducing the Net Asset Value and therefore the price at which Shares of the Class may be redeemed, notwithstanding the accrual of such Performance Bonus may subsequently be reversed.

Administration Fees and Expenses

The Corporation will be responsible for the costs of initially organizing the Class and offering its Shares, including, without limitation, the fees and expenses of counsel and the Corporation's auditors. These costs will be treated as an asset of the Class for the purpose of calculating Net Asset Value and will be amortized over a period not less than 2 years and not greater than 5 years, at the discretion of the manager, payable in not less than 24 equal monthly amounts or not greater than 60 equal monthly amounts.

Each Class will pay for all routine and customary expenses relating to the Class's operation, including registrar and transfer agency fees and expenses, custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all interest expenses and all brokerage and other

fees relating to the purchase and sale of the assets of the Classes, all costs and expenses associated with the sale of Shares including private placement report fees, expenses related to providing financial and other reports to Shareholders and convening and conducting meetings of Shareholders, if any. Croft Financial Group will, or will arrange to, provide the services associated with such expenses. Croft Financial Group may retain Croft Capital Management to provide some of these services to a Class. Each Class will be responsible for all taxes, assessments or other governmental charges levied against the Corporation on a pro rata basis based on the Net Asset Value of the Class.

Croft Financial Group may, in its discretion, seek investment decision-making and order execution services from such dealers as it sees fit and such services may be paid through commissions on brokerage transactions executed on behalf of the Classes in accordance with applicable regulatory restrictions. Such services may include, but are not limited to, advice as to the value of securities, analyses and reports concerning securities, portfolio strategy or performance, issuers, industries, or economic or political factors and trends, and databases or software designed to support such services.

Croft Financial Group will pay a servicing fee as per the following schedule, to Western Chartered Financial as compensation for referring clients to Croft Financial Group.

| Fees charged on a per family basis | Percent Fees ¹ |
|--|---------------------------|
| On the First \$250,000 | 1.50% |
| On amounts from \$250,000 to \$500,000 | 1.25% |
| On amounts over \$500,000 | 1.00% |

¹“Servicing Fees” are calculated monthly in arrears based on the valuation as of the last business day of the month.

INVESTING IN THE CLASSES

Purchasing and Redeeming Shares

Shares of a Class may only be purchased on behalf of investors who have entered into a MIAA with Croft Financial Group. The MIAA will enable Croft Financial Group to purchase and redeem Shares on an investor’s behalf in a manner consistent with the investor’s Custom Portfolio. The initial Net Asset Value of a Share will be \$10.00. Thereafter, Shares will be offered at the applicable Net Asset Value per Share. The number of Shares issued to the investor will be equal to the quotient obtained by dividing the dollar amount invested in a Class by the Net Asset Value per Share on the next Valuation Date.

The estimated Performance Bonus, if any, will be accrued on each Valuation Date as a liability of Class F-2 Speculative, reducing the Net Asset Value and therefore the price at which Shares of the Class may be redeemed, notwithstanding the accrual of such Performance Bonus may subsequently be reversed.

Securities Law Exemptions and Eligible Investors

In order to be eligible to purchase Shares exempt from prospectus requirements in the Offering Jurisdictions, investors must enter into a MIAA with Croft Financial Group and, in the case of residents of Ontario, be an accredited investor.

DISTRIBUTIONS

The board of directors of the Corporation may declare dividends, at its discretion, payable on any Class of the Corporation. The board of directors has adopted a policy of assessing annually the Corporation’s net income and net realized capital gains and declaring income dividends and, to the extent possible, sufficient capital

gains dividends from time to time to offset capital gains tax which would otherwise be payable by the Corporation, and may declare capital gains dividends in excess of this amount.

The dividends will be reinvested automatically in additional Shares of the Corporation. A Shareholder who wishes to receive distributions in cash shall, upon completing an appropriate written request in advance, be paid all or part of the distributions payable directly into the Shareholder's Croft Financial Group investment account. The tax treatment of each type of dividend is described under "Certain Income Tax Considerations".

VALUATION AND NET ASSET VALUE

The Investment Administration Solution Inc. will determine the Net Asset Value of each Class as of every Valuation Date. The Net Asset Value of a Class is determined by valuing the assets of the Class and deducting all its liabilities. The Net Asset Value of a Class is divided by the number of Shares outstanding (before redemptions and subscriptions) at the close of business on a Valuation Date to determine the Net Asset Value per Share. The Net Asset Value of each Class will be reported in Canadian currency.

Croft Financial Group may declare a suspension of the determination of Net Asset Value for the whole or part of any period in which the right of redemption has been suspended.

SHARES OF THE CLASSES

An investment in a Class is represented by Shares of the Class.

Shares of each Class have the following attributes:

1. the Shares have no voting rights; the holders of Shares have no entitlement to receive notice of or to attend any meeting of common shareholders of the Corporation;
2. on the dissolution of a Corporation, the assets of the Class will be distributed and all holders of Shares of the Class will share in the value of the Class on a proportionate basis;
3. there are no conversion rights;
4. there are no pre-emptive rights;
5. the Shares of a Class cannot be transferred except in limited circumstances;
6. there is no liability for further calls or assessments;
7. the Shares of a Class may be sub-divided or automatically consolidated immediately after each dividend such that the net asset value per share shall be equal to the net asset value per share immediately prior to such dividend; and
8. a fractional Share of a Class carries the rights and privileges and is subject to the restrictions and conditions applicable to whole shares in the proportion which it bears to one Share.

CERTAIN INCOME TAX CONSIDERATIONS

This section describes the principal Canadian federal income tax considerations applicable to the Corporation and to investors who are individuals resident in Canada (other than trusts), who deal with the Corporation at arm's length, are not affiliated with the Corporation and who hold Shares as capital property for tax purposes. Certain investors who might not otherwise be considered to hold their Shares as capital property may, in

certain circumstances, be entitled to have them treated as capital property by making an irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary takes into account the current provisions of the Tax Act and the regulations under the Tax Act, all proposals to amend the Tax Act and regulations publicly announced prior to the date hereof and the published administrative and assessing practices and policies of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any change in law or administrative practice or policy, whether by legislative, regulatory, administrative or judicial action. In addition, it does not take into account provincial or foreign tax considerations.

This summary assumes that at all material times the Corporation will qualify as a mutual fund corporation under the Tax Act.

This summary is general in nature and is not intended to be exhaustive of all possible income tax considerations. You should consult your own tax adviser for advice with respect to the tax consequences of an investment in the Corporation in your particular circumstances.

Taxation of the Corporation

The Corporation is generally taxable on its taxable income at normal corporate rates. The Corporation is subject to refundable Part IV tax on dividends it receives from taxable Canadian corporations to the extent that such dividends are deductible in computing its taxable income. Such tax is refunded when the Corporation pays taxable dividends, other than capital gains dividends, to the shareholders. The tax payable by the Corporation on capital gains will be refundable to the extent such gains are paid to Shareholders in the form of capital gains dividends or Shares of the Corporation are redeemed. Capital gains taxes may arise for the Corporation from the consequential disposition of investments by the Corporation when a Shareholder of one class converts Shares to another Class. The Corporation will pay tax under Part I.3 of the Tax Act.

A corporation that qualifies as an investment corporation, as determined annually under the Tax Act, is entitled to certain preferential tax treatment. The Corporation may qualify as an investment corporation, but no assurance is given that it will qualify throughout its current or subsequent taxation years. If the Corporation qualifies as an investment corporation, it will receive a credit of 20% of the amount, if any, by which its taxable income for the year exceeds its taxed capital gains for the year.

The Corporation will be required to compute its net income and net realized capital gains in Canadian dollars for the purposes of the Tax Act. As a result, the Corporation may realize income or capital gains by virtue of changes in the value of a foreign currency relative to the Canadian dollar.

Generally, gains and losses from derivative transactions and short sales will, for tax purposes, be on income account rather than capital account.

On November 9, 2006, the Minister of Finance released revised draft legislation dealing with the taxation of investments in non-resident entities. If and when enacted, depending on the final form of the rules, the rules may require the Corporation, if it invests in certain securities of a non-resident entity, to include in income for each year beginning after 2006, either a prescribed percentage of the Corporation's "designated cost", as defined, of such securities for the year or any gains or losses accrued on such securities for the year. Any additional income to the Corporation arising under these new rules generally would be reflected in additional distributions to shareholders.

Shares held in registered tax plans

Provided the Corporation is a mutual fund corporation, the Shares of each Class will be qualified investments under the Tax Act for registered tax plans.

If Shares are held in a registered tax plan, income (including dividends) and capital gains received from the Corporation, and capital gains realized on selling or transferring the Shares, will not be taxable in such registered tax plan, but any amounts withdrawn from such registered tax plan may be taxable at such time.

The March 23, 2004 federal budget proposed special taxes on pension trusts, pension corporations and certain other taxpayers that hold excess investments in “restricted investment property” after 2004. Shares of each Class may constitute “restricted investment property” for these purposes because of investments made by the Corporation. The Department of Finance has since announced that the implementation of these proposals has been “suspended”. Such investors should consult their own advisors regarding the application of these rules.

Securities held in non-registered accounts

Shareholders must include in their income all net income (including dividends) and net taxable capital gains, if any, payable to them, whether paid by reinvestment in additional Shares or in cash.

Dividends paid by the Corporation, other than capital gains dividends, whether paid by reinvestment in additional Shares or in cash, to Shareholders who are individuals are eligible for a dividend tax credit through the gross-up and credit procedure applicable to dividends received from taxable Canadian corporations. Proposed Amendments to the Tax Act released October 16, 2006, will increase the dividend tax credit and gross-up applicable to certain “eligible dividends”. Some or all of the dividends paid by the Corporation may qualify as eligible dividends. Such dividends paid to corporate Shareholders generally are deductible in computing their taxable income, but may be subject to refundable Part IV tax depending on the particular circumstances of each corporate Shareholder.

The Corporation may also make distributions to its Shareholders of net realized capital gains by way of capital gains dividends. Capital gains dividends paid to Shareholders will be treated as realized capital gains by such Shareholders and will be subject to the general rules relating to the taxation of capital gains, which are described below.

Where a Shareholder redeems or otherwise disposes of, or is deemed to dispose of, Shares, generally a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition of the Shares exceed (or are exceeded by) the aggregate of the adjusted cost base to the Shareholder of the Shares and any reasonable costs of disposition. One-half of a capital gain (a “taxable capital gain”) must be included in computing the Shareholder's income under the Tax Act, and one-half of a capital loss can be deducted against taxable capital gains, subject to the limits in the Tax Act.

The switch of Shares of the Corporation for the Shares of another Class of the Corporation will not result in a disposition for the purposes of the Tax Act. In certain circumstances, if a Shareholder switches Shares of one Class of the Corporation for another Class, the Corporation may have to pay capital gains dividends so that it can obtain a refund of capital gains taxes.

In certain situations where you dispose of Shares of the Corporation and would otherwise realize a capital loss, the loss will be denied. This may occur if you, your spouse or another person affiliated with you (including a corporation controlled by you) has acquired Shares of the Corporation within 30 days before or after you dispose of your Shares (which are considered to be “substituted property”). In these circumstances,

your capital loss may be deemed to be a “superficial loss” and denied. The amount of the denied capital loss will be added to the adjusted cost base for the Shares which are substituted property.

The adjusted cost base of Shares to a Shareholder is, generally, the amount paid for the Shares, minus the capital returned in any distributions, minus the adjusted cost base of Shares previously redeemed. A consolidation of Shares, including a consolidation immediately following a dividend, will not result in a disposition of Shares for tax purposes. The aggregate adjusted cost base for your Shares will not change as a result of consolidation, but the adjusted cost base per Share will increase. Shareholders should keep detailed records of the purchase costs, sales charges and dividends or distributions related to their Shares.

Individuals are subject to an alternative minimum tax. Capital gains and taxable dividends may give rise to liability for such minimum tax.

CERTAIN RISK FACTORS

An investment in a Class involves significant risks. **Subscribers should consider the following risk factors in evaluating the merits and suitability of an investment in a Class. The following does not purport to be a summary of all the risks associated with an investment in the Classes. Rather, the following are only certain risks to which the Classes are subject.**

General Risks of the Classes

There is not now, and there is not likely to develop, any market for the resale of the Shares. The Shares have not been qualified for sale by prospectus under the securities laws of any of the Offering Jurisdictions. Accordingly, Shares may not be transferred unless appropriate prospectus exemptions from applicable securities laws are available and the transferee is an eligible investor.

The Classes are not retail mutual funds and therefore are not subject to the restrictions and provisions contained in NI 81-102. Shareholders do not have voting rights.

Investment Risk

The value of Shares and any income and gains associated with them can fluctuate significantly and may be quite volatile. Subscribers should be aware that they may not achieve their anticipated returns and may, in fact, suffer significant loss.

Equity Risk

The Classes invest in equity securities (also called stocks or shares). The value of the Classes will be affected by changes in the market price of those securities. The securities business is speculative, prices are volatile and market movements are difficult to predict. The price of a stock is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the stock is located or where the stock is listed for trading.

Foreign Security Risk

Some Classes invest a substantial portion of their assets in foreign securities. The value of foreign securities may be influenced by foreign government policies, lack of information about foreign companies, political or social instability and the possible levy of foreign withholding tax. There may be lower standards of government supervision and regulation in foreign financial markets. Foreign stock markets may also be less liquid and more volatile. In addition, the securities markets of many countries have at times in the past moved

relatively independently of one another due to different economic, financial, political and social factors. This may reduce gains which a Class has derived from movements in a particular market. A Class that holds foreign securities may have difficulty enforcing legal rights in jurisdictions outside Canada.

Foreign Currency Risk

The Canadian dollar value of a Class's investments in foreign securities is affected by changes in the value of the Canadian dollar relative to those securities. While Croft Financial Group may employ currency hedging when it believes that currency exposure presents significant risk, there is no assurance that it will do so in any particular circumstance. Premiums paid for over-the-counter currency options purchased by a Class may reduce a Class's return.

Industry and Geographic Concentration

Croft Financial Group's investment philosophy may cause the Classes to focus on specific industries and to avoid others. Moreover, Croft Financial Group will be authorized to allocate the Class's assets without limitation among geographic regions and individual countries. As a result, the Class may have greater exposure to particular industries, countries, or regions than other similar Classes.

Short Sale Equity Positions and Leveraging

A Class may take short sale positions without maintaining an equivalent quantity, or a right to acquire an equivalent quantity, of the underlying securities in its portfolio. While Croft Financial Group will engage in these transactions only in circumstances where it has been concluded that a particular security is overvalued in its principal markets, there can be no assurance that the security will experience declines in market value and this could result in the Class incurring losses if it has agreed to deliver securities at a price which is lower than the market price at which such securities may be acquired at the time the transaction is to be completed. Croft Financial Group may selectively engage in transactions which limit the potential liability of a Class for unanticipated shifts in the market value of these securities, and will limit the short sale equity position to 50% (at the time of investment) of the Gross Asset Value of the Class (less the amount of any other leverage of the Class at the time of investment).

In addition to short selling, a Class may also employ leveraging (i.e., the use of borrowed Classes or securities) as an inherent tool in its investment strategy. While the use of leverage can increase the rate of return, it can also increase the magnitude of loss in unprofitable positions beyond the loss which would have occurred if there had been no borrowings. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost in the event of a decline in the market value of such securities. Leveraging will thus tend to magnify the losses or gains from investment activities. Croft Financial Group will limit the leveraging position to 50% in the aggregate (at the time of investment) of the Gross Asset Value of the Class.

A Class's anticipated use of short-term margin borrowings subjects the Class to additional risks, including the possibility of a "margin call" pursuant to which the Class must either deposit additional Classes with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of the Class's assets, the Class may not be able to liquidate assets quickly enough to pay off its margin debt.

Use of Options

A Class may purchase and write exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies and indices (both narrow-based and broad-based). A put option on

securities or currencies gives the purchaser of the option, upon payment of premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date. A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price. A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

A Class's ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market. Over-the-counter ("OTC") options are purchased from or sold to securities dealers, financial institutions or other parties (the "Counterparty") through direct bilateral agreements with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by the negotiation of the parties. Unless the parties provide for it, there is no central clearing or guarantee function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with the Class or fails to make a cash settlement payment due in accordance with the terms of that option, the Class will lose any premium it paid for the option as well as any anticipated benefit of the transaction.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g., with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that a Class intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments held by the Class. Buying options may reduce the Class's returns, but by no more than the amount of the premiums paid for the options. Writing covered call options. (i.e., where the Class owns the security or other investment that is subject to the call) may limit the Class's gain on portfolio investments if the option is exercised because the Class will have to sell the underlying investments below the current market price. Also, writing put options may require the Class to buy the underlying investment at a disadvantageous price above the current market price. Writing uncovered call options (i.e., where the Class does not own the security or other investment that is subject to the call) entails the risk that the price of the underlying investment at the time the option is exercised theoretically could have risen without limit. The risk of loss of uncovered put options written by the Class is limited in the exercise price of the option less the premium received.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

Portfolio Turnover

The operation of a Class may result in a high annual portfolio turnover rate. The Classes have not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of Croft Financial Group, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees) and may involve different tax consequences.

Counterparty Risk

Due to the nature of some of the investments that a Class may undertake, a Class relies on the ability of the counterparty to the transaction to perform its obligations. In the event that a counterparty fails to complete its obligations, the Class bears the risk of loss of the amount expected to be received under options, forward contracts or securities lending agreements in the event of the default or bankruptcy of a counterparty.

Interest Rate Fluctuations

In the case of interest rate sensitive securities, the value of a security may change as the general level of interest rates fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

American Depository Securities and Receipts

In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, a Class may hold these securities through an American Depository Security and Receipt (an “ADR”). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. corporation. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. corporation to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange rate relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Class, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the Class if it holds the ADR.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice could occur during the term of a Class which may adversely affect the Class. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by a Class and the ability of the Class to pursue its investment strategies. Interpretation of the law or administrative practice may affect the characterization of a Class’s earnings as capital gains or income which may increase the level of tax borne by investors as a result of increased taxable distributions from the Class. The Class may be subject to tax under Part XII.2 of the Tax Act in certain circumstances which, in particular, will adversely affect those Shareholders that are “designated beneficiaries”. See “Certain Income Tax Considerations”.

Low Rated or Unrated Debt Obligations

A portion of a Class’s portfolio may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

Conflicts of Interest

Croft Financial Group may be subject to various conflicts of interest due to the fact that Croft Financial Group and its advisors are engaged in a wide variety of management, advisory and other business activities unrelated to the Class's undertaking (some of which may compete with the Class's investment activities). Croft Financial Group's investment decisions for a Class will be made independently of those made for the other clients of Croft Financial Group and its advisors and independently of its own investments. However, on occasion, Croft Financial Group may make the same investment for the Class and one or more of its other clients or clients of its advisors. Where a Class and one or more of the other clients of Croft Financial Group or its advisors are engaged in the purchase or sale of the same security, the transaction will be effected on a fair basis. Croft Financial Group will allocate opportunities to make and dispose of investments fairly among clients with similar investment objectives having regard to whether the security is currently held in any of the relevant investment portfolios, the relative size and rate of growth of the Class and the other Classes under common management and such other factors as Croft Financial Group considers relevant in the circumstances.

Use of a Prime Broker to Hold Assets

Some or all of a Class's assets may be held in one or more margin accounts due to the fact that the Class may use leverage and engage in short selling. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the Class's assets in such accounts, which may result in a potential loss of such assets. As a result, the Class's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Class may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded. In addition, the prime broker is unlikely to be able to provide leverage to the Class, which would affect adversely the Class's returns.

Broad Authority of Croft Financial Group

Croft Financial Group has broad discretion over the conduct of a Class's undertaking, selection of the specific companies in which the Class invests and over the types of transactions in which the Class engages.

Regulatory Risk

Some industries, such as financial services, healthcare and telecommunications, are heavily regulated and may receive government Classing. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government Classing. The value of a Class that buys these investments may rise and fall substantially due to changes in these factors.

Derivative Risk

A derivative is a contract or security whose value and cash flow pattern is derived from another underlying security, such as a stock or bond, or from an economic indicator, such as an interest rate, currency or stock market index. An example of common derivatives is an option. An option gives the buyer the right, but not the obligation, to buy or sell currency, commodities or securities at an agreed price within a certain period of time.

The Classes may use options to limit potential losses associated with currencies. This process is called hedging. Although they are often used to minimize risk, derivatives have their own kinds of risk:

- The use of derivatives for hedging may not be effective.
- Some derivatives may limit a Class's potential for gain as well as loss.
- The cost of entering and maintaining derivative contracts may reduce a Class's total return to investors.
- The price of a derivative may not accurately reflect the value of the underlying currency.
- There is no guarantee that a market will exist when a Class wants to buy or sell the contract. This could prevent the Class from making a profit or limiting its losses.
- If the other party (the counterparty) to a derivative contract is unable to meet its obligations, a Class may experience a loss.

Risks Associated with Securities Lending, Repurchase and Reverse Repurchase Transactions

The Classes may engage in securities lending, repurchase and reverse repurchase transactions in order to earn additional returns. Securities lending is an agreement whereby a Class lends securities through an authorized agent in exchange for a fee and some form of acceptable collateral. Under a repurchase transaction, a Class agrees to sell securities for cash while, at the same time, assumes an obligation to repurchase the same securities for cash (usually at a higher price) at a later date. A reverse repurchase transaction is an agreement where by a Class buys securities for cash while, at the same time, agrees to resell the same securities (usually at a higher price) at a later date.

The risks associated with securities lending, repurchase and reverse repurchase transactions arise when the counterparty to such transaction defaults under the investment agreement and the Class is forced to make a claim in order to recover its investment. In securities lending or a repurchase transaction, the Class could incur a loss if the value of the securities loaned or sold by the Class has increased in value relative to the value of the collateral held by the Class. In the case of a reverse repurchase transaction, the Class could incur a loss if the value of the securities purchased by the Class decreases in value relative to the value of the collateral held by the Class.

The Classes generally manage the risks associated with these types of investments by:

- holding collateral equal to a minimum of 102% of the market value of the securities loaned (for securities lending transactions), sold (for repurchase transactions) or purchased (for reverse repurchase transactions) as the case may be;
- adjusting the amount to the collateral each business day to ensure the collateral's value relative to the market value of the securities loaned, sold or purchased remains within a 102% limit;
- limiting the aggregate value of all securities loaned or sold through securities lending and repurchase transactions to under 50% of the total assets (without including the collateral) of the Class.

Other Accounts

Croft Financial Group has other investment management clients with similar investment objectives to those of the Classes. In allocating investment opportunities, Croft Financial Group seeks to deal with all clients in a fair and equitable manner. All investment decisions for a Class are made independently from those for other accounts managed by Croft Financial Group, although the Classes and one or more of those accounts may

employ similar or identical investment policies and strategies. Accordingly, at any time some or all of the investments of a Class may not be identical to the investments of another account managed by Croft Financial Group.

MATERIAL CONTRACTS

Except for the Management Agreement, the Custodian Agreement and Registrar and Transfer Agent Agreement, which are referred to in this Amended and Restated Offering Memorandum, no material contract has been entered into by or on behalf of the Corporation.

PROMOTER

Croft Financial Group may be said to be the promoter of the Corporation and Classes, having taken the initiative in their establishment.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is The Investment Administration Solution Inc., 330 Bay Street, Suite 400, Toronto, Ontario, M5H 2S6.

CUSTODIAN

The custodian of assets of the Classes is NBCN Inc., 250 Yonge Street, Suite 1900, Toronto Ontario, M5B 2L7.

AUDITORS

The auditors of the Corporation and Classes are Moore Stephens Cooper Molyneux LLP, 701 Evans Avenue, 8th Floor, Toronto, Ontario, M9C 1A3.

STATUTORY AND CONTRACTUAL RIGHTS OF ACTION

Securities legislation in the Offering Jurisdictions provides that purchasers of Shares pursuant to this Offering Memorandum have or must be granted a statutory or contractual right of action for rescission or damages if this Offering Memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised within the prescribed time limits. Statutory or contractual rights of action for Ontario are described in Schedule "A" hereto.

SCHEDULE “A”
PURCHASERS’ RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Rights of Action for Damages or Rescission

The following statutory or contractual rights of action for damages or rescission will apply to a purchase of Shares. The applicable securities legislation in certain jurisdictions provides purchasers, or requires purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor.

Ontario. If this Offering Memorandum contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary in order to make any statement herein not misleading in light of the circumstances in which it is made (herein called a “misrepresentation”), purchasers resident in Ontario who purchase Shares during the period of distribution, without regard to whether the purchaser relied on the misrepresentation (if it was a misrepresentation at the time of purchase) will have a statutory right of action for damages, or, while still the owner of the Shares, for rescission, against the Corporation. This statutory right of action is subject to the following:

- (a) if the purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Corporation;
- (b) no action may be commenced to enforce a right of action for rescission more than 180 days after the date on which payment for the Shares is made by the purchaser;
- (c) no action may be commenced to enforce a right of action for damages after the earlier of (i) 180 days after the purchaser of the Shares first had knowledge of the facts giving rise to the cause of action and (ii) three years after the date on which payment for the Shares is made by the purchaser;
- (d) the Corporation will not be liable if it proves that the purchaser purchased the Shares with knowledge of the misrepresentation;
- (e) in the case of an action for damages, the Corporation will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Shares as a result of the misrepresentations relied upon; and
- (f) in no case will the amount recoverable in such action exceed the price at which the Shares were sold to the purchaser.
- (g) The rights described above are applicable to a purchaser resident in Ontario unless the purchaser is:
- (h) a Canadian financial institution, meaning either:
 - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or

- (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (i) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the Bank Act (Canada);
- (j) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (k) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The statutory rights of action described above are in addition to and without derogation from any other right or remedy that the purchaser might have at law.

Saskatchewan. Section 138 of The Securities Act, 1988 (Saskatchewan), as amended (the “Saskatchewan Act”) provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser and it contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Shares covered by the Offering Memorandum or any amendment to it is deemed to have relied upon that misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the Corporation or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the Corporation or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the Corporation or the selling security holder, as the case may be, at the time the Offering Memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the Offering Memorandum or the amendment to the Offering Memorandum; and
- (e) every person who or company that sells securities on behalf of the Corporation or selling security holder under the Offering Memorandum or amendment to the Offering Memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the Corporation or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Shares resulting from the misrepresentation relied on;

- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the Offering Memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the Shares were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation.

In addition, no person or company, other than the Corporation or selling security holder, will be liable if the person or company proves that:

- (a) the Offering Memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the Offering Memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the Offering Memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which we or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of Shares.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the Shares purchased and the verbal statement is made either before or contemporaneously with the purchase of the Shares, the purchaser is deemed to have relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the Shares if the Shares are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of Shares to whom an Offering Memorandum or any amendment to it was not sent or delivered

prior to or at the same time as the purchaser enters into an agreement to purchase the Shares, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
 - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended Offering Memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the Shares by delivering a notice to the person who or company that is selling the Shares, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended Offering Memorandum.

The foregoing summaries are subject to the express provisions of the *Securities Act* (Ontario) and the *Securities Act* (Saskatchewan) and the regulations thereunder and reference is made thereto for the complete text of such provisions.