CROFT
FINANCIAL GROUP

Appendix IV
RELATIONSHIP DISCLOSURE DOCUMENT

THE RELATIONSHIP DISCLOSURE DOCUMENT

We believe that successful long-term relationships rest on a foundation where both sides clearly understand their roles, obligations and expectations.

In keeping with that position, and to meet the requirements of securities legislation, the R. N. Croft Financial Group Inc. (CFG) provides this Relationship Disclosure Document, which outlines the following:

- A brief description of R. N. Croft Financial Group Inc.
- CFG's partners, including their roles and responsibilities
- A description of the CFG platform
- An overview of CFG's investment philosophy
- An overview of the services we offer
- CFG's account opening process
- CFG's investment process
- CFG referral network
- The fees and expenses we charge
- Conflicts of interest
- Privacy issues
- Investment risks
- Frequently asked questions.

This document forms part of your Managed Investment Account Agreement ("**MIAA**") with CFG. All capitalized terms within this Relationship Disclosure Document not defined herein are defined in the MIAA.

Your signature on the MIAA confirms that you have received this document and understand its contents. It also acknowledges your consent to the disclosure of information as described herein. If you have any questions related to the contents of this document, please contact us at:

905 695 7777 or 1 877 249 2884, or via email at compliance@croftgroup.com

R. N. CROFT FINANCIAL GROUP INC. (CFG)

CFG is registered as a Portfolio Manager in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec, and as an Investment Fund Manager in Ontario and Quebec. As a licensed Portfolio Manager, CFG is permitted to direct trades on a discretionary basis within and across the Portfolio (one or more managed investment account(s)) of an Investor subject to the Investor's Mandate (overall objectives and risk tolerances as indicated and attested to in the Investor's **Investor Profile Questionnaire** (IPQ) and MIAA.

Agents for Service

Outside of Ontario, Investors may serve legal processes on our agent in their province of residence:

- Manitoba – Agent for service contact: Thompson Dorfman Sweatman LLP, Canwest Place 2200-201 Portage Avenue, Winnipeg, Manitoba, R3B 3L3, Phone: 204 957-1930.

- Saskatchewan – Agent for service contact: MacPherson Leslie & Tyerman LLP, 1500-1874 Scarth Street, Regina, Saskatchewan, S4P 4E9, Phone: 306-347-8000.
- Alberta – Agent for service contact: Burnet, Duckworth & Palmer LLP, 2400, 525-8th Avenue SW, Calgary, Alberta, T2P 3N9, Phone: 403-260-0100.
- British Columbia – Agent for service contact: Lang Michener LLP, 1500-1055 West Georgia Street, Vancouver, British Columbia P.O. Box 11117, Phone: 604-689-9111.
- Quebec – Agent for Service : McCarthy Tétrault, 1000, rue de la Gauchetière Ouest, suite 2500, Montréal Quebec, H3B 0A2, Phone: 514-397-4100.

You can confirm our registration by visiting the Canadian Securities Administrators' website at http://www.securities-administrators.ca/. The company is registered under its full corporate name:

R. N. Croft Financial Group Inc.

CFG's PARTNERS

To ensure that you receive the best value for your financial dollars there are several parties working cooperatively within your Relationship: 1) **R. N. Croft Financial Group Inc.** (CFG), the registrant who is your licensed Portfolio Manager; 2) **Croft Dealer Services Inc.** (CDS), the company that provides back office, trade allocation and administration services to CFG; 3) **CFG Custom Portfolio Corporation** (CPC), a related series of corporate-class pools created and managed by CFG, and 4) **National Bank Correspondent Network Inc.** (NBCN) a member of National Bank Financial that acts as CFG's correspondent broker and custodian for all client accounts.

Roles and Responsibilities

R. N. Croft Financial Group Inc. (CFG)

As a licensed Portfolio Manager and Investment Fund Manager, CFG is responsible for all investment related activity, which includes providing advice and directing trades within your Portfolio and any due diligence related to securities held within your Portfolio. Your Portfolio includes those securities managed by CFG and held in your managed investment account(s) ("**Managed Investment Account**") and, where applicable, within your Custody account(s) ("**Custody Account**"). Please see page 5 for a description of the Managed Investment Account and Custody Account.

For clarity, CFG defines a Portfolio as an intelligently-combined collection of securities diversified across up to six major asset classes. When adding or subtracting a security within your Portfolio, CFG will always take into account how well the new security fits with securities already there. The goal is to ascertain what the inclusion of an additional security will add to your Portfolio in terms of return and what it will do to your Portfolio's risk. The overriding objective is to deliver above average risk-adjusted performance.

As the Portfolio Manager's correspondent broker, NBCN will furnish monthly brokerage trade confirmations and statements for each Account, as well as an annual report of performance, transactions and fees in accordance with applicable requirements. The Portfolio Manager shall also provide the Investor with a detailed account statement of holdings, transaction history and performance on a quarterly basis (the "**Quarterly Performance Evaluation**").

This Quarterly Performance Evaluation includes commentary from CFG regarding portfolio performance on a nominal basis, portfolio performance against reported benchmarks, asset allocation, a holdings and transaction summary by account as well as an overview of current market conditions (i.e. where have we been) and the outlook for future market trends (i.e. where are we going). CFG also provides periodic market commentary and quarterly economic forecasts that can be delivered directly to you or accessed on our website (www.croftgroup.com). We also maintain archived copies of our periodic commentaries and economic forecasts on our website.

CROFT
DEALER SERVICES

Croft Dealer Services Inc. (CDS)

CFG has retained CDS, a related company, to provide back-office and administrative services such as trade entry and reconciliation, document handling, record keeping and reporting services. All activities that require registration as an advisor pursuant to applicable securities laws will be provided by a registered individual at CFG.

CPC
CUSTOM PORTFOLIO CORPORATION

CFG Custom Portfolio Corporation (CPC)

CFG created CPC, a related series of corporate-class pools, as an open-end mutual fund incorporated on August 18, 2006 under the laws of Canada. Each Share Class of CPC represents a separate segregated investment fund with its own Investment Objective and Investment Strategy (see detailed description beginning on page 19).

Due to its corporate structure, each CPC Share Class shows performance net of all expenses and annual corporate taxes and, within each Class, may be switched between series without triggering gains or losses in non-registered accounts. Units of all Share Classes are priced at the end of the day each Wednesday, and on the last business day of each month and each quarter.

Since May 5, 2015 CFG has been distributing all CPC Share Classes to Investors on its Platform by relying exclusively on the "accredited investor" prospectus exemption of the Securities Act (Ontario), section 73.3, and of NI 45-106, paragraph (q), section 1.1. As such, CFG is responsible for determining suitability of these related pools for Investors, and solely responsible for all disclosures, including in the pool fact sheets and the annual CPC financial statements (available at www.croftgroup.com) as well as those contained within this Appendix IV.

CPC pools are also available to other accredited investors (e.g., licensed portfolio managers) on other platforms, with pricing and settlement available through Fundserv.

NATIONAL BANK INDEPENDENT NETWORK

National Bank Independent Network (NBIN)

NBIN, a subsidiary of National Bank Canada, acts as custodian and correspondent broker in this relationship. Through its relationship with NBIN, CFG is pleased to offer investors a full-service platform ("**CFG Platform**") that includes registered, non-registered and corporate accounts. The CFG Platform allows investors to consolidate their financial assets and simplify their financial affairs. Securities in the Managed Investment Account(s) and, where applicable, your Custody Account(s) are considered part of your Portfolio and will be managed by CFG.
For more information on the distinction between Managed Investment Accounts and Custody Accounts see section entitled "The CFG Platform."

NBIN has agreed to provide the following brokerage services for your Account(s) managed by CFG:

- Trading and clearing securities on such securities markets or over-the-counter markets as directed by CFG.
- Clearing and (with CDS) allocating such trades into and out of investor accounts through CFG's average price account.
- Subject to their own compliance, opening and maintaining accounts for all CFG-approved Investors.
- Maintaining debit or margin accounts for properly qualified CFG Investors, subject to interest on free credit balances at rates set out and adjusted by NBIN.
- Provide custodial services in respect of securities held by the Investors and issue all required trade confirmations, tax receipts and reports to Investors.
- Produce monthly brokerage trade confirmations and statements for each Account as well as, by arrangement with CFG, an annual report of performance, transactions and fees in accordance with applicable requirements.

THE CFG PLATFORM

Accounts opened on the CFG Platform fall under one of two categories: (1) "Managed Investment Account(s)" and (2) "Custody Account(s)."

Managed Investment Account(s)

All transactions that take place in your Managed Investment Accounts are executed on a discretionary basis by CFG. Any trades implemented by CFG will be conducted within the overall Mandate of your MIAA and will always conform to the standards of a reasonable Portfolio.

CFG charges its standard investment management fees as set out in Schedule "A" of the MIAA for all Managed Accounts. Where a referring party is involved, a portion of the investment management fees may be paid to the referring party which is set out in Schedule "B" of the MIAA.

Custody Accounts

Your MIAA gives CFG the responsibility and discretionary authority to invest according to your Mandate all funds and/or securities you deposited or transferred into the one or more NBCN accounts opened for this purpose. Certain investments and funds that Investors may transfer onto the CFG Platform may be subject to liquidity or redemption impediments such as deferred sales charges ("**DSCs"** are also known as early redemption fees) and CFG may choose, or may be compelled, to hold such funds in a Custody Account for the Investor until CFG can properly redeem and re-invest those funds in a Managed Investment Account.

CFG remains responsible for suitability, oversight and reporting for all investments held in Custody Accounts. Custody Accounts are not subject to any Fees set out in Schedule "A" or Schedule "B" of the MIAA. While held in Custody Accounts, mutual funds generally pay a trailing service fee or commission, which will be collected and retained by the Dealer of Record (i.e. NBCN).

CFG INVESTMENT PHILOSOPHY

CFG manages portfolios in much the same way as pension plans manage their assets. We allocate and combine low-cost, tax-efficient investments with targeted active management across each Portfolio in an effort to maximize client returns at any risk level.

Our approach recognizes that to earn better-than–average returns means assuming greater–than-average risk. Our goal is to extract the best return for each unit of risk within the context of your personal situation and financial market conditions.

To achieve that objective, CFG believes that investments should be diversified, that risk-adjusted returns are the only relevant factor, and that asset mix determines up to 85% of a portfolio's total return.

In order to deliver the right portfolio solution, CFG employs a top-down process that is supported by two fundamental convictions:

- **Markets are unpredictable**: Trying to forecast the direction of the economy, interest rates, and stock prices is a difficult job under ideal conditions. It is virtually impossible to predict changes when the economy is in transition, and because we believe a capitalist economy is always in transition, we prefer to develop portfolios that focus on maximizing risk-adjusted returns across a range of economic cycles and financial markets.

- **Investor attitudes and circumstances change**: Just as the economy moves through cycles, so too do individual investors. We call it "life-cycle investing", where fundamental changes such as a marriage, children, a new job, or illness in the family can affect your long-term objectives. Typically, in the early stages of the life cycle most investors choose a growth portfolio. As we get older, our attitudes change, which generally leads to a more balanced approach, then to a more conservative portfolio that focuses on income and preservation of capital.

HOW CFG MANAGES YOUR PORTFOLIO

As a licensed Portfolio Manager, and subject to extraordinary market conditions and our professional judgment, CFG manages Portfolios on a discretionary basis at the Relationship Level within the Mandate and Asset Mix Guidelines defined in your MIAA.

CFG believes that "Risk" becomes the determining factor when establishing your Investment Mandate and asset mix guidelines. The Investor Profile Questionnaire offers background information but is not definitive in terms of setting your "Risk Profile." It is a tool that CFG registered Advisors use as a guide during the initial Know Your Client (KYC) interview.

Through the KYC interview a CFG registered Advisor will ascertain your employment status, financial position, income needs and principal financial objectives. The CFG registered Advisor will incorporate this discussion with answers on your Investor Profile Questionnaire to determine an appropriate Mandate. The Mandate then approved by CFG compliance and assigned to a specific portfolio manager who will begin to manage the portfolio based on the asset mix guidelines at the Relationship Level.

Typically the Mandate selected in the MIAA reflects the objectives and risk tolerances for each account within a single Relationship, which we define as:

> *"A series of brokerage accounts controlled by a single investor, or jointly, if there is more than one investor within an immediate family (husband, wife, children), all falling under one MIAA at the same underlying address."*

CFG recognizes that there may be different objectives for specific accounts. For example a Registered Retirement Income Fund (RRIF) may be managed as an Income Mandate, whereas a Registered Education Savings Plan (RESP) may fall under a Growth Mandate. While accounts may have different objectives, to be included in a single Relationship, the overall "Risk Profile" of each account must be the same as or lower than the Risk Profile of the entire Relationship. For example, an Investor could have an Income Mandate account, but not a Growth Mandate account, within their Balanced Mandate Portfolio.

CFG, as Portfolio Manager, will buy and sell securities that are appropriate for your Mandate, which will be guided by the initial KYC information as well as any new information from our KYC updating process and your obligation to inform us of changes in your investment objectives.

Pursuant to the MIAA, Investors have an obligation to inform the Portfolio Manager in a timely manner of any changes in financial circumstances and/or investment objectives. The Portfolio Manager will make reasonable efforts to contact the Investor at least annually in order to update/confirm the Investor's investment objectives and profile.

The cash and securities in the account(s) of your portfolio are not in our custody but rather are held in your trading account(s) at NBCN, the only custodian used by CFG. It is important for clients to understand that your MIAA only grants CFG the authority to instruct the custodian to buy and sell securities in your account(s) and to withdraw our agreed-to fees.

We are required under securities laws to adhere to certain requirements when we provide you with our services. These requirements include the following:

Fiduciary Duty – we are required to act honestly, in good faith and always in your best interests.

Protect Your Privacy – we must keep all information that we obtain from you private and confidential within the context of managing and servicing your account(s) and any legal requirements we may have.

Fair Allocation – we act for many clients and are thus obligated to allocate investment opportunities among all of our clients in a fair manner so as to not intentionally favor one client over another.

Conflicts of Interest – we are required by securities laws to adopt policies and procedures in order to ensure the proper handling of conflicts of interest.

Best Execution – when we use our discretion to trade securities for your account, we seek to achieve the best possible result having regard to price of the security, speed of execution, quality of execution and total transaction cost. We currently believe exclusively directing trades to NBCN satisfies this requirement.

Use of Brokerage Commissions – when we instruct a dealer to trade securities in your account the dealer receives a trade commission that is paid from your account. We make sure that, when paying the trade commissions, we are not paying for goods or services from the investment dealer other than for order execution and research.

Statement of Accounts

You will receive monthly brokerage statements directly from NBCN. These statements provide an accounting of your current holdings, and confirm all activity (i.e. purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid, transfers, etc.) that occurred in your account(s) over the previous month. The monthly account statement also provides you with your *net equity*, which represents the net value of your portfolio within each account based on the closing values as of the date on the statement.

CFG has also arranged with NBCN to produce, by account, an annual report of performance, transactions and fees in accordance with applicable requirements.

In addition to these by-account statements, CFG also provides a quarterly Portfolio Evaluation that includes account transactions over the period, a holdings report (including adjusted cost base and unrealized gains or losses), your portfolio's performance over various periods and market commentary from your portfolio managers. CFG provides convenient, secure online access to all your accounts, or will mail reports directly to Investors not able to take advantage of this service.

Please consult your Relationship Manager or CFG directly (via admin@croftgroup.com) if you have any questions about your reports or access to your account information.

ACCOUNT OPENING PROCESS

During the new account opening process CFG gathers the following information to prepare your MIAA, select your appropriate Portfolio Mandate and open the NBCN account(s) required:

- Contact details (i.e. main address, direct phone and email contacts);
- Birth date;
- Employment information; (i.e. length of employment, self-employed, retired)
- Family status; (i.e. marital status, joint or individual accounts)
- Financial information; (i.e. net worth, net investable assets, annual income)
- Risk tolerance; and
- Other information as is relevant and necessary.

CFG ACCOUNT OPENING PROCESS

- **Account Opening Documentation** **RMFS**
- **Suitability Documentation** **Registered CFG Employee**
  - **Investor Profile Questionaire**
  - **Managed Investment Account Agreement**

Verification of Your Identity

Canada's anti-money laundering regulations require us to verify your identity and ascertain the sources and intended uses of your investment funds before we (CFG together with NBCN) can open accounts, accept deposits of funds or securities, or execute any transactions on your behalf. Accepted methods of identity verification are prescribed in the regulations of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* administered by the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC).

We gather personal verification and sources and uses of investment funds information required by FINTRAC for both the CFG MIAA and the NBCN New Account Application Form (NCAF) that you may complete with the assistance of your RMFS. The CFG Compliance officer will review all of this information before signing as the Portfolio Manager and forwarding relevant account-opening documents to NBCN.

Preparing the MIAA

Your MIAA sets out the agreed-upon terms between you and CFG regarding our discretionary management of your Portfolio. In particular, the MIAA:

- Discloses the various fees applicable to your Portfolio;
- Outlines the Asset Mix Guidelines for the Conservative, Balanced, or Growth mandate. Each mandate aims to provide a sufficient level of overall diversification and to provide an appropriate return over the investment horizon. However these are only guidelines and CFG may invest your portfolio outside of these guidelines depending on current market conditions;
- Encourages effective communication between you and CFG;
- Helps us comply with all fiduciary, prudential and due diligence requirements, and with all applicable laws, rules and regulations from various local, provincial, federal and international political entities that may impact your assets and investments; and
- Confirms that CFG will conduct itself with trustworthiness and integrity and act in an honest and fair manner in all dealings with you and all our clients.

Once both CFG and NBCN have accepted you as a client and your accounts have been opened, it is important that we continue to have up-to-date information in order to provide you with the best possible service and advice. CFG will make every effort to contact you periodically – at a minimum through our annual update questionnaire – to update this information and record any changes that may affect your investment profile.

However, it is important that you inform us of any significant changes in the information as soon as possible. Relevant changes may include an address change, a change in employment, marital status or number of dependents, a change in your income requirement or tax situation, etc. When we become aware of significant changes, we will update your Investment Profile (and, as necessary, your account documents) to ensure all such information remains current.

CFG's INVESTMENT PROCESS

CFG Portfolio Programs

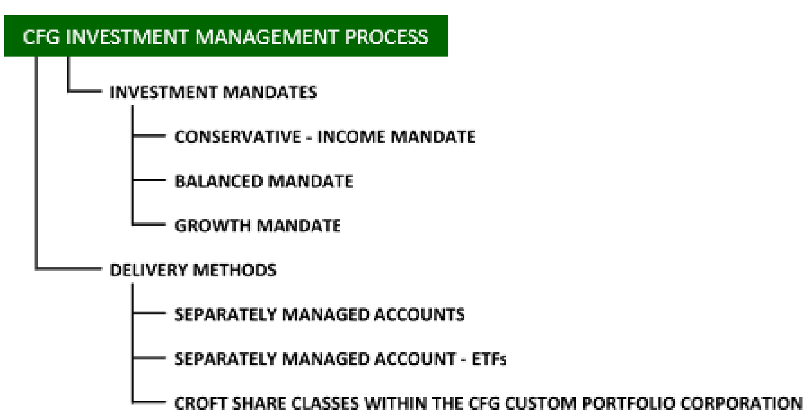
CFG prides itself on being able to offer clients flexible portfolio solutions. In all cases, CFG portfolios follow a top-down methodology.

The process starts with the Investor Profile Questionnaire, which leads to a Managed Investment Account Agreement (MIAA) and defines the Mandate for the client at the Relationship Level.

There are three client Mandates: Conservative/Income, Balanced and Growth. The Conservative/Income mandate can be used for two types of Investors; 1) those still in the accumulation phase but who want a conservative asset mix and, 2) Investors drawing a regular income from their portfolio. The MIAA details an attendant asset mix guideline for each Mandate, and a range of percent weightings for each asset class within a Mandate.

Depending on the size of the Relationship the resulting Portfolio will be delivered through Separately Managed Accounts in which the client holds a combination that may include individual securities, exchange traded funds, proprietary CFG Share Classes (pools), bonds, GICs and cash, or through CFG Share Classes only.

Regardless of the approach, each CFG Portfolio is managed on a discretionary basis with a customized asset allocation for each Mandate.



Investors should be aware that the CFG Custom Portfolio Corporation ("**CPC**"), is a related issuer for purposes of applicable securities laws, and has retained CFG to manage the investments within each CFG Share Class.

Once a Portfolio is implemented according to the Investor's Mandate, the weighting of each asset class is regularly monitored by CFG. A reasonable range of weighting variations is permitted to take into account investment market conditions and daily fluctuations in the value of each asset class within the Portfolio but, from time to time, rebalancing may be required. Rebalancing is the process of adjusting the components of an Investor's Portfolio to account for changing market conditions and, as necessary, realign it with the asset mix guidelines of the Mandate.

Clients should understand that the asset mix guidelines are exactly that – *guidelines*. If your portfolio manager believes that market conditions warrant a variation within the Asset Mix, CFG will make the necessary adjustments, even if doing so may cause the asset mix to fall outside the range of weightings within the assigned Mandate.

CFG REFERRAL NETWORK

For many Relationships we work with other financial service providers – referred to as Relationship Managers or Financial Strategists (RMFS). Typically the RMFS is a financial or tax professional with whom you have an existing relationship. The RMFS then refers you, as a client, to CFG as a licensed professional Portfolio Manager to provide for your investment needs.

We believe there is great value from having two professionals reviewing your portfolio from two very distinct points of view – the RMFS often from a tax and asset allocation perspective and the portfolio manager from the perspective of the overall investment performance of your Portfolio relative to a recognized benchmark.

For our services, CFG charges investment management fees, as set out in the MIAA in Schedule "A", and collects referral fees payable to your RMFS, which are detailed in Schedule "B" of the MIAA. Schedule "B" also contains a description of roles of CFG and of your RMFS.

FEES AND EXPENSES

Management fees charged by CFG

CFG earns fees for investment management services only. Our fees are collected monthly, calculated as a percentage of the market value of assets under management in your Managed Investment Account(s) at the end of the preceding month. We believe that this fee arrangement aligns our interest with yours in that we will earn more fees if we assist you in growing the value of assets in your account(s). The fees that we charge are set out in Schedule "A" of your MIAA, and will only be changed by us at a minimum 60 days' notice.

In some cases our fees and expenses are withdrawn directly from the applicable CPC Share Class. These fees are not duplicative of fees charged to your account. For more details on such fees and expenses, please refer to the **Estimated Fees and Expenses** under the section entitled **CFG Custom Portfolio Corporation**.

Fees charged by CFG Custodians

CFG has retained Croft Dealer Services ("**CDS**") to provide administrative services in the handling of your accounts and compensates CDS accordingly. You can read about the method and amount of this compensation in the notes to Schedule "A" fees in your MIAA.

Trading Costs

You should be aware of costs associated with trading securities in your portfolio. We execute trades through NBCN, our correspondent broker and custodian of your accounts. Some clients of CFG pay a per-trade transaction charge of $25 paid to NBCN and $10 + .0025% of the value of the transaction charged and retained by CFG to pay for trades. Most clients pay a flat 15 basis point (0.15%) custody fee imbedded in their Schedule “A” of which 7 basis points (0.07%) is paid to NBCN for trade execution and 8 basis points (0.08%) paid to CDS.

NBCN may also levy additional fees in connection with the maintenance of your brokerage account. The long standing relationship between NBCN and CFG has caused NBCN to waive some of these fees. You can obtain full disclosure of the range and amounts of these fees by referring to the fee pamphlet NBCN has, or will, provide to you along with copies of the forms you filled out to open NBCN brokerage accounts.

Referral Fees

When a client is referred to us by an RMFS (the “**Referring Party**”), whether or not the Referring Party is employed by CFG, the Referring Party may receive Referral Fees as set out in Schedule “B” in your MIAA. With each Referring Party, CFG has entered into a written referral agreement. Such agreements outline the material terms of our relationship, including the collection of schedule B fees from the client by CFG and the payment of such fees by CFG to the Referring Party.

If your Referring Party is not registered through CFG as an Advising Representative or an Associate Advising Representative, your RFMS is limited to performing the following tasks with respect to your managed Portfolio at CFG:

- Present the services offered by CFG to qualified interested parties;
- Arrange CFG seminars for qualified interested parties;
- Assist clients with the completion of new account opening documentation (exclusive of any Know Your Client information, which can only be collected by a registered employee of CFG);
- Maintain direct contact with clients and coordinate client service requests;
- Provide any other professional financial or planning-type service to clients as licensed or permitted, which may include discussion of:

  - Tax, insurance and/or financial planning advice, where qualified;
  - Asset allocation and risk tolerance in general terms;
  - Quarterly Portfolio Evaluation reports (where applicable);
  - Assist clients in arranging for deposits and withdrawals;
  - Arrange for meetings with CFG if requested by the client; and
  - Attendance at client meetings with CFG where the client has requested attendance.

A description of the activities to be performed by each party to the Referral Agreement is set out in Appendix I “Statement of Responsibilities and Reporting” of your MIAA.

If there is a change to the information regarding referral arrangements disclosed to you above, CFG will ensure that written disclosure of that change is provided to you as soon as possible and no later than the 30 days before the date on which a Referral Fee is next paid or received.

Additional Compensation

CFG may determine it to be in the interests of its clients to engage the services of, or invest in financial products offered by, another service provider, including NBCN, appropriate to the client's circumstances. If any fees are to be paid by a service provider to CFG for such services, the service provider and CFG shall provide each client with the disclosure required by section 13.10 of National Instrument 31-103.

CONFLICTS OF INTEREST

CFG has policies and procedures in place to address the handling of conflicts of interest. A conflict of interest arises where an action or decision by us has the effect of benefiting us at your expense.

In situations where our interest may compete with your interest, your interest is always given priority. To ensure fairness and objectivity in our relationship with you, CFG always discloses all important conflicts of interest, both actual and potential.

Addressing of Conflicts of Interest

CFG may adopt one or more of the following measures or procedures when addressing conflicts of interest:

Control of information – preventing or controlling the exchange of information between opposing sides of a conflict of interest, for example, by establishing an ethical wall.

Separate supervision – ensuring that employees on opposite sides of a conflict of interest are supervised by different people.

Neutralizing financial incentives – removing the financial incentive of an employee to favour a particular product or service.

Removing inappropriate influence – preventing one employee from inappropriately influencing another employee where such influence could impair integrity or judgment.

Segregation of tasks – controlling the simultaneous or sequential involvement of employees in separate tasks or services.

Use of Client Brokerage Commissions

The purchase and sale of portfolio securities will be arranged through registered brokers or dealers selected on the basis of CFG's assessment of the ability of the broker or dealer to execute transactions promptly and on favourable terms, and the quality and value of services provided by the broker or dealer, such as research, statistical and other services used in assessing potential investments.

NBCN custodies all CFG Investors' securities, including any securities held by CPC Share Classes. As part of this arrangement NBCN offers our clients many types of registered accounts (i.e. RRSPs, RRIFs, LIFs and TFSAs) and, through a service agreement with CFG, does not charge trustee fees on any such accounts.

Because of this custody arrangement, all securities bought or sold through other brokers must be delivered and settled through the CFG average price account at NBCN. For this service, NBCN charges $25 per delivery, and a subsequent $25 fee for allocating assets to client accounts. Note the allocation fee is waived for accounts that are paying the custody fee but these accounts would still subjected to the $25 delivery fee.

If the same security is purchased or sold through NBCN, there is no $25 delivery fee. NBCN will only charge the CFG-contracted custody fee and/or the $25 allocation fee to client accounts. As such, it is rare that we would find another broker who would be willing to execute a buy or sell at a cost that is less than we pay to execute through NBCN.

Further, CFG typically invests only in blue chip liquid securities that have tight bid-ask spreads. Because we are trading liquid securities and the fact that NBCN directs CFG orders to all appropriate exchanges, we believe NBCN provides best execution services.

CFG periodically reviews its relationship with NBCN and, from time to time, confirms transaction costs through third party brokers so as to ensure that we are meeting our best execution obligation.

Fair and Equitable Allocation

The principal determination used in allocating investment opportunities amongst Managed Investment Accounts is the suitability of purchase and sale transactions as determined by the MIAA Mandate established for each investor. CFG's policy is that no single account will receive preference in the allocation of investment opportunities.

When orders for more than one account are entered as a combined order and transactions are executed at varying prices, the shares are accumulated in the CFG average price account. Once the order has been completed, an average price is determined and CFG allocates the securities to client accounts at the average price.

When orders for more than one account are entered as a combined order and executed as a block, CFG will generally attempt to make allocation pro rata on the basis of order size. However, we also take into consideration the return expectations and risk reduction benefits a new security brings to the Portfolio, and may allocate based on that assessment rather than on a pro-rata basis.

CFG will endeavour to ensure that the orders, as well as any modification or cancellation of such orders, are recorded in electronic form or in writing and time-stamped.

Subject to market conditions and stock exchange procedures, CFG will use its best efforts to ensure that orders on behalf of client accounts are grouped, executed and allocated fairly on a daily basis. The foregoing procedures will be revised from time to time in keeping with changes in regulatory requirements and industry practices.

CONFIDENIALITY AND PRIVACY

As a client of CFG, we always treats your personal and financial information in the highest confidence, and we have adopted a privacy policy in accordance with the *Personal Information Protection and Electronic Documents Act* (Canada). This policy states that CFG will only disclose this information to third parties or its affiliates in limited specific circumstances on a strictly confidential basis. An example of such information would be that shared with your RFMS as specifically necessary and permitted in your MIAA. Please contact compliance@croftgroup.com to request a copy of CFG's privacy policy.

INVESTMENT RISKS

What are the general risks of investing?

You should be comfortable about where your money is invested. This requires you to think about, and for us to have an understanding of, your own risk tolerance relative to the risk level of your investments.

Your accounts hold different kinds of investments depending on each account's investment objectives within your overall Mandate. The value of investments in any account will fluctuate on a daily basis, reflecting changes in interest rates, economic conditions and markets as well as news about the companies invested in. The net equity of your Portfolio will rise and fall, which means that the value you receive when and as you redeem all or part of your Portfolio may be more or less than its value when you were invested.

In short, the value of the securities in your portfolio is not guaranteed. As such, the greatest risk to you as an Investor is that you could lose all or part of the value of your investments. Unlike bank accounts or guaranteed investment certificates (up to certain limits), stocks, bonds, money market securities and mutual funds are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

The following is a list of material risks that may affect the various investment strategies employed by CFG. Please do not hesitate to contact your Portfolio Manager should you wish to review any of the specific risks that relate to you.

Risk-return trade off

Risk and return are closely related. This means that to target a higher return over a given period, you generally have to accept a higher level of risk, defined as the fluctuation in value of its individual investments.

A higher-risk Portfolio will fluctuate in value more than a lower-risk Portfolio. It is therefore important to understand what we mean by "fluctuation." Within a given period of time, a security's value on investment markets may fluctuate, that is, it may go up or down. High-risk investments generally fluctuate more in market value than low-risk ones, which means that high risk investments may fluctuate negatively (i.e., lose market value) more often and to a greater degree that lower-risk investments.

Risks relating to concentration

If an account invests a large proportion of its assets in securities issued by one issuer, in a single asset class or in a single sector, it will have risk relating to concentration. When an account is not diversified, it could experience greater volatility and will be strongly affected by changes in the market value of these securities. Although some accounts may be invested primarily or exclusively in the pool units of CPC, as single related issuer, CFG strives to mitigate concentration risk by investing all clients, both within CPC pools and/or separately managed accounts, in broadly diversified Portfolios.

Risks relating to credit

An account can lose money if the issuer of a bond or other fixed income security cannot pay interest or repay principal when it comes due. This risk is higher if the fixed income security has a low credit rating or no rating at all. Fixed income securities with a low credit rating usually offer a higher yield than securities with a high credit rating, but they also have the potential for substantial loss. These are known as "high yield securities". CFG strives to mitigate so called "default risk" by purchasing only investment grade fixed income securities on behalf of our clients.

Risks relating to companies listed on stock markets

The value of an account will increase or decrease with the market value of the securities in it. If an account holds stocks, the value of its securities will fluctuate with the market value of the stocks it holds. The market value of a stock will fluctuate according to the performance of the company that issued the stock, economic conditions, interest rates, stock market tendencies and other factors. Historically, equity securities are more volatile (i.e. tend to fluctuate more often and to a greater extent) than fixed income securities. Securities of small market capitalization companies are typically, though not always, more volatile than securities of large market capitalization companies.

Risks relating to interest rate fluctuations

Investments are affected by interest rate fluctuations. A drop in interest rates may reduce the return of money market securities. An increase in interest rates may reduce the market value, and thus the potential return, of accounts holding debt or fixed income securities.

Risks relating to currency

Whenever an account buys assets in a currency other than the base currency (for Canadians this is generally Canadian dollars), there are risks relating to exchange rates. As the base currency changes in value against the other currencies, the value of the portfolio securities purchased in those other currencies will fluctuate.

Some client accounts denominate the value of their securities in Canadian dollars, but invest in different currencies. The value of their securities will fluctuate as foreign currencies change value in relation to the Canadian dollar. Some client accounts denominate the value of their securities in both U.S. and Canadian dollars. The value of their securities denominated in Canadian dollars will fluctuate in relation to the U.S. dollar.

All month-end brokerage statements and quarterly performance evaluations provided to you by NBCN and CFG show the value of your holdings in Canadian dollars.

Risks relating to fund on fund

When an account invests some or all of its assets in securities of a pooled or mutual fund (an "**underlying fund**") such as units of CPC, a related corporate-class issuer, the underlying fund may have to dispose of its investments at unfavourable prices to meet redemption requests. Since the performance of your portfolio is directly linked to the performance of the underlying funds, it is therefore subject to the risks of the underlying funds in proportion to the amount of its investment in the underlying funds. It is the practice of CFG to mitigate such risks by maintaining access to or cash equivalents within any CFG-managed fund to meet redemptions when and as required.

Risk relating to liquidity

Liquidity refers to the speed and ease with which an asset may be sold and converted into cash. Most of the securities held by an account may be sold easily at a fair price and thus are considered relatively liquid. However, an account may invest in securities that are not liquid, i.e., which may not be sold quickly or easily. Some securities may not be liquid because of legal restrictions, the nature of the investment, or certain characteristics of the security. The lack of purchasers interested in a given security or market could also explain why a security may be less liquid. If there is difficulty selling illiquid securities, the result may be a loss or a reduced return for an account.

Within Managed Investment Accounts, CFG typically invests only in liquid securities with larger average daily trading volume, which enables us to easily enter and exit positions on behalf of our clients.

Risks relating to foreign investments

Accounts that invest in foreign countries may face increased risk because the standards of accounting, auditing and financial reporting in these countries are not as stringent as in Canada and the U.S. In addition, factors such as changes of government or changes in the economy can affect foreign markets. Some foreign investment markets are less liquid, more volatile and have lower trading volumes than the North American markets. Foreign governments may impose exchange controls or devalue currencies, which would restrict the ability of a portfolio manager to redeem investments. CFG-managed Portfolios do not hold disproportionally large concentrations of assets in foreign markets.

Risks relating to small companies

Securities of small companies can be riskier investments than securities of larger companies. For one thing, they are often newer and may not have a track record, extensive financial resources or a well-established market. This risk is especially true for private companies or companies that have recently become publicly traded. They generally do not have as many shares trading in the market, so it could be difficult to buy or sell small companies' stock when needed. All of this means their share prices can change significantly in a short period of time. CFG managed Portfolios avoid large concentrations of assets in small companies.

Risks relating to specialization

Specialization lets the Portfolio Manager focus on specific areas of the economy, a Portfolio overly concentrated in a particular industry or geographic area can be more volatile. Events or developments affecting that sector or part of the world may have a greater effect on the portfolio than if it had been more diversified. CFG managed Portfolios excessive concentrate assets in specific investment sectors and, aside from Canada, geographic sectors.

Risks of using borrowed money (leveraging) to finance the purchase of a security

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

Securities may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the security in full, the percentage gain or loss will equal the percentage increase or decrease in value of the security. The purchase of a security using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging. For example, if $100,000 of securities are purchased and paid for with $25,000 from available cash and $75,000 from borrowings, and the value of the securities declines by 10% to $90,000, the difference between the value of the securities and the amount borrowed declines by 40% i.e. from $25,000 to $15,000.

Since leveraging magnifies gains or losses, it is important to realize that a leveraged purchase of securities involves greater risk than a purchase using cash resources only. To what extent a leveraged purchase involves undue risk is a determination to be made on an individual case basis by each purchaser and will vary depending on the circumstances of the purchaser and the security purchased.

It is also important to realize that the terms of a loan secured by securities may require that the amount outstanding on the loan not fall below an agreed percentage of the market value of the securities. Should this occur, the borrower must pay down the loan or sell some of the securities so as to return the loan to the agreed to percentage. In our example above, the lender may require that the loan not exceed 75% of the market value of the securities. On a decline of value of the securities to $90,000 the borrower must reduce the loan to $67,500

(75% of $90,000). If the borrower does not have cash available, the borrower must sell securities to provide money to reduce the loan.

Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who leverage their investment are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

Except in exceptional circumstances to secure particular strategies for its related pools and/or for growth-oriented, accredited Investors, CFG only routinely uses low-cost margin and leverage to reduce the expense of any unexpected drawdowns or outlays of Managed Accounts.

Risks relating to asset-backed and mortgage-backed securities

Asset-backed securities and commercial paper ("**ABCP**") are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market's perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. There is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage. CFG does not typically invest in ABCPs or mortgage backed securities.

Risks relating to derivatives

"Derivatives" are investment instruments that derive their value from the value of other securities or commodities. Futures and options (contracts) are common types of derivatives. Usually, derivatives grant the right or require the holder to buy or sell a specific asset during a certain period of time.

There are many types of derivatives, each based on an underlying asset sold in a market or on a market index. A stock option is a derivative in which the underlying asset is the security of a major corporation. There are also derivatives based on currencies, commodities and market indexes.

In the industry, portfolio managers may seek to improve their rates of return by using derivatives, or may choose to accept a lower, more predictable rate of return through swaps, forward contracts and other such transactions. Derivatives may also be used to reduce the risk of currency fluctuations, stock market volatility and interest rate fluctuations. However, there is no guarantee that using derivatives will prevent losses if the value of the underlying investments falls. In some cases, derivatives may be used instead of direct investments. This reduces transactions costs and can improve liquidity and increase the flexibility of an account. These practices are called hedging. Derivatives may also be used for non-hedging purposes, such as to help increase the speed and flexibility with which trades may be executed, but there is no guarantee that using derivatives will result in positive returns.

The following are examples of risks relating to the use of derivatives:

- The use of derivatives to reduce risk associated with foreign markets, currencies or specific stocks, called hedging, is not always effective. There may be an imperfect correlation between changes in the market value of the investment being hedged and the hedging derivative.
- There is no assurance that portfolio managers will be able to sell the derivatives to protect a portfolio. Derivatives traded in over-the-counter or foreign markets may be less liquid and therefore have more risk than derivatives traded in North American markets.

- There may be a credit risk associated with those who trade in derivatives. The account or fund may not be able to complete settlement because the other party cannot honour the terms of the contract.
- There may be credit risk from dealers who trade in derivatives, such as a dealer going bankrupt.
- A securities exchange could impose daily limits on derivatives trading, making it difficult to complete an option or futures contract.
- If trading in stock index options or futures contracts is restricted by a stock exchange, the account or fund could experience substantial losses.
- The price of derivatives based on a stock index or futures contracts could be distorted if trading in some or all of the stocks that make up the index is interrupted.
- An account or fund may be unable to close out its position on certain options and futures contracts in a timely or cost-effective manner, thereby affecting the portfolio manager's ability to hedge against losses.

CFG CUSTOM PORTFOLIO CORPORATION (CPC)

Description

CPC is an open-end mutual fund incorporated on August 18, 2006 under the laws of Canada. Each CPC Share Class of CPC represents a separate segregated investment fund with its own Investment Objective and Investment Strategy.

Due to its corporate structure, each CPC Share Class shows performance net of all expenses and annual corporate taxes and, within each Class, may be switched between series without triggering gains or losses in non-registered accounts. Units of all Share Classes are priced, and may be bought/sold or switched, at the end of the day each Wednesday and the last business day of each month and each quarter.

CPC is authorized to issue an unlimited number of series in each Share Class. The Share Classes and series of Shares offered hereunder are:

1. Equity Share Class TCG 431 (Retail) TCG 531 (Legacy) TCG 631 (Institutional)
2. Income Share Class TCG 434 (Retail) TCG 534 (Legacy) TCG 634 (Institutional)
3. Morris Balanced Income Share Class TCG 435 (Retail) and TCG 535 (Legacy)
4. Morris Balanced Growth Share Class TCG 436 (Retail) and TCG 536 (Legacy)
5. Option Writing Share Class TCG 539 (Legacy)

CPC Financial Statements

The audited financial statements of **CFG Custom Portfolio Corporation** (July 30 yearend) are available from your registered Croft advisor, or at www.croftgroup.com .

Eligible Investors

Currently, only accredited investors are eligible to purchase Shares of all Classes, either through an MIAA on the CFG Platform,via purchases in other brokerage and/or discretionary management accounts through Fundserv settlement.

Investment Objectives & Strategies

Equity Share Class

Please see the latest version of the **CFG Custom Portfolio Corporation, Equity Share Class** fact sheet available from your relationship manager, registered Croft advisor, or at www.croftgroup.com .

Income Share Class

Please see the latest version of the **CFG Custom Portfolio Corporation, Income Share Class** fact sheet available from your relationship manager, registered Croft advisor, or at www.croftgroup.com .

Morris Balanced Income Share Class

Please see the latest version of the **CFG Custom Portfolio Corporation, Morris Balanced Income** fact sheet available from Morris Financial, your registered Croft advisor, or at www.croftgroup.com .

Morris Balanced Growth Share Class

Please see the latest version of the **CFG Custom Portfolio Corporation, Morris Balanced Growth** fact sheet available from Morris Financial, your registered Croft advisor, or at www.croftgroup.com .

Option Writing Share Class

Please see the latest version of the **CFG Custom Portfolio Corporation, Option Writing Share Class** fact sheet available from your relationship manager, registered Croft advisor, or at www.croftgroup.com .

Use of Leverage

As noted above, each Share Class may from time to time employ leverage to meet its investment objectives and/or client redemptions. The maximum leverage that can be employed is 20% of the aggregate (at the time of incurring leverage) of each Class's Gross Asset Value. Where leverage is being used to take advantage of market opportunities the portfolio manager will only do so within the following guidelines:

(a) A Share Class may purchase marketable securities on margin 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;
- (ii) all borrowings by the Share Class 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 Share 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 a Share 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).

General Risks of the Share Classes

There is not now, and there may never develop, any significant market for the resale of the Share Classes. The Share Classes have not been qualified for sale by prospectus under the securities laws of any of the Offering Jurisdictions. Accordingly, the Share Classes may not be transferred unless appropriate prospectus exemptions from applicable securities laws are available and the transferee is an eligible investor.

The Share 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 each Share Class and any income and gains associated with them can fluctuate significantly and may be quite volatile. Managed clients should be aware that they may not achieve their anticipated returns and may, in fact, suffer significant loss.

Equity Risk

The Share Classes invest in equity securities (also called stocks or shares). The Net Asset Value of the Share 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 Share Classes invest a 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 Share 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 Share Class may reduce a Share Class's return.

Industry and Geographic Concentration

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

Leverage

The Share Classes may employ leveraging (i.e., the use of borrowed funds or securities) as an inherent tool in their investment strategies. 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 20% of the aggregate (at the time of incurring leverage) of the Gross Asset Value of the Share Class.

A Share Class's anticipated use of short-term margin borrowings subjects the Share Class to additional risks, including the possibility of a "margin call" pursuant to which the Share Class must either deposit additional capital 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 Share Class's assets, the Share Class may not be able to liquidate assets quickly enough to pay off its margin debt.

Use of Options

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

A Share Class may purchase and write exchange-traded 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 Share 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. The Share Classes will only transact in exchange listed options, which generally have standardized terms such as method of settlement, term, exercise price, premium, guarantees and security.

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 Share 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 Share Class owns the security or other investment that is subject to the call) may limit the Share Class's gain on portfolio investments if the option is exercised because the Share Class will have to sell the underlying investments below the current market price. Also, writing put options may require the Share Class to buy the underlying investment at a disadvantageous price above the current market price.

Portfolio Turnover

The operation of a Share Class may result in a high annual portfolio turnover rate. The Share 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 contract-based investments that a Share Class may undertake, such as in options a Share Class as holder relies on the ability of the counterparty to the transaction to perform its obligations. In the event of the default or bankruptcy of a counterparty, the Share Class bears the risk of loss of the amount expected to be received under any options, forward contracts or securities lending agreements undertaken with that party.

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 market 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 Depositary Securities and Receipts

In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, a Share 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 Share Class, as a holder of an ADR, may be different than the rights of holders of the underlying securities, 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 Share Class if it holds the ADR.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice could occur that may adversely affect the Share 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 Share Class and the ability of the Share Class to pursue its investment strategies.

Interpretation of the law or administrative practice may affect the characterization of a Share Class's earnings as capital gains or income, which may increase taxable distributions from the Share Class. The Share Class itself 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".

Conflicts of Interest

CFG may be subject to various conflicts of interest due to the fact that CFG and its advisors are engaged in a wide variety of management, advisory and other business activities unrelated to the Share Class's undertaking (some of which may compete with the Share Class's investment activities).

CFG's investment decisions for a Share Class will be made independently of those made for the other clients of CFG and its advisors and independently of its own investments. However, on occasion, CFG may make the same investment for the Share Class and one or more of its other clients or clients of its advisors. Where a Share Class and one or more of the other clients of CFG or its advisors are engaged in the purchase or sale of the same security, the transaction will be effected on a fair basis. CFG 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 Share Class and the other Share Classes under common management and such other factors as CFG considers relevant in the circumstances.

CFG is specifically prohibited by applicable securities laws from crossing (buying and selling the same exchange-traded security or asset) between Share Classes of the pools and/or Investors' accounts. Because of their periodic pricing structure, such prohibitions do not extend to buying and selling units of the pools and/or other mutual funds within or among Investors' accounts.

Use of a Prime Broker to hold assets

Some or all of a Share Class's assets may be held in one or more margin accounts due to the fact that the Share 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 Share Class's assets in such accounts, which may result in a potential loss of such assets. As a result, the Share 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 Share 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 Share Class's returns.

For all Asset Classes of the pools, the prime broker is currently NBCN, which is also the Correspondent Broker and Custodian for all CFG Investors' accounts.

Broad Authority of CFG

CFG has broad discretion over the conduct of a Share 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. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions or reduced government expenditures within a specific sector. The value of a Share 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 Share Classes may use options to limit potential losses associated with currencies, commodities or securities. 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 Share Class's potential for gain as well as loss.
- The cost of entering and maintaining derivative contracts may reduce a Share 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 Share Class wants to buy or sell the contract. This could prevent the Share 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 Share Class may experience a loss.

Estimated Fees and Expenses (i.e. Management Expense Ratio)

Fees are accrued weekly based on estimates and are paid out as follows:

Share Class:	**MER**	**CFG** [2]	**CDS** [3]	**IAS** [4]	**Audit / Legal** [5]	**NBCN** [6]	**Referral Fees** [7]
Equity Share Class							
Retail Series TCG 431 [1]	2.45%	0.85%	0.16%	0.20%	0.10%	0.14%	1.00%
Legacy Series TCG 531	0.70%	0.25%	0.08%	0.20%	0.10%	0.07%	0.00%
Inst. Series TCG 631	0.45%	0.00%	0.08%	0.20%	0.10%	0.07%	0.00%
Income Share Class							
Retail Series TCG 434 [1]	2.45%	0.85%	0.16%	0.20%	0.10%	0.14%	1.00%
Legacy Series TCG 534	0.70%	0.25%	0.08%	0.20%	0.10%	0.07%	0.00%
Inst. Series TCG 634	0.45%	0.00%	0.08%	0.20%	0.10%	0.07%	0.00%
Morris Balanced Income Share Class							
Retail Series TCG 435 [1]	2.45%	0.85%	0.16%	0.20%	0.10%	0.14%	1.00%
Legacy Series TCG 535	0.70%	0.25%	0.08%	0.20%	0.10%	0.07%	0.00%
Morris Balanced Growth Share Class							
Retail Series TCG 436 [1]	2.45%	0.85%	0.16%	0.20%	0.10%	0.14%	1.00%
Legacy Series TCG 536	0.70%	0.25%	0.08%	0.20%	0.10%	0.07%	0.00%
Option Writing Share Class							
Legacy Series TCG 539	0.70%	0.25%	0.08%	0.20%	0.10%	0.07%	0.00%

1 Clients invested in the Retail Series are not charged any Schedule A or Schedule B fees
2 Investment Management Fees
3 Trade entry, reconciliation & administration
4 Accounting and record keeping
5 Year end (July 30) audit, regulatory filings and legal reserve
6 Trade execution and custody
7 Referral fees are paid to your RMFS or if there is no RFMS these fees are retained by CFG

FREQUENTLY ASKED QUESTIONS

How do I withdraw my cash and how much notice is required?

Whenever you wish to withdraw funds from your portfolio, you must communicate this via email (tradedesk@croftgroup.com) or in writing (signed letter) for amounts of $10,000.00 and over, detailing the amount or withdrawal, the account(s) where the funds are to be withdrawn from, and whether the funds are to be withdrawn gross or net of any withholding taxes for withdrawals from registered accounts such as RRSPs, which are defined as de-registrations. A minimum of five business days' notice may be required to make the funds available and deliver them to you via cheque or pre-arranged EFT (electronic funds transfer.) Deposits to your account must be sent directly to your custodian via electronic banking (setup NBCN plus your account number as a payee), or can be sent through us if the cheque is made payable to NBCN for deposit to your account. For your protection, no CFG employee is permitted to handle cash or money orders on behalf of client accounts.

Who are my contacts at CFG?

At least one registered investment professional (an AR or AAR) is assigned to each client relationship to ensure a direct line of communication and accountability. Our objective is to build long-term relationships with our clients through regular, direct contact. Clients often arrange to contact the CFG advising and associate advising representatives through their RMFS. An administrative contact (admin@croftgroup.com) is also available to co-ordinate matters such as address changes, new account openings, and funds transfers.

When should I contact CFG?

Please contact CFG any time you have a question or concern regarding your account, the economy or the markets, or if you have any significant change in your investment circumstances or market risk tolerance. Please keep us up to date with respect to any changes that might impact your investment objectives, which includes letting us know if your circumstances change or if any of the information which you provided in your MIAA or account opening documentation requires updating. Such information may include: an address change; a change in employment, marital status or number of dependents; or a change in your income requirement or tax situation.

Why is the MIAA so important?

The MIAA is an investment management contract, and CFG uses the Mandate agreed to in this contract to assess whether the ranges of assets and the various types of investments in your Portfolio are suitable to help you reach your financial and personal goals.

What Statements or Reports do I receive from CFG?

You will receive a Quarterly Performance Evaluation with a detailed account statement of your Portfolio's holdings, transaction history and performance every three months in accordance with applicable requirements.

How do I read a performance report?

Performance returns represent a complex calculation of the growth of your investment portfolio, which incorporates all capital gains (earned or projected), and dividend and interest income earned (after the deduction of applicable fees and taxes). The calculation removes the impact of any contributions or withdrawals you have made to the portfolio so that you can gauge how the portfolio would have grown without any of this activity. When comparing returns for periods greater than one year, the annualized or average annual return over the reported number of years is used. For most clients, it is easier to think in terms of standardized annual time periods. Total Portfolio returns list the performance of your overall investments and can be compared against an appropriate index benchmark or a benchmark of various market indices, calculated according to the target asset mix you have set for your account.

How should I use a benchmark?

When evaluating the performance of any investment, it may be useful to compare the performance against an appropriate benchmark in order to make an informed assessment of the Managed Investment Account's performance based on its investment strategy. Generally, broad market indices, such as the S&P/TSX 300 TR index and S&P 500 index are used for this purpose as they are most well-known indices and are most likely to resemble the investment strategy of the Managed Investment Accounts. It is important to note that benchmarks do not include operating charges and transaction charges nor expenses related to the Managed Investment Account's investments, which may affect any comparison of the Managed Investment Account's performance to an index.

How do I buy and sell securities on my own?

The accounts CFG manages on your behalf are discretionary, which means that you have given us the responsibility to purchase and sell securities on your behalf provided we believe the transaction to be suitable for your Portfolio. The MIAA and the regulations that govern our registration will not permit us to enter trades at your request. Should you wish to invest a portion of your account on your own, we strongly suggest that you open a separate, self-directed brokerage account for this purpose.

What do I do with Proxy, Corporate Action and Class Action notices that I receive?

CFG is responsible for responding to corporate actions as well as proxy voting decisions for your portfolio. Typically such information is forwarded by NBCN to our firm. If this information is sent to you in error, please forward it on to us. On a best-efforts basis and where we believe there is a merit for a successful claim, we will review class action material when received and will endeavour to file these claims on your behalf if we bought or sold the securities in question for your portfolio.

What are the tax implications of my investments?

For taxable investors, the interest earned from fixed income investments is generally taxed at a higher rate than the tax for the dividends received from equities. Capital gains taxes are owed when you sell an investment at a price higher than what you originally paid.

Who provides me with tax information?

Your custodian is responsible for providing you with all tax slips and year-end summaries. If you own classes of Funds from CPC you will also receive tax slips from CPC's record keeper.

What do I do if I have a complaint?

Please see Appendix III of the MIAA.

How Do I Close My Account

You may close your Account at any time by contacting your Portfolio Manager or any of the aforementioned staff at CDS (admin@croftgroup.com). Transfer-out fees may apply.