

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Amendment No. 3

### SCHEDULE TO

(Rule 14d-100)

#### Tender Offer Statement under Section 14(d)(1) or 13(e)(1) of the Securities Exchange Act of 1934.

### CROFF ENTERPRISES, INC.

(Name of Subject Company (Issuer))

### JENSEN DEVELOPMENT COMPANY, C.S. FINANCE L.L.C. and GERALD L. JENSEN

(Name of Filing Persons (identifying status as offeror, issuer or other person))

CLASS B PREFERRED STOCK  
(Title of Class of Securities)

NONE  
(CUSIP Number of Class of Securities)

Gerald L. Jensen  
President, Member  
Jensen Development Company & C.S. Finance L.L.C.  
3773 Cherry Creek Drive North #1025  
Denver, Colorado 80209  
(303) 383-1515

(Name, address, and telephone number of person authorized to receive notices and communications on behalf of filing persons)

Copy to:  
Berliner McDonald, P.C.  
5670 Greenwood Plaza Blvd., Suite 418  
Greenwood Village, Colorado 80111-2408  
(303) 830-1700

#### CALCULATION OF FILING FEE

Transaction Valuation*	Amount of Filing Fee**
\$862,404	\$ 172.48

\*Filing fee is one-50th of one percent of the aggregate dollar amount of cash being offered by the third party to purchase 287,468 shares of its Preferred B stock, based on a price of \$3.00 per share.

{ } Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

{ } Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

{X} third-party tender offer subject to Rule 14d-1.

{ } issuer tender offer subject to Rule 13e-4.

{ } going-private transaction subject to Rule 13e-3.

{ } amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: { }

## INTRODUCTORY STATEMENT

This Amendment No. 3 amends and supplements the Tender Offer Statement on Schedule TO filed on June 16, 2005, as amended by Amendment No. 1 to Schedule TO filed on June 29, 2005, and as further amended by Amendment No. 2 to Schedule TO filed on July 5, 2005. This Tender Offer Statement on Schedule TO relates to the Tender Offer (the "Offer") by Jensen Development Company ("Jensen Development"), C.S. Finance L.L.C. ("C.S. Finance") and Gerald L. Jensen ("Jensen"), who is deemed to be an Offeror as he is in control of, and is providing financing to Jensen Development and C.S. Finance ("the Offerors"), to purchase all of the Class B Preferred Stock (the "Preferred B" shares) of Croff Enterprises, Inc. at a price of \$3.00 per share, net to the seller in cash, on the terms and subject to the conditions set forth in the Offer to Purchase dated July 5, 2005 and the related Letter of Transmittal, as amended. Although the Offer is being made to all Preferred B shareholders, the Offerors, collectively, already own approximately 47% of the outstanding Preferred B shares, which shares will not be tendered pursuant to the Offer. Copies of the Offer to Purchase, the related Letter of Transmittal, as amended, and certain other relevant documents are filed as exhibits hereto or to the original Schedule TO. The information in the Offer to Purchase, as amended, is hereby incorporated by reference in response to all the items of this Schedule TO.

### Item 1. Summary Term Sheet.

The information set forth under "Summary Term Sheet" in the Offer to Purchase is incorporated herein by reference.

### Item 2. Subject Company Information.

(a) Name and Address. The issuer of the securities subject to the Offer is Croff Enterprises, Inc., a Utah corporation ("Croff" or "the Company"). The address of the Company's principal executive office, and its mailing address, is 3773 Cherry Creek Drive North #1025, Denver, Colorado, 80209, and the telephone number of its principal executive office is (303) 383-1555.

(b) Offerors. The Offerors are Jensen Development Company, a Colorado corporation ("Jensen Development"), C.S. Finance L.L.C., a Colorado limited liability company ("C.S. Finance") and Gerald L. Jensen ("Jensen"). Jensen is the President and sole shareholder of Jensen Development and is Managing Member and 100% owner of C.S. Finance. Mr. Jensen is deemed to be an Offeror as he is in control of, and is providing some of the financing to Jensen Development and C.S. Finance who will actually purchase the tendered shares. Mr. Jensen is also the President and Chairman of the Board of Directors of Croff and beneficially owns (along with Jensen Development) 43.3% of its common stock and beneficially owns 46.8% of the Preferred B shares.

(c) Securities Subject to Tender Offer. All of the Preferred B shares of Croff Enterprises, Inc. at \$3.00 per share, cash net to seller. See Section 5 of the Offer to Purchase for certain conditions of the Offer. Although the Offer is being made to all Preferred B shareholders, the Offerors, collectively, already own approximately 47% of the outstanding Preferred B shares, which shares will not be tendered pursuant to the Offer. As of June 1, 2005 there were 540,659 shares of Preferred B shares issued and outstanding, of which Mr. Jensen and Jensen Development together held 253,191 shares or 46.8%. As originally filed, the Offerors had required as one of the conditions to the Offer that shareholders holding 100 Preferred B shares or less must tender all or none of their shares, while those holding more than 100 shares may tender all or any portion, but not less than 100 shares. This condition has been removed from the amended Offer to Purchase.

(d) Trading Market and Price. The Preferred B shares have not been registered with the Securities and Exchange Commission and are considered restricted securities under applicable law. Accordingly, there is no established trading market for the purchase or sale of the Preferred B shares. Some very limited number of the Preferred B shares have been traded from time to time through a clearinghouse maintained by Croff on its website. Croff does not establish any trading prices of the Preferred B shares, but has maintained a bid and ask forum on its website, where buyers and sellers can exchange bid and ask prices. The few actual trades in the Preferred B shares that have occurred have been limited to private transactions between buyers and sellers as arranged on the website by the parties to the transactions.

(e) Dividends. Croff's Board of Directors may declare a dividend payable from the Preferred B shares, which may be payable solely from the Company's oil, natural gas and perpetual mineral investments, the "Oil Assets", (excluding certain leases in Dewitt County, Texas). However, no dividend on Preferred B shares has been declared or paid by Croff since the Preferred B shares were issued.

(f) Prior Public Offerings. Neither the Offerors nor Croff have made any underwritten public offerings for the Preferred B shares during the past three years, or at any time, that were registered under the Securities Act of 1933 or exempt from registration under Regulation A. Jensen Development and C.S. Finance are both privately owned entities.

(g) Prior Stock purchases. Jensen Development and C.S. Finance and Jensen have not purchased any Preferred B stock during the past two years.

### Item 3. Identity and Background of Filing Person.

(a) Name and Address. The filing persons are Jensen Development Company, a Colorado Corporation (and the largest shareholder of Croff Enterprises, Inc.), C.S. Finance L.L.C., a Colorado Limited Liability Company, and Jensen. Jensen Development and C.S. Finance are wholly owned by Jensen, the Chairman of the Board and the President of Croff Enterprises, Inc., and both of which are located at 3773 Cherry Creek Drive North #1025, Denver, Colorado 80209. See Section 10, "Interest of Directors and Officers," of the Offer to Purchase for more information on the number of shares owned by Jensen Development Company and Gerald L. Jensen.

(b) Business and Background. Jensen Development Company is a Colorado Corporation which invests primarily in real estate transactions, including development and rehabilitation projects. C.S. Finance L.L.C. is a Colorado limited liability company that does private lending primarily for companies affiliated with Gerald L. Jensen. Mr. Jensen, besides wholly owning Jensen Development and C.S. Finance, is the Chairman of the Board and President of Croff. In addition, Mr. Jensen is the President of Jenex Petroleum Corporation ("Jenex"), which he wholly owns. Mr. Jensen has held these positions for over five years. The address of Jenex, Jensen Development and C.S. Finance is 3773 Cherry Creek Drive North, Suite 1025, Denver, CO 80209. All material transactions between the Offerors and Croff are set forth in Item 5 below. Neither the Offerors, nor any other persons affiliated with the Offerors have been convicted in any criminal proceeding during the last five years (excluding traffic violations or similar misdemeanors), nor have they been a party to any judicial or administrative proceeding during the past five years that resulted in a judgment, decree or final order enjoining the person or entity from future violations of, or prohibiting activities subject to, federal or state securities law, or a finding of any violation of federal or state securities laws.

### Item 4. Terms of the Transaction.

(a) *Material Terms.* The information set forth in the Introductory Statement of this Schedule TO and the following sections of the Offer to Purchase are incorporated by reference: Sections 1, 2, 3, 4, 5, 7 and 14

*Securities Sought in Tender Offer/Consideration.* This is a tender Offer to purchase all of the Preferred B shares of Croff, with the understanding that those Preferred B shares held by Mr. Jensen and Jensen Development will not be tendered. The price is \$3.00 per share in cash, net to the shareholder, with Offerors paying all costs of the tender (the "Purchase Price"). The Offerors are Gerald L. Jensen, Jensen Development Company and C.S. Finance L.L.C., which are both wholly owned by Gerald L. Jensen, the Chairman and President of Croff. The Offer is made only to those Preferred B shareholders meeting certain requirements and conditions, as described more fully in the Offer to Purchase, Section 5. As of May 25, 2005, there were 540,659 total Preferred B shares outstanding, of which 253,191 shares are owned by Mr. Jensen and Jensen Development Company. Accordingly, the Offerors are seeking to acquire in this tender offer all of the remaining 287,468 Preferred B shares.

*Offering Period.* The offer will remain open from 12:01 a.m. on the date that the Offerors' publish notice of the Offer or has sent or given the Offer to the Preferred B shareholders (the "Commencement Date") until 12:00 midnight Eastern Time on August 19, 2005 (the "Expiration Date"), unless extended by the Offerors. If the Offerors intend to extend the offering period, they will issue a press release and/or provide other public notice to the shareholders, and amend this filing, prior to the Expiration Date which shall state that the offering period has been extended for at least another ten business days.

*Withdrawal of Tenders.* Preferred B shareholders who have submitted their tender materials and have tendered their shares may withdraw their shares tendered by notifying the Depository prior to the Expiration Date, or if the offering period is extended, before the extended expiration date. The information contained in Section 3 of the Offer to Purchase is incorporated by reference.

*Procedures for Tendering and Withdrawal of Securities.* The information contained in Sections 2 and 3 of the Offer to Purchase is incorporated by reference.

*Manner in Which Securities Will be Accepted for Payment.* The information contained in Section 4 of the Offer to Purchase is incorporated by reference.

*Differences in the Rights of Security Holders as a Result of the Tender Offer.* If the Tender Offer is successful, the Offerors, along with Mr. Jensen, will collectively own all or at least a majority of the outstanding Preferred B shares. The Preferred B shares are not voting shares, except that the Preferred B shares, according to the Company's amended articles of incorporation, are the sole class of the Company's stock entitled to vote upon matters relating to the sale or liquidation of the Oil Assets and related income. In addition, the Preferred B shares have priority over all other classes of stock in the event of liquidation, distribution, merger or sale of the Oil Assets and are exclusively entitled to all dividends, distributions, other income, or other beneficial distributions based directly or indirectly on the Oil Assets. Preferred B shareholders tendering their shares in this tender offer will lose all rights and preferences assigned to the Preferred B shares. However, the tendering of Preferred B shares in the Offer will not affect a Preferred B shareholder's holdings of common or other preferred shares of the Company. A Preferred B shareholder who elects not to tender in this Offer will remain a minority Preferred B shareholder.

*Accounting Treatment of the Tender Offer.* The Offerors are not responsible for the manner in which the Company will account for the Tender Offer transaction. However, the Offerors believe that the accounting of the tender offer by the Company will recognize the change of ownership of the Preferred B shares but no financial statement effect.

*Federal Income Tax Consequences of the Tender Offer.* The Offerors are not responsible for the manner in which the Company will record the Tender Offer transaction for income tax purposes. However, the Offerors believe that since the transaction will involve the purchase of securities by the Offerors from various shareholders other than the Company, the transaction will not have an income tax effect on the Company. The Offerors believe that the transaction will have an income tax effect for those Preferred B shareholders who tender their shares, which will vary depending on their particular facts and circumstances. Generally, with respect to federal income tax, shareholders who have held their Preferred B shares for over twelve months will be entitled to capital gains treatment on the difference between the cash consideration received and the shareholder's basis in the shares. Since Preferred B shares were issued for no additional consideration in 1996, to all common shareholders on a one for one ratio, the shareholders' basis normally would be zero. Preferred B Shareholders tendering their shares are advised to consult their tax advisors regarding the taxable effect of their tender under applicable law. See Section 13 of the Offer to Purchase, which is incorporated herein by reference.

(b) *Purchases.* Officers, directors or affiliates of Croff Enterprises, Inc. subject to the conditions of the Offer set forth in section 5 of the Offer to Purchase, which is incorporated by reference, may not participate in the Offer on the same basis as our other shareholders. We have been advised that some directors of Croff intend to tender shares pursuant to the Offer, and we expect to purchase such qualified shares. The information set forth in Section 10 of the Offer to Purchase is incorporated herein by reference. Since Mr. Jensen is the sole owner of both of the Offerors, the Offerors do not anticipate that the Preferred B shares owned by Jensen Development and Mr. Jensen will not be tendered to the Offerors in the Offer.

## **Item 5. Past Contacts, Transactions, Negotiations and Agreements.**

(a) *Transactions.* Croff currently has an office sharing arrangement with Jenex Petroleum Corporation ("Jenex"), which is wholly owned by Croff's President, Mr. Jensen. The Company is not a party to any lease, but during 2004 paid Jenex for office space and all office services, including rent, phone, office supplies, secretarial, land, and accounting. Mr. Stuart Kroonenberg, the former Chief Financial Officer of the Company, was paid by Jenex pursuant to this arrangement, but served as an officer of Croff. These arrangements were entered into to reduce the Company's overhead and are currently on a month-to-month basis. The Company's expenses for these services were \$48,000, \$30,000 and \$24,000 for the years ended 2004, 2003 and 2002, respectively. Although these transactions were not a result of "arms length" negotiations, we are advised that the Company's Board of Directors approved these transactions and believes that they are reasonable.

The Company retains the legal services of Jensen, Duffin, & Dibb, LLP. Julian Jensen, a Director and shareholder of the Company, and the brother of Mr. Jensen, is part of this professional firm. Legal fees paid to this law firm for the years ending 2004, 2003, and 2002 were \$2,410, \$2,256 and \$3,109, respectively. The Company has working interests in five Oklahoma natural gas wells, which are operated by Jenex. As part of the 1998 purchase agreement, Jenex agreed to rebate to Croff \$150 of operating fees per well, each month, which now totals \$750 per month, as long as Jenex operated the wells and Croff retained its interest.

The Company compensated Richard H. Mandel, Jr., a member of its Board of Directors, 1,000 and 2,000 shares of Croff common stock during 2003 and 2004, respectively, for consulting services rendered in connection with the Company's Yorktown Re-entry Program in south Texas. The common shares were valued at \$1.00 per share for purposes of these transactions, which the Board of Directors of Croff believed at the time approximated the fair market price of the shares. Colleen Jensen, wife of Gerald L. Jensen, is an officer (Secretary) of Jensen Development Company, an Offeror. Mrs. Jensen as an employee of Jenex, has performed services for Croff as part of the overhead assistance provided to Croff by Jenex for the monthly fee.

See also Section 7 below regarding Mr. Jensen's agreement to provide financing, pursuant to a line of credit, for the benefit of Jensen Development and C.S. Finance, to purchase the Preferred B shares tendered to Offerors.

(b) Significant Corporate Events. During the past two years, Jensen Development and C.S. Finance have been involved in two significant corporate events with Croff. First, Jensen Development and C.S. Finance have been involved in the election of directors of Croff, directly, in the case of Jensen Development, as a shareholder of the Company's common stock through submission of proxy votes, and indirectly, in the case of C.S. Finance, through votes made by C.S. Finance's sole member, Mr. Jensen, who owns 114,858 shares of Croff common stock. Second, on April 14, 2005, Jensen Development and C.S. Finance submitted a proposal to Croff to purchase all of the Oil Assets of the Company. This offer was rejected by the non-management members of the Board of Directors of Croff for certain corporate and income tax reasons, but the non-management committee of the Board invited a tender offer at a higher price. This tender Offer is in response to the rejected offer. During the last two years, Mr. Jensen has acted as Chairman of the Board and President of Croff and has been involved in operating the Company.

(c) Agreements Involving the Company's Securities: None. Please see section 10 of the Offer to Purchase.

## Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.* The first purpose of the Offer is to provide the Offerors with majority control of the Preferred B shares, thereby obtaining priority beneficial interest in the Oil Assets in the event of liquidation, distribution, merger or sale of the Oil Assets. Another purpose of the Offer is to provide liquidity in the form of a cash offer to the minority Preferred B shareholders, based on the fact that there has been an extremely limited market for the Preferred B shares, and the last trades were at a price of approximately \$1 per share. The Offerors have based their \$3 per share offer upon the Company's valuation of the Oil Assets as set out in Section 7 of the Offer to Purchase, which is incorporated herein by reference. The Offer will enable the Preferred B shareholders to obtain the \$3 per share price without further cost or commission. If this Offer is successful, Offerors will likely control a majority of the Preferred B shares and thus, a controlling beneficial interest in the Oil Assets. Offerors intend to seek to separate the Oil Assets from the rest of the assets of the Company (i.e., primarily, the Dewitt County, Texas leases). The current operations of Croff relate almost entirely to operating the Oil Assets. The only oil and natural gas assets over which the Preferred B shareholders do not have a priority beneficial interest are the Dewitt County, Texas leases sold to Tempest Resources, in which the Company has the right to a 25% working interest. The Offerors believe that if their Offer is successful and they separate the Oil Assets from Croff in some fashion, the future value of Croff may depend on Croff's ability to engage in certain unknown strategic alternatives, such as a reverse merger with a private company, which effect on the value of Croff is entirely unknown. While Croff has publicly announced plans to consider certain potential strategic alternatives, Offerors do not know what transactions, if any, Croff may enter in the future. Offerors can give no assurances that Croff will engage in any strategic alternative or transaction. The concentration of the Preferred B shares in Offerors may cause a decline in trading and interest in the common shares. For those Preferred B shareholders who elect not to tender in this Offer, if Offerors, gain control of a majority of the Preferred B shares, the market for those shares may be even more limited than it is now. See Section 7 of the Offer to Purchase, which is incorporated herein by this reference.

(b) *Use of Securities Acquired.* The additional Preferred B Shares acquired in the Offer will be initially retained by the Offerors, pending a potential transaction involving the Oil Assets. If Offerors purchase enough Preferred B shares in this Offer such that they collectively have a majority of the outstanding Preferred B shares, they intend to seek to transfer the Oil Assets to a private company. However, while the Preferred B shares have a priority beneficial interest in the Oil Assets, superior in interest to any other class of Croff shares, the Oil Assets are nevertheless owned by Croff and their ultimate disposition, if any, will be determined by Croff's Board of Directors. The Preferred B shareholders have certain voting rights in the event of a proposed sale or disposition of the Oil Assets, as well as rights to receive a pro rata share of any proceeds derived from the sale or distribution of the Oil Assets.

(c) *Plans.* The Plans of the Offerors are set out in Section 7 of the Offer, which is incorporated herein by reference. Offerors can give no assurance that their views are correct or that these plans will materialize nor that if they do materialize that they will achieve the results that Offerors intend. Nor can Offerors give any assurance that Croff will pursue any potential strategic alternative or other transaction. Except as noted in Section 7 of the Offer, the Offerors have no plans, proposals and have not engaged in negotiations that relate to or would result in any of the following: (1) Any extraordinary transaction, such as a merger, reorganization or liquidation, involving the subject company or any of its subsidiaries; (2) Any purchase, sale or transfer of a material amount of assets of the subject company or any of its subsidiaries; (3) Any material change in the present dividend rate or policy, or indebtedness or capitalization of the subject company; (4) Any change in the present Board of Directors or management of the subject company, including, but not limited to, any plans or proposals to change the number or the term of Directors or to fill any existing vacancies on the Board or to change any material term of the employment contract of any executive officer; (5) Any other material change in the subject company's corporate structure or business, including, if the subject company is a registered closed-end investment company, any plans or proposals to make any changes in its investment policy for which a vote would be required by Section 13 of the Investment Company Act of 1940; (6) Any class of equity securities of the subject company to be delisted from a national securities exchange or cease to be authorized to be quoted in an automated quotations system operated by a national securities association; (7) Any class of equity securities of the subject company becoming eligible for termination of registration under Section 12(g)(4) of the Exchange Act.

## Item 7. Source and Amount of Funds or Other Consideration.

(a) *Source of Funds.* Jensen Development and C.S. Finance are prepared to purchase all of the remaining outstanding Preferred B shares of Croff Enterprises not owned by Mr. Jensen or Jensen Development (up to 287,468 shares) at \$3.00 per share. Assuming that the maximum number of shares sought are purchased at \$3 per share, the Offerors expect that the maximum aggregate cost, including all expenses, to be approximately \$870,000. The source of funds for this Offer is a contribution of cash as follows:

Jensen Development Company	\$100,000
C.S. Finance L.L.C.	\$270,000
Bank Line of credit	\$500,000
<hr/>	
<b>Total</b>	<b>\$870,000</b>

(b) There are no conditions to the above financing, which is in place and sufficient to purchase all tendered shares.

(c) *Borrowed Funds.* Gerald L. Jensen has secured a line of credit from American National Bank in the amount of \$500,000 for the benefit of Offerors. Mr. Jensen has agreed to loan Jensen Development Company whatever amounts are necessary from this line to purchase the Croff Preferred B shares, up to a maximum amount of \$500,000. This loan is secured by a pledge of Mr. Jensen's and Jensen Development Company's Croff common shares and Preferred B shares, and draws interest at one percent over prime, and is due in one year. Mr. Jensen intends to repay draws on this loan from personal resources. American National Bank has been selected by the Offerors to act as the Depositary for the Offer. Pursuant to a Croff board resolution in 2001, certain cash proceeds from income generated by the Oil Assets have been placed by Croff in an interest bearing money market account at American National Bank. The Preferred B money market account contains approximately \$270,000 in cash. The disposition of such cash is at the discretion of Croff's Board of Directors.

## Item 8. Interest in Securities of the Subject Company.

(a) *Securities Ownership.* As of December 31, 2004, Jensen Development beneficially owned 132,130 shares of the Preferred B stock of Croff Enterprises, Inc. which constitutes approximately 24% of the Preferred B shares. Gerald L. Jensen, the sole owner of Jensen Development and C.S. Finance, owns 121,061 shares of the Preferred Shares, or approximately 23%. Mr. Jensen beneficially owns 253,191, or approximately 47%, of the Preferred B shares and 246,988, or approximately 43%, of Croff's common shares, including shares owned by Jensen Development. C.S. Finance owns no Preferred B shares and no Croff common shares.

(b) *Securities Transactions.* There have been no securities transactions involving the Preferred B shares by Jensen Development, C.S. Finance or Mr. Jensen, or, to the Offerors' knowledge by Croff or any of its officers or directors, within the last 60 days.

#### **Item 9. Persons/Assets, Retained, Employed, Compensated or Used.**

(a) *Solicitations or Recommendations.* The Offerors have not retained any persons to make solicitations or recommendations in connection with the Offering.

#### **Item 10. Financial Statements.**

(a) *Financial Information* Offerors incorporate by reference the financial statements, including balance sheet for the fiscal years ending December 31, 2003 and 2004, statements of operations for the fiscal years ended December 31, 2002, 2003 and 2004, and the statements of cash flow for the fiscal years ended December 31, 2002, 2003 and 2004, as set forth in Croff's annual report on Form 10-K, as filed with the Securities and Exchange Commission on March 1, 2005. This Form 10-K was mailed to all common and Preferred B shareholders of Croff on June 6, 2005. Additional copies of the Annual Report on Form 10-K may be obtained by contacting Croff, or on Croff's website at [www.croff.com](http://www.croff.com). The filing may also be accessed on the Securities and Exchange Commission's website, [www.sec.org](http://www.sec.org). Offerors also incorporate by reference the unaudited balance sheet, statement of operations and statement of cash flows of Croff for the interim period ended March 31, 2005 and comparative period for the prior fiscal year, as set forth in the Company's interim report on Form 10-Q, as filed with the Securities and Exchange Commission on May 17, 2005. See also the selected financial information regarding Croff as set forth in Section 11 of the Offer to Purchase, which is incorporated herein by reference.

No financial information of the Offerors is provided as such information is not deemed to be material as, among other reasons, the consideration offered in the Offer consists solely of cash.

(b) *Pro Forma Information.* No pro forma financial information regarding the effect of the Offer on Croff's balance sheet, statement of income and book value per share is provided as Offerors believe such effects to be immaterial.

#### **Item 11. Additional Information.**

(a) *Agreements, Regulatory Requirements and Legal Proceedings.* The information set forth in "Section 10 – Interest of Directors and Officers; Transactions and Arrangements Concerning Shares; Participation in Offer by Preferred Shareholders," and "Section 12 – Legal Matters; Regulatory Approvals," contained in the Offer to Purchase are incorporated by reference.

(b) *Other Material Information.* The information contained in the Offer to Purchase is incorporated by reference.

#### **Item 12. Exhibits.**

- (a)(1) Offer to Purchase, dated July 15, 2005, as amended  
Shareholders Letter of Transmittal, as amended
- (a)(2)
- (a)(3) Letter to Shareholders of the Company, dated July 15, 2005, from Gerald L. Jensen.  
Form of Press Release announcing amendment to Tender Offer
- (a)(4) Offer to Purchase, dated July 5, 2005, as amended\*\*
- (a)(5) Letter to Shareholders of the Company, dated June 15, 2005, from Gerald L. Jensen\*.
- (a)(6) Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees\*.
- (a)(7) Form of Letter to Clients of Banks and Brokers\*.
- (a)(8) Press Release dated June 15, 2005, issued by Offerors\*.
- (a)(9) Letter to Shareholders of the Company, dated July 5, 2005, from Gerald L. Jensen.\*\*
- (a)(10) Commitment Letter from American National Bank to Gerald L. Jensen, dated June 9, 2005\*.
- (b)(1)

\* Previously filed on June 16, 2005

\*\* Previously filed on July 5, 2005.

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**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Schedule TO is true, complete and correct.

Jensen Development Company & C.S. Finance L.L.C.

By: /s/ Gerald L. Jensen

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Name: Gerald L. Jensen  
Title: President, Member

July 15, 2005

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## INDEX TO EXHIBITS

- (a)(1) Offer to Purchase dated July 15, 2005, as amended.  
Shareholders Letter of Transmittal, as amended.
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- (a)(9) Letter to Shareholders of the Company, dated July 5, 2005, from Gerald L. Jensen.\*\*
- (a)(10) Commitment Letter from American National Bank to Gerald L. Jensen, dated June 9, 2005.
- (b)(1)

\* Previously filed on June 16, 2005

NEWS RELEASE

**JENSEN DEVELOPMENT COMPANY, C.S. FINANCE L.L.C. AND GERALD L. JENSEN ANNOUNCE FILING OF AMENDMENT TO TENDER OFFER FOR CROFF ENTERPRISES, INC. CLASS B PREFERRED SHARES**

**DENVER , COLORADO – JULY 15, 2005 –**

Jensen Development Company, C.S. Finance L.L.C. and Gerald L. Jensen announced today that they have amended their cash Tender Offer of \$3 per share for all of the Class B Preferred shares (the “Preferred B shares”) of Croff Enterprises, Inc., not presently held by them. The Tender Offer Statement on Schedule TO was filed with the Securities and Exchange Commission on June 16, 2005. An Amendment No. 1 on Schedule TO/A was filed on June 29, 2005. Amendment No. 2 to Schedule TO was filed with the SEC on July 5, 2005. Amendment No. 3 to Schedule TO was filed July 15, 2005. Jensen Development Company and C.S. Finance L.L.C., are wholly owned by Gerald L. Jensen. Together, these two companies and Mr. Jensen are the Offerors. Previously, only Jensen Development Company and C.S. Finance L.L.C. were the Offerors. The Offerors collectively hold 253,191 Preferred B shares out of 540,659 Preferred B shares outstanding, or approximately 47% of the Preferred B shares of Croff Enterprises, Inc. The Tender Offer, at an offering price of \$3, is for the remaining 287,468 Preferred B shares not held by the Offerors. If all Preferred B shares are tendered, the transaction value of the Tender Offer is \$875,000. The amended Offer to Purchase and Letter of Transmittal are being mailed to Preferred B shareholders, but also can be accessed on the Croff website at [www.croff.com](http://www.croff.com), or the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov).

The initial Offer to Purchase dated June 16, 2005 contained as one of the conditions to the Offer that shareholders holding 100 Preferred B shares or less must tender all or none of their shares, while those holding more than 100 shares may tender all or any portion, but not less than 100 shares. This condition has been removed. The Offer is being made to all Preferred B shareholders, other than the Offerors. Preferred B shareholders may tender all or any number of their Preferred B shares.

The Offerors agreed to pay the costs of the tender offer, so there would be no cost or commission to shareholders. Each share would receive the full \$3 per share. Preferred B shares are restricted, non-voting (except for limited circumstances) shares of Croff Enterprises, Inc., which are traded in a very limited market. American National Bank, 3033 E. 1 st Avenue, Denver, Colorado 80209, is the Depository for the Offer. The amended Offer to Purchase has extended the expiration date of the tender offer to 12:00 midnight Eastern time on August 19, 2005.

Contact: Katie Eisenach  
Jensen Development Company  
3773 Cherry Creek Drive North  
Suite 1025  
Denver, Colorado 80209  
(303) 383-1555  
[Katie@croff.com](mailto:Katie@croff.com)

**LETTER OF TRANSMITTAL**

To Tender Shares of the Class B Preferred Shares of Croff Enterprises, Inc.

Tendered Pursuant to the Offer to Purchase dated July 15, 2005

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THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, EASTERN TIME ON AUGUST 19, 2005 UNLESS THE OFFER IS EXTENDED.

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The Depository for the Offer is:

By First Class Mail, Hand Delivery, Overnight, Certified or Express Mail:

JDC & CSF Depository

American National Bank, Trust Department

3033 E. First Avenue

Denver, Colorado 80206

**DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITORY. PLEASE READ THE INSTRUCTIONS IN THIS LETTER OF TRANSMITTAL CAREFULLY BEFORE COMPLETING THIS LETTER OF TRANSMITTAL.**

TO: American National Bank, Trust Department:

The person signing this Letter of Transmittal hereby tenders to Jensen Development Company, C.S. Finance L.L.C. and Gerald L. Jensen, (the "Offerors"), the shares of Class B Preferred stock (the "Preferred B shares") of Croff Enterprises, Inc. ("Croff" or "the Company") as described below, at a price per share of \$3.00, net to the seller in cash, pursuant to the Offerors' offer to purchase all of the Preferred B shares, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated July 15, 2005, receipt of which is hereby acknowledged, and in this Letter of Transmittal which, together with the Offer to Purchase, as amended or supplemented from time to time, constitute the Offer.

Subject to, and effective upon, acceptance for payment of and payment for the shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment, the undersigned hereby sells, assigns and transfers to (or upon the order of) the Offerors all right, title and interest in and to all shares tendered and irrevocably constitutes and appoints American National Bank as the true and lawful agent and attorney-in-fact of the undersigned with respect to the shares, with full knowledge that American National Bank also acts as the agent of the Offerors, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to

- (1) deliver certificate(s) representing the shares together with all accompanying evidences of transfer and authenticity, to or upon the order of the Offerors upon receipt by American National Bank, as the undersigned's agent, of the purchase price with respect to the shares;
- (2) present certificates for the shares for cancellation and transfer on the books of the Company;
- (3) receive all benefits and otherwise exercise all rights of beneficial ownership of the shares, all in accordance with the terms of the Offer.

**THE UNDERSIGNED HEREBY REPRESENTS AND WARRANTS TO OFFERORS:**

(1) the undersigned has full power and authority to tender, sell, assign and transfer the shares tendered hereby and when and to the extent the same are accepted for payment by Offerors, the Offerors will acquire good, marketable and unencumbered title thereto, free and clear of all security interests, liens, restrictions, charges, encumbrances, conditional sales agreements or other obligations relating to the sale or transfer of the shares, and not subject to any adverse claims;

(2) the undersigned understands that tenders of shares pursuant to any one of the procedures described in the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer, including the undersigned's representation and warranty that (i) the undersigned has a "net long position" within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended, in the shares being tendered or equivalent securities at least equal to the shares being tendered and (ii) the tender of the shares complies with Rule 14e-4;

(3) the undersigned understands that it is his, her or its responsibility to comply with state and federal requirements to register or meet applicable exemptions from registration for the sale of restricted securities to the Offerors and that you have been advised to consult with an attorney licensed in your state if you have questions about such requirements;

(4) the undersigned will, upon request, execute and deliver any additional documents deemed by American National Bank or the Offerors to be necessary or desirable to complete the sale, assignment and transfer of the shares tendered hereby; and

(5) the undersigned agrees to all of the terms of the Offer.

All authority herein conferred or agreed to be conferred shall not be affected by, and shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

Offerors' acceptance for payment of shares tendered pursuant to the Offer will constitute a binding agreement between the undersigned and the Offerors upon the terms and subject to the conditions of the Offer to Purchase.

The undersigned understands that Offerors will pay for shares validly and timely tendered and not withdrawn pursuant to the Offer. The undersigned understands that all shares properly tendered and not withdrawn will be purchased at the price of \$3.00 per share, all of which dollar amounts shall be net to the seller in cash, without interest thereon, upon the terms and subject to the conditions of the Offer to Purchase.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Purchase, Offerors may terminate or amend the Offer or may postpone the acceptance for payment of, or the payment for, shares tendered or may not be required to purchase any of the shares tendered hereby or may accept for payment fewer than all of the shares tendered hereby.

Unless otherwise indicated under "Special Payment Instructions," please issue the check for the purchase price of any shares purchased, and/or return any shares not tendered or not purchased, in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of any shares purchased and/or any certificates for shares not tendered or not purchased, and accompanying documents, as appropriate, to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Payment Instructions" and "Special Delivery Instructions" are completed, please issue the check for the purchase price of any shares purchased and/or return any shares not tendered or not purchased in the name(s) of, and mail said check and/or any certificates to, the person(s) so indicated.

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 DESCRIPTION OF SHARES TENDERED  
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Additional Sheets may be attached if necessary

Print Name(s) and Address(es) of Registered Holder(s) (Please fill in exactly as name appears on share certificate(s))	Number of Shares being Tendered	Total Number of Shares Represented by Certificate(s)	Certificate Number(s)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

\*Unless you indicate otherwise, it will be assumed that all shares represented by each certificate delivered to the Depository are being tendered. See Section 5 of the Offer to Purchase .

**IMPORTANT- SHAREHOLDERS SIGN HERE**

**(PLEASE ALSO COMPLETE THE SUBSTITUTE FORM W-9 INCLUDED IN THIS LETTER OF TRANSMITTAL)**

( Must be signed by the registered holder(s) exactly as the name(s) of such holder(s) appear(s) on certificate(s) for shares or on a security position listing or by person(s) authorized to become the registered holder(s) thereof by certificates and documents transmitted with this Letter of Transmittal. If signature is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth full title and see Instruction 5).

\_\_\_\_\_

(Signature(s) of Shareholder(s))

Dated \_\_\_\_\_, 2005

Name(s): \_\_\_\_\_

Address (Include Zip Code): \_\_\_\_\_

Area Code and Telephone No.: \_\_\_\_\_

Tax Identification Number or Social Security Number

(You must write it here AND complete the substitute Form W-9 included herewith): \_\_\_\_\_

**TO BE COMPLETED BY ALL TENDERING REGISTERED HOLDERS OF SECURITIES. PLEASE RETURN THIS SUBSTITUTE W-9 WITH THE LETTER OF TRANSMITTAL. DO NOT SEND TO THE INTERNAL REVENUE SERVICE.**

SUBSTITUTE REQUEST FOR TAXPAYER IDENTIFICATION NUMBER AND CERTIFICATION

**FORM W-9**

**Send the form to the requester.**

**Do not send to the IRS.**

PART 1 - TAXPAYER IDENTIFICATION NUMBER (TIN)

Name \_\_\_\_\_

Address \_\_\_\_\_

Number and Street

City, State, Zip

Enter your TIN in the appropriate space. **For individuals, this is your social security number (SSN).** However, if you are a resident alien and you do not have and are not eligible to get a

SSN, your TIN is your IRS individual taxpayer identification number. **For other entities, it is your employer identification number (EIN).** If you do not have a number, see How to Get a TIN below.

Social security number: \_\_\_\_\_ or Employer identification number: \_\_\_\_\_.

PART 2 - CERTIFICATION

UNDER PENALTIES OF PERJURY, I CERTIFY THAT:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me),

AND

2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATION INSTRUCTIONS. - You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN.

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

How to Get a TIN: If you do not have a TIN, apply for one immediately. To apply for a SSN, get Form SS-5, Application for Social Security Card, from your local Social Security Administration office. Get Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can get Forms W-7 and SS-4 from the IRS by calling 1-800-TAX-FORM (1-800-829-3676) or from the IRS's Internet Web Site at www.irs.gov

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

**(ONLY SIGN HERE IF YOU HAVE NOT SIGNED ABOVE)**

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 30% of all reportable payments due to me will be withheld, but will be refunded if I provide a Taxpayer Identification Number within 60 days.

SIGNATURE: \_\_\_\_\_

DATE: \_\_\_\_\_

**NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE W-9 FORM MAY RESULT IN BACKUP WITHHOLDING OF 30% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THIS OFFER.**

**PLEASE COMPLETE THIS PAGE ONLY IF PAYMENT IS TO BE MADE TO SOMEONE OTHER THAN THE CERTIFICATE HOLDER AND/OR DELIVERY IS TO BE MADE TO AN ADDRESS DIFFERENT FROM THAT OF THE CERTIFICATE HOLDER, AS SPECIFIED ABOVE. IF YOU COMPLETE THIS PAGE, YOUR SIGNATURE MUST BE GUARANTEED OR NOTARIZED.**

SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS

To be completed ONLY if the check for the purchase price of shares purchased and/or certificates for shares not tendered or not purchased are to be issued in the name of someone other than the undersigned or are to be mailed to someone other than the undersigned, or to the undersigned at an address other than that designated on the Letter of Transmittal.

Issue:  Check and/or  Special Payment

Share certificate(s) to:  Special Delivery \_\_\_\_\_

Tax I.D. # or Social Security #

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

**COMPLETE EITHER NOTARY OR GUARANTEE BELOW:**

**NOTARY:**

STATE OF \_\_\_\_\_ )

( SS

COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_

Signature of Certificate holder or designated executor heir, or representative

The foregoing instructions are acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2005 by \_\_\_\_\_ who personally appeared before me and subscribed to the foregoing.

My Commission Expires:

\_\_\_\_\_

; \_\_\_\_\_

Notary Public

**GUARANTEE OF SIGNATURE(S) (FOR USE BY ELIGIBLE FINANCIAL INSTITUTION ONLY)**

Name: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Area Code and Tele. No.: \_\_\_\_\_ Dated: \_\_\_\_\_, 2005

Dear Fellow Class B Preferred Shareholders,

I am the President and owner of Jensen Development Company and the owner and Managing Member of C.S. Finance L.L.C. These companies, with my assistance, are offering you \$3.00 per share for your Croff Preferred B stock. You obviously know me better as the President and Chairman of Croff Enterprises, Inc., your Company. I am writing you this letter to let you know that the Offer to Purchase and the Letter of Transmittal that you previously received, along with my letter to you of June 15, 2005, have been modified and amended. All of the reasons that I previously stated in my letter to you as to why we are making the tender offer still apply.

One of the changes to the Offer to Purchase is that I have been added as one of Offerors, although Jensen Development Company and C.S. Finance, L.L.C. are still the entities who would be purchasing your Preferred B shares. I have been added as an Offeror because I wholly own the two offering entities and because I have made certain financing available to those entities for the purchase of the tendered shares. There have also been changes made to the conditions of the offer, as shown in Section 5 of the amended Offer to Purchase. Our initial Offer to Purchase dated June 15, 2005 contained as one of the conditions to the Offer that shareholders holding 100 Preferred B shares or less must tender all or none of their shares, while those holding more than 100 shares may tender all or any portion, but not less than 100 shares. **Please note that this condition has been removed. The Offer is being made to all Preferred B shareholders, other than the Offerors, and you may tender all or any number of your P referred B shares.** There are many other changes that were made throughout the amended Schedule TO, Offer to Purchase and Letter of Transmittal. **Because of these various changes to the Offer, we have agreed to extend the offering period until 12:00 midnight Eastern time on August 19, 2005.**

If you have already tendered your shares and decide, after reading the amended filings, that you wish to withdraw your tender of your shares, you may do so according to the procedures set forth in the amended Offer to Purchase, prior to the expiration of the offering period. Otherwise, you will be paid for your tendered shares shortly after the expiration of the Offer.

We would urge you to complete the amended letter of transmittal and tender your Preferred B shares to take advantage of this opportunity.

Very Truly Yours,

Jensen Development Company

By: \_\_\_\_\_

Gerald L. Jensen, President

3773 Cherry Creek Drive North #1025

Denver, Colorado 80209

OFFER TO PURCHASE FOR CASH

All of the Class B Preferred Shares of Croff Enterprises, Inc.,

Except those Class B Preferred Shares Owned by Offerors

at a Purchase Price of \$3.00 Per Share.

July 15, 2005

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THE OFFER TO PURCHASE AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, EASTERN TIME, ON AUGUST 19, 2005, UNLESS THE OFFER TO PURCHASE IS EXTENDED.

*Introduction.* This Offer to Purchase amends and supplements the Offer to Purchase delivered to you previously dated June 15, 2005. Since there are changes throughout the Offer to Purchase from the prior Offer to Purchase dated June 15, 2005, we suggest strongly that you read the entire Offer to Purchase, as amended, before deciding whether to tender your shares in this tender offer. If you have already tendered your shares, you may withdraw your tender at any time prior to the expiration of the Offer. See Section 3.

Jensen Development Company, a Colorado corporation ("Jensen Development") C.S. Finance, L.L.C., a Colorado limited liability company ("C.S. Finance") and Gerald L. Jensen ("Jensen") (together, "Offerors"), invites the shareholders of Croff Enterprises, Inc.'s ("Croff") Class B Preferred stock (the "Preferred B shares") to tender Preferred B shares, at \$3.00 per share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, along with this Offer to Purchase, together constitute the "Offer"). Although the Offer is being made to all Preferred B shareholders, the Offerors, collectively, already own approximately 47% of the outstanding Preferred B shares, which shares will not be tendered pursuant to the Offer. "We," as used in this Offer to Purchase, refers to the Offerors. The Offer is not conditioned upon the tender of a specified number or percentage of the Preferred B shares. All Shares properly tendered and not withdrawn will be purchased at \$3.00 per share in cash, net to the shareholder, with Offerors paying all costs of the tender (the "Purchase Price") on the terms and subject to the conditions of the Offer.

TO TENDER YOUR SHARES YOU MUST CAREFULLY FOLLOW THE PROCEDURES DESCRIBED IN SECTION 2 AND THE LETTER OF TRANSMITTAL.

If you have any questions or need assistance, you should contact Katie Eisenach or Gerald L. Jensen, the information agents for the Offer. You may request additional copies of this document, the Letter of Transmittal from the information agents. Katie Eisenach and/or Gerald L. Jensen may be reached at:

Jensen Development Company

3773 Cherry Creek Drive North #1025

Denver, Colorado 80209

(303) 383-1515

**SUMMARY TERM SHEET**

Set forth below is a summary of the terms of this Offer in question and answer format. The Summary Term Sheet does not describe all of the details of the Offer. We have included in the summary references to the sections of this document where you will find a more complete discussion of each of the topics mentioned in the summary.

**Who is offering to buy my securities?**

Jensen Development Company, C.S. Finance L.L.C. and Gerald L. Jensen (the "Offerors") have issued this Tender Offer to purchase your securities. Jensen Development and C.S. Finance are wholly owned by Mr. Jensen, President and Chairman of the Board of Croff Enterprises, Inc. ("Croff"). Mr. Jensen, while not purchasing the shares being tendered in the Offer, has been added as an Offeror as he controls Jensen Development and C.S. Finance and is making certain financing available to such entities to purchase the shares. See Section 8. Mr. Jensen, together with Jensen Development, beneficially owns approximately 43.4% of Croff's publicly traded common stock and 46.8% of the privately held Preferred B shares, as of December 31, 2004. The Offerors are deemed to be affiliates of Croff under applicable securities laws and regulations. See Section 10, "Interest of Directors and Officers; Transactions and Arrangements Concerning Shares; Participation in Offer by Preferred Shareholders," for more information.

**What is the class and amount of securities sought in the Offer?**

We are offering to purchase all of the outstanding Preferred B shares of Croff. Although the Offer is being made to all Preferred B shareholders, we, collectively, already own approximately 47% of the outstanding Preferred B shares, as of December 31, 2004, which shares we will not tender pursuant to the Offer. We are seeking to purchase up to the remaining balance of 287,468 Preferred B shares, or any lesser number of shares that shareholders properly tender in the Offer. See Section 1, "Terms of Offer; Number of Shares; Price; Expiration Date."

**How much are the Offerors offering to pay for my securities and what is the form of payment?**

We are offering to purchase the Preferred B shares for a cash purchase price of \$3.00 per share (the "Purchase Price"). There will be no broker's fees, commissions, or transaction costs, so each shareholder tendering their Preferred B shares will receive \$3 per tendered share in the form of a check. Shareholders whose shares are purchased in the Offer will receive the cash Purchase Price as soon as practicable after receipt and acceptance of a proper tender of their shares upon expiration of the Offer. No interest will be payable on the Purchase Price. See Section 4, "Acceptance For Payment of Shares and Payment of Purchase Price," and Section 1, "Terms of Offer; Number of Shares; Price; Expiration Date," for a more detailed discussion of the Purchase Price.

**Do the Offerors have the financial resources to make payment?**

Yes. We have cash on hand of at least \$370,000 and have arranged for a line of credit from American National Bank for an additional \$500,000, sufficient to fund the purchase of all potential shares. See Section 8, "Source and Amount of Funds," for a more detailed discussion of the source and amount of funds for the transaction.

**Is the financial condition of the Offerors relevant to my decision on whether to tender in the Offer?**

No. Since we have secured sufficient cash to purchase all of the remaining Preferred B shares at the Purchase Price, our financial condition should not be relevant to your decision on whether to tender your shares in the Offer.

**How long do I have to tender in the offer?**

You have until 12:00 midnight, Eastern Time on August 19, 2005 (the "Expiration Date"), at which time the Offer will expire unless we decide to extend the offering period. See Section 1, "Terms of the Offer; Number of Shares; Price Expiration Date," for a more detailed discussion of the offering period and expiration of the Offer.

**Can the offer be extended, amended or terminated, and under what circumstances?**

We can extend, amend or terminate the Offer. If we extend the term of the Offer, we expect that it will be on the same price and other terms as in the initial offering period. See Section 1, "Terms of the Offer; Number of Shares; Price; Expiration," and Section 14, "Extension of Tender Period; Termination; Amendments," for a more detailed discussion of extension and amendment of the Offer.

We can terminate the Offer under certain circumstances, which include, among other things, the threat or institution of legal proceedings or action by a governmental agency challenging the acquisition of shares pursuant to this tender offer, the threat or passage of any law or regulation which adversely impacts the consummation of the Offer, or the occurrence of any event that has resulted, or may in our reasonable judgment result, in an actual or threatened change in Croff's business. See Section 5, "Conditions of the Offer," for a more detailed description of these and other circumstances under which the offer may be terminated.

**How will I be notified if the Offer is extended?**

We will announce any extension either through a press release or other public announcement or a subsequent mailing to the shareholders. In addition, we have been advised that Croff will post all such announcements or Press Releases on its website at [www.croff.com](http://www.croff.com).

**Are there any conditions to the Offer?**

All Preferred B shares properly tendered in these amounts and not withdrawn will be purchased at the Purchase Price, on the terms and subject to the conditions of the Offer. For further conditions on the Offer, see Section 5 of the Offer to Purchase

Our initial Offer to Purchase dated June 15, 2005 contained as one of the conditions to the Offer that shareholders holding 100 Preferred B shares or less must tender all or none of their shares, while those holding more than 100 shares may tender all or any portion, but not less than 100 shares. Please note that this condition has been removed. The Offer is being made to all Preferred B shareholders, other than the Offerors and you may tender all or any number of your Preferred B shares.

However, we will not be obligated to purchase any shares if, in our good faith reasonable judgment:

1. any action or threatened action by any governmental agency or other person is instituted that challenges or otherwise adversely affects our ability to make or complete the tender; or
2. certain other conditions exist, including the threat or passage of any law or regulation which adversely impacts the consummation of the Offer; or
3. we determine, in our sole discretion, based upon the information provided by you in your Letter of Transmittal and associated documents, that your sale of your Preferred B shares to us would not be exempt from the registration requirements of the federal and applicable state securities laws

**How do I tender my shares?**

*Shares Held In Your Own Name.* If the share certificates are registered in your own name, you should send as soon as possible on or prior to the Expiration Date the following documents to American National Bank, the Depository for this Offer, in the enclosed envelope, to the address specified on page 1 of the "Letter of Transmittal" enclosed with this Offer:

1. **The stock certificate(s) for the shares being tendered;**
2. **A completed and signed Letter of Transmittal; and**
3. **A completed and signed "Substitute W-9" (on page 4 of the Letter of Transmittal).**

A pre-addressed envelope is enclosed for your convenience. Your signature on the Letter of Transmittal does not need to be guaranteed by an eligible guarantor institution unless you completed either of the sections entitled "Special Payment Instructions" or "Special Delivery Instructions" included with the Letter of Transmittal (in which case payment and delivery will not be made to the registered holder) or your signature on the Letter of Transmittal is not exactly as the name of the registered holder(s) appears on the certificate(s) for the shares being tendered.

*Shares Held by Your Broker or Other Nominee.* If your shares are registered in the name of a broker or other nominee, you should instruct your broker or other nominee to tender the shares on your behalf. Your broker or other nominee will execute a Letter of Transmittal on your behalf. See Section 2 for a more detailed discussion of the procedure for tendering shares.

**What should I do if my stock certificates have been lost, stolen, destroyed or mutilated?**

If your stock certificates have been lost, stolen, destroyed or mutilated, you should contact Kelle Thomas at Croff Enterprises, Inc., at 303-383-1555 or [kelle@croff.com](mailto:kelle@croff.com), immediately to obtain instructions for replacing them or to obtain an Indemnity and Conveyance Agreement acceptable to Offerors without the certificates. This Indemnity and Conveyance Agreement would then be sent to the Depository, with your letter of Transmittal, and the signature guarantee if applicable.

**Until what time can I withdraw previously tendered shares?**

You can withdraw shares previously tendered until the earlier of (1) the date the shares are accepted by Offerors for payment, or (2) until 12:00 midnight Eastern Time on August 19, 2005 (the "Expiration Date"). If the Offer is extended beyond that time, you may withdraw your tendered shares at any time until the earlier of (1) the shares are accepted for payment by Offerors, or (2) the expiration of the Offer.

### **How do I withdraw previously tendered shares?**

You must send a notice containing your name, the number of shares tendered, the number of shares you wish to withdraw and the name of the registered holder to the Depository, American National Bank, and the Depository must receive the notice before the time to withdraw shares has expired.

If you delivered or otherwise identified the certificates to the Depository, American National Bank, you will need to provide the serial numbers on those certificates and your signature on your withdrawal notice must be guaranteed by an eligible institution, which means a bank, broker, dealer or other firm or entity that is a member in good standing of an approved signature guarantee medallion program, or have your signature duly notarized. See section 2.

### **Will Croff remain a public company after this transaction?**

Yes, Croff will remain a public company since this transaction does not affect its common voting shares. This tender offer is only for the Preferred B shares, which are restricted, non-voting shares, except for voting on matters affecting Croff's oil and gas assets, and excluding the Company's leases in Dewitt County Texas (the "Dewitt Leases"). The Preferred B shares have preferential rights, in the event of liquidation, distribution, merger or sale, to the oil, gas and perpetual mineral investments of Croff other than the Dewitt Leases (the "Oil Assets"). The Preferred B shares do not have a priority interest in the Dewitt Leases. If you tender your shares in this Offer you will receive cash for your Preferred B shares. The common shares will continue to trade in the over the counter market. In the future, if we are successful in our plans after this Offer (see Section 7 below), the value of those common shares will be determined by the future prospects of the Company without the Oil Assets, that is, primarily based upon the operation of the Company's Dewitt leases. On April 8, 2005, Croff announced that its Board of Directors had voted to review Croff's strategic alternatives. The future value of the Company may depend on what actions the Board takes, such as a merger or acquisition, which are currently unknown and entirely under the Board's control. See Section 7 for more information.

### **If I decide not to tender, how will the Offer affect my Preferred B shares?**

If you decide not to tender, you will be a minority shareholder of the Preferred B shares, while the majority of the Preferred B shares most likely would be held by us. After the Offer is concluded, we intend to seek greater control over the Oil Assets and/or attempt to separate the Oil Assets from the other assets of the Company. In any of these events, there will likely be an even more limited market for the Preferred B shares than there is at present. The Preferred B shares may be worth less based upon being less marketable. You also may have difficulty in selling the shares. In the event of liquidation, distribution, merger or sale of the Oil Assets, the rights and preferences of the Preferred B shares provide that you will be paid your pro rata share of the net asset value of the Oil Assets. In addition, in the event of certain events such as a merger, which would impact your Preferred B shares, you may have the right under Utah law to dissent to such transaction, or the amount being offered to you in such transaction, and demand payment of the fair value of your Preferred B shares. In the event of such a transaction, we recommend you consult with legal counsel about your rights and whether you have a right to dissent under Utah law. If you are also a common shareholder, as most Preferred B shareholders are, whether or not you tender your Preferred B shares, if we are successful in our efforts to gain control of, and transfer or reorganize the Oil Assets, the Company and the common shareholders will essentially be left with the Dewitt Leases as the principal assets of the Company. See Section 7 for more information.

### **Did the Company consider transactions other than the proposed Offer?**

Yes. Croff considered our initial offer to purchase the Oil Assets in a transaction in which Croff would exchange the net pro rata proceeds of such sale for the Preferred B shares. However, that proposal was rejected by Croff. We were advised that if the Company sold the Oil Assets to us and bought back or extinguished the preferred B shares, while distributing the proceeds of such a sale to the shareholders, there would be adverse tax consequences. The Company advised us that its tax basis in many of the Oil Assets is low, and a sale of those assets would result in a substantial tax bill to the Company in the range of hundreds of thousands of dollars. This would have lowered the value of the Oil Assets. A distribution of sale proceeds to the Preferred B shareholders might also be considered a dividend for income tax purposes, which could have resulted in an ordinary gain to the shareholder, an adverse result which could have cost many shareholders a larger tax on such a transaction. Offerors believe this Offer is more favorable to the Company and the shareholder seeking a market for the Preferred B shares.

### **Do Croff insiders or affiliates have any material interest in the transaction?**

This Offer is being made by the Offerors, Jensen Development, C.S. Finance and Mr. Jensen. The Offerors, collectively or separately, are affiliates of Croff. Jensen Development Company is currently the largest common and Preferred B shareholder of Croff Enterprises, Inc. Mr. Jensen owns approximately 22.4% of the Preferred B shares and approximately 18.46% of Croff's common stock. In addition, Jensen Development and C.S. Finance are wholly owned by Gerald L. Jensen, the Chairman of the Board and President of Croff. Mr. Jensen, together with Jensen Development, owns approximately 43% of Croff's common stock and approximately 47% of the Preferred B shares, prior to the Offer. The Offerors are both insiders and affiliates of Croff, either on their own and/or because of their affiliation with Mr. Jensen. As insiders and affiliates, the Offerors may be deemed to have a more extensive knowledge of the Company than an outside shareholder.

### **Does Croff recommend that I tender in the offer?**

The Croff Board of Directors, excluding Mr. Jensen, constituted a non-management committee of the board, have authorized the statement below: "The non-management committee unanimously believe that a tender offer is a good alternative, from a financial perspective, for the Croff Preferred B shareholders generally, at this time. The same Directors also unanimously believe that each preferred B shareholder should decide whether or not to tender shares in this Tender Offer based upon their specific situation and investment objectives. Therefore the non-management committee makes no recommendation for or against this Tender Offer. For your information, each Director on the non-management committee has expressed an inclination to tender all or part of his shares in this Tender Offer." Otherwise, none of the other directors have any interest in the transaction. You must make the decision whether to tender your Preferred B shares, and if so how many shares to tender.

### **How will I be paid for my shares?**

Checks for all accepted and valid tenders made on or before the Expiration Date will be issued from Offerors' Depository account at American National Bank as promptly as practicable after the Expiration Date, or extended expiration date. See Section 4 for additional information on payment for shares.

### **Will I have to pay taxes if I sell my shares?**

Generally, with respect to federal income tax, shareholders who have held their Preferred B shares for over twelve months will be entitled to capital gains treatment on the difference between the cash consideration received and the shareholder's basis in the shares. Since Preferred B shares were issued for no

additional consideration in 1996 to all common shareholders on a one for one ratio, the shareholders basis may be zero, or an allocation of his common share basis. See Section 13 for information on income tax accounting consequences of the Offer.

We are not responsible for the manner in which the Company will record the Tender Offer transaction for income tax purposes. However, the Offerors believe that since the transaction will involve the purchase of securities by the Offerors from various shareholders other than the Company, the transaction will not have an income tax effect on the Company. The Offerors believe that the transaction will have an income tax effect for those Preferred B shareholders who tender their shares. **Each shareholder should consult his, her or its own tax advisor as to the particular United States federal, and state, income tax consequences to that shareholder of tendering shares pursuant to the Offer and the applicability and effect of any state, local or foreign tax laws and recent changes in applicable tax laws.**

#### **How will this transaction affect the value of my common shares?**

If this Offer is successful, Offerors will probably control a majority of the Preferred B shares. Offerors intend to seek to separate the Oil Assets from the rest of the assets of the Company. The current operations of Croff are almost entirely the Oil Assets. If the Oil Assets are separated from the Company, the only oil and natural gas assets remaining with the common shares are the Dewitt County, Texas leases sold to Tempest Resources, in which the Company has the right to a 25% working interest. The future value of Croff's common shares will depend, in any event, on the strategic direction pursued by the Board of Directors. The concentration of the Preferred B shares in Offerors may cause a decline in trading and interest in the common shares. See Section 7 below for further information.

#### **Who can I talk to if I have questions about the tender offer?**

Questions or requests for assistance or for additional copies of the Offer to Purchase, the Letter of Transmittal or other Tender Offer materials may be directed to the Information Agents, Katie Eisenach at (303) 383-1515, or [katie@jenex.net](mailto:katie@jenex.net). Questions addressed to Ms. Eisenach may be forwarded to Gerald L. Jensen for response. If you have any questions about your Croff shares, you may call Kelle Thomas at Croff Enterprises, Inc. at 303-383-1555 or email [kelle@croff.com](mailto:kelle@croff.com). Copies of such materials will be furnished promptly at the Offerors' expense. Questions regarding the procedures for tendering your shares can be directed to American National Bank, the Depository for the Offer, at the address and telephone number set forth in the Letter of Transmittal. Questions concerning your shares of Preferred B stock should be directed to Croff Enterprises, Inc. Shareholders may also contact their local broker, dealer, commercial bank or trust company for assistance concerning the Offer.

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FORWARD-LOOKING STATEMENTS

This Offer to Purchase contains statements that are not historical facts and constitute projections, forecasts or forward-looking statements. In addition, this Offer to Purchase contains information relating to Croff that is based on the beliefs of Offerors, one of whom (Mr. Jensen) is an executive officer and director of Croff, as well as assumptions made by and information currently available to management of Croff which is known, in whole or in part, by Offerors. When we use words like "believes," "expects," "anticipates," "intends," "plans," "estimates," "may," "should" or similar expressions, or when we discuss our strategy or plans, or what we believe to be the strategy and plans of Croff, we are making projections, forecasts or forward-looking statements. These statements are not guarantees of performance. They involve risks, uncertainties and assumptions that could cause future results and shareholder value to differ materially from those expressed in these statements. Many of the factors that will determine these results and value are beyond our ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future. These risks and uncertainties include, among others:

- supply and demand for products and services sold by Croff;
- national, regional and local economic, competitive and regulatory conditions and developments;
- competitive pricing pressures;
- fluctuation in commercial finance rates and availability of commercial financing;
- the timing and success of business development efforts; and
- other uncertainties, all of which are difficult to predict and many of which are beyond our control.

SECTION 1. TERMS OF THE OFFER; NUMBER OF SHARES; PRICE; EXPIRATION DATE

*Number of Shares; Price.* Upon the terms and subject to the conditions described herein and in the Letter of Transmittal, we will purchase all of the Preferred B shares issued by Croff Enterprises, Inc. that are validly tendered on or prior to the Expiration Date of the Offer, and not properly withdrawn in accordance with the procedures in Section 3, at a price of \$3.00 per share, net to the seller in cash, without interest thereon (the "Purchase Price"). Since we, collectively, already own approximately 47% of the outstanding Preferred B shares, those shares owned by us or our affiliates will not be tendered pursuant to the Offer. There are 540,659 Preferred B shares outstanding, as reported by Croff as of December 31, 2004. Mr. Jensen and Jensen Development own collectively 253,191 shares. Thus, the maximum number of Preferred B shares we are seeking in the Offer is 287,468 shares.

*Expiration Date.* The Offer will expire on the later of 12:00 midnight Eastern Time, on August 19, 2005, or the latest time and date to which the Offer is extended pursuant to Section 14 (the "Expiration Date").

*Right to Extend, Amend or Terminate Offer.* As explained in Section 14, subject to the applicable regulations of the Securities and Exchange Commission (the "SEC" or "the Commission"), we have the right, in our sole discretion, to (i) delay acceptance for payment of, or payment for, any shares pending our determination of the seller's qualifications to meet certain requirements necessary to sell the shares to us without a registration statement (see Section 5, Conditions to the Offer) and pending receipt of any regulatory approval specified in Section 12, (ii) extend the period of time the Offer is open, or (iii) amend the terms of the Offer. We can also terminate the Offer if one of the conditions set forth in Section 5 exists. If we extend the term of the Offer, we expect that it will be at the same Purchase Price and other terms as in the initial offering period. If we amend the Offer to increase or decrease the price to be paid for the shares, we will provide notice publicly of such an amendment and the Offer will remain open for at least ten business days from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified in Section 14. Any such extension, delay, termination, or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled Expiration Date. We will promptly notify the Preferred B shareholders of any amendment, extension or other material change in the terms of the Offer by making a public announcement in a manner in compliance with Rule 14d-4(d), promulgated under the Securities Exchange Act of 1934, which would include a press release or subsequent mailing to the shareholders. We have also been advised that Croff will post any such announcements on its website at <http://www.croff.com>. See Section 14, "Extension of Tender Period; Termination; Amendments." We have no present intent to exercise our right to extend or amend the terms of the Offer.

**THIS OFFER IS NOT CONDITIONED ON ANY MINIMUM NUMBER OF PREFERRED B SHARES BEING TENDERED. HOWEVER, THE OFFER IS SUBJECT TO CERTAIN OTHER CONDITIONS. See Section 5, "Conditions of the Offer."**

*Prompt Return of Shares Not Purchased.* All Preferred B shares not purchased pursuant to this Offer will be returned to the tendering shareholder at our expense as promptly as practicable following the Expiration Date of the Offer.

*Business Day.* For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern Time. In computing time periods in the Offer, the date of the event that begins the running of such time period shall be included, except that if such event occurs on other than a business day such period shall begin to run on and shall include the first business day thereafter.

*Dissemination of Offer.* Copies of this Offer to Purchase and the related Letter of Transmittal are being mailed to record holders of Preferred B shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

SECTION 2. PROCEDURE FOR TENDERING SHARES

*Shares Registered In Your Own Name.* To tender shares registered in your own name, you must send -- on or prior to the Expiration Date -- the following documents to American National Bank, JDC & CSF Depository, Trust Department, 3033 E. First Avenue, Denver, CO 80206, the Depository for this Offer in the enclosed addressed and stamped envelope:

1. **The stock certificate(s) for the shares being tendered;**
2. **A completed and signed Letter of Transmittal including;**
3. **A completed and signed "Substitute W-9" (page 4 of the Letter of Transmittal)**

A pre-addressed stamped envelope is enclosed for your convenience. Your signature on the Letter of Transmittal does not need to be guaranteed by an eligible guarantor institution unless you completed either of the sections entitled "Special Payment Instructions" or "Special Delivery Instructions" on the Letter of Transmittal (in which case payment and delivery will not be made to the registered holder) or your signature on the Letter of Transmittal is not exactly as the name of the registered holder(s) appears on the certificate(s) for the shares being tendered.

*Shares Registered in the Name of a Broker or Other Nominee.* If your shares are registered in the name of a broker or other nominee, you should instruct your broker or other nominee to tender the shares on your behalf. Your broker or other nominee will execute a Letter of Transmittal on your behalf. The shares must be tendered on or prior to the Expiration Date. Your broker or other nominee will execute a Letter of Transmittal on your behalf and will send the certificate(s) evidencing the shares to American National Bank.

*Lost, Stolen, Destroyed or Mutilated Certificates.* If your stock certificates have been lost, stolen, destroyed or mutilated, you should contact Kelle Thomas at Croff Enterprises, Inc., at 303-383-1555 or kelle@croff.com immediately to obtain instructions for replacing them or to obtain an Indemnity and Conveyance Agreement document to be submitted with the Letter of Transmittal and the signature guarantee Conveyance Agreement document to be submitted with the Letter of Transmittal and the signature guarantee page if applicable. Your tender with respect to lost, stolen, destroyed or mutilated certificates will not be valid until the required documentation has been completed by you and received by the Depository.

*Signature Guarantee Not Required.* Signatures on a Letter of Transmittal do not need to be guaranteed if (a) the Letter of Transmittal is signed by the registered holder of the shares and the holder has not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (b) the shares are tendered for the account of an eligible institution. (For purposes of this section, a "registered holder of the shares" includes a participant in the book-entry transfer facility whose name appears on a security position listing as the holder of the shares being tendered).

*Guarantee of Signature.* As specified above, in the section, "Signature Guarantee Not Required," if "Special payment Instructions" or "Special Delivery Instructions" sections are completed on the form accompanying the Letter of Transmittal, then all signatures on a Letter of Transmittal either (1) must be signed in front of a notary and notarized, or (2) must be guaranteed by a firm that is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., or by a commercial bank, a trust company, a savings bank, a savings and loan association or a credit union which has membership in an approved signature guarantee medallion program, each of the foregoing being referred to as an "eligible institution." You need only complete one or the other of the notarization or signature guarantee.

THE METHOD OF DELIVERY OF SHARES AND ALL OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER.

*Federal Income Tax Backup Withholding.* **To prevent United States federal income tax backup withholding equal to 30% of the gross payments made pursuant to the Offer, each tendering shareholder must provide the Depository with the shareholder's correct taxpayer identification number and certain other information by properly completing the substitute Form W-9 included as page 4 of the Letter of Transmittal.** Foreign shareholders, as defined in Section 13, must submit a properly completed Form W-8BEN, which may be obtained from the Depository. For a discussion of certain federal income tax consequences to tendering shareholders, see Section 13. Each shareholder is urged to consult with his, her or its own tax advisor regarding his, her or its qualification for exemption from backup withholding and the procedure for obtaining any applicable exemption.

*Determinations of Proper Form of Documentation/Validity.* All questions as to the form of documents, the number of shares to be accepted and the validity, eligibility, including time of receipt, and acceptance for payment of any tender of shares will be determined by us, in our sole discretion, which determination shall be final and binding on all parties. We reserve the absolute right to reject any or all tenders of shares that we determine are not in proper form or the acceptance for payment of, or payment for, shares that may, in the opinion of our counsel, be unlawful. Offerors also reserve the absolute right to waive any defect or irregularity in any tender of any particular shares, except any defect or irregularity that may, in the opinion of our counsel be unlawful. None of the representatives of Croff, the Depository or any other person is or will be under any duty to give notice of any defect or irregularity in tenders, nor shall any of them incur any liability for failure to give any such notice.

*Proper Delivery to Depository.* Certificates for shares together with a properly completed Letter of Transmittal or, and any other documents required by the Letter of Transmittal, must be delivered to American National Bank and not to us. We assume no obligation to forward to the Depository any Letters of Transmittal or other documents improperly delivered to us.

*Tendering Shareholder's Representation and Warranty that Our Acceptance Constitutes an Agreement.* A tender of shares pursuant to any of the procedures described above will constitute the tendering stockholder's acceptance of and agreement to the terms and conditions of the Offer, as well as the tendering stockholder's representation and warranty to us that (a) the stockholder has a "net long position" (as defined in Rule 14e-4 promulgated by the Commission under the Exchange Act) in the shares or equivalent securities at least equal to the shares tendered within the meaning of Rule 14e-4 and (b) the tender of shares complies with Rule 14e-4. It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender shares for that person's own account unless, at the time of tender (including any extensions thereof), the person so tendering (i) has a net long position equal to or greater than the amount of (x) shares tendered or (y) other securities immediately convertible into or exchangeable or exercisable for the shares tendered and will acquire the shares for tender by conversion, exchange or exercise and (ii) will deliver or cause to be delivered the shares in accordance with the terms of the Offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. Our acceptance for payment of shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and the Offerors upon the terms and conditions of the Offer.

### SECTION 3. WITHDRAWAL RIGHTS

*Withdrawal of Tendered Shares.* Tenders of shares made pursuant to the Offer may be withdrawn at any time prior to Expiration Date, or if the offering period is extended, until the expiration of the extended offering period. Thereafter, tenders are irrevocable. If we extend the period of time during which the Offer is open, are delayed in purchasing shares or are unable to purchase shares pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depository may, on behalf of us, retain all shares tendered, and the shares may not be withdrawn except as otherwise provided in this Section 3, subject

to Rule 14e-1(c) under the Exchange Act, which provides that parties making the tender offer shall either pay the consideration offered, or return the tendered securities, promptly after the termination or withdrawal of the tender offer.

*Withdrawal of Shares Held in Physical Form.* Tenders of shares made pursuant to the Offer may not be withdrawn after the Expiration Date. For a withdrawal to be effective prior to that time, a shareholder of shares held in physical form must provide a written, telegraphic or facsimile transmission notice of withdrawal to the Depository at its address set forth in the Letter of Transmittal before the Expiration Date, which notice must contain: (A) the name of the person who tendered the shares; (B) a description of the shares to be withdrawn; (C) the certificate numbers shown on the particular certificates evidencing the shares; (D) the signature of the shareholder executed in the same manner as the original signature on the Letter of Transmittal, including any signature guarantee, if such original signature was guaranteed; and (E) if the shares are held by a new beneficial owner, evidence satisfactory to the Offerors that the person withdrawing the tender has succeeded to the beneficial ownership of the shares. A purported notice of withdrawal which lacks any of the required information will not be an effective withdrawal of a tender previously made.

*Rescission of Withdrawals Not Permitted.* Any permitted withdrawals of tenders of shares may not be rescinded, and any shares so withdrawn will thereafter be deemed not validly tendered for purposes of the Offer; provided, however, that withdrawn shares may be re-tendered prior to the Expiration Date by following the procedures for tendering.

*Form and Validity of Withdrawals.* All questions as to the form and validity, including time of receipt, of any notice of withdrawal will be determined by Offerors in their sole discretion, which determination shall be final and binding on all parties. None of the Offerors, the Depository or any other person is or will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

#### SECTION 4. ACCEPTANCE FOR PAYMENT OF SHARES AND PAYMENT OF PURCHASE PRICE

*Prompt Acceptance and Payment.* Upon the terms and subject to the conditions of the Offer and as promptly as practicable after the Expiration Date, we will accept for payment and pay the Purchase Price for shares validly tendered and not withdrawn. Thereafter, payment for all shares validly tendered on or prior to the Expiration Date and accepted for payment pursuant to the Offer will be made by the Depository by check as promptly as practicable. In all cases, payment for shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depository of certificates for such shares, a properly completed and duly executed Letter of Transmittal with any required signature guarantees, and any other required documents.

*Possible Payment Delay.* Payment for shares may be delayed in the event of difficulty in determining the number of shares properly tendered or in the event of certain other circumstances. We reserve the right to delay payment of shares as is necessary or required by law.

*Required Federal Income Tax Withholding.* Any tendering shareholder or other payee who fails to complete fully and sign the substitute Form W-9 included as Page 4 of the Letter of Transmittal, or, in the case of a foreign individual, a Form W-8, may be subject to required federal income tax withholding of 30% of the gross proceeds paid to such shareholder or other payee pursuant to the offer. See Section 13 for more information.

#### SECTION 5. CONDITIONS OF THE OFFER

Our initial Offer to Purchase dated June 15, 2005 contained as one of the conditions to the Offer that shareholders holding 100 Preferred B shares or less must tender all or none of their shares, while those holding more than 100 shares may tender all or any portion, but not less than 100 shares. Please note that this condition has been removed. The Offer is being made to all Preferred B shareholder, other than the Offerors, and you may tender all or any number of your Preferred B shares. <

*Change of Circumstances.* Notwithstanding any other provision of the Offer, we will not be required to accept for payment or pay for any shares tendered, and we may terminate or amend and may postpone, subject to the requirements of the Exchange Act for prompt payment for or return of shares tendered, the acceptance for payment of shares tendered, if at any time prior to the Expiration Date, and as extended, any of the following conditions shall exist:

(a) there shall have been threatened, instituted or pending any action or proceeding by any government or governmental, regulatory or administrative agency or authority or tribunal or any other person, domestic or foreign, or before any court, authority, agency or tribunal that challenges the acquisition of shares pursuant to the Offer or otherwise in any manner relates to or affects the Offer;

(b) there shall have been any action threatened, pending or taken, or approval withheld, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Offer or Croff, by any legislative body, court, authority, agency or tribunal which, in our sole judgment, would or might directly or indirectly (i) make the acceptance for payment of, or payment for, some or all of the shares illegal or otherwise restrict or prohibit consummation of the Offer, or (ii) delay or restrict our ability or render us unable to accept for payment or pay for some or all of the shares;

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities in the over-the-counter market, (ii) any change in the general political, market, economic or financial condition in the United States or abroad that could have a material adverse effect on our or the Company's business, condition, financial or otherwise, income, operations, prospects or ability to obtain financing generally or the trading in the shares, (iii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation on, or any event which, in our reasonable judgment, might affect the extension of credit by lending institutions in the United States, (iv) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, or (v) in the case of any of the foregoing existing at the time of the commencement of the Offer, in our reasonable judgment, a material acceleration or worsening thereof;

and, in our reasonable judgment, such event or events make it undesirable or inadvisable to proceed with the offer or with such acceptance for payment.

- *Qualification of Preferred B Shareholders to Tender Their Shares to Us.* The Preferred B shares were originally issued by Croff in a private offering of securities not involving a public offering and, therefore, are restricted securities, as defined by applicable securities laws. Accordingly, in order for Preferred B Shareholders to sell their shares to us without requiring the shares to be registered with the SEC, the Preferred B shareholders must meet certain qualifications to meet available exemptions from registration under applicable state and federal law. We are not responsible for the determination of whether you meet certain applicable state and federal exemptions from registration of securities. You should consult with an attorney licensed in your state if you have questions. The Preferred B Shares purchased by us in this Offer will continue to be restricted securities.

*No Waiver.* The foregoing conditions are for the reasonable benefit of us and may be asserted by us regardless of the circumstances giving rise to any of these conditions, and any such condition may be waived by us, in whole or in part, at any time and from time to time in our reasonable discretion prior to the Expiration Date of the Offer. Our failure prior to the Expiration Date to exercise any of the foregoing rights shall not be deemed a waiver of the right and each of these rights shall be deemed an ongoing right which may be asserted at any time and from time to time prior to the Expiration Date. Any determination by us concerning the events described above will be final and binding on all parties.

*Expiration Date.* The Exchange Act requires that all conditions to the Offer must be satisfied or waived before the Expiration Date.

## SECTION 6. HISTORICAL PRICE RANGE OF SHARES

The Preferred B shares have not been registered with the Securities and Exchange Commission and are considered restricted securities under applicable law. Accordingly, there is no established trading market for the purchase or sale of the Preferred B shares. Some very limited number of the Preferred B shares have traded from time to time through a clearinghouse maintained by Croff on its website <http://www.croff.com>. Croff does not establish any trading prices of the Preferred B shares, but has maintained a bid and ask forum on its website. The few trades in the Preferred B shares that have occurred have been limited to private transactions between buyers and sellers as arranged on the website by the parties to the transactions. Croff acts as its own transfer agent with respect to the Preferred B shares. According to Croff's most recent information, there are 1,057 Preferred B shareholders of record.

The limited trading information provided below for 2002 through 2004 is shown for transactions in the Preferred B shares of which Croff is aware of the bid or ask price. This information is provided as a guide to you and do not constitute our determination of the fair market value of the Preferred B shares.

PREFERRED "B" SHARES- 540,659 SHARES OUTSTANDING - (The following data is generated solely from private transactions or internal purchases by the Company)

<u>Bid Range</u>	<u>Year</u>	<u>Calendar Quarter</u>	<u>Bid</u>	<u>Asked</u>
	<b>2002</b>	First Quarter	No Trading	No Trading
		Second Quarter	No Trading	No Trading
		Third Quarter	No Trading	No Trading
		Fourth Quarter	No Trading	No Trading
	<b>2003</b>	First Quarter	No Trading	No Trading
		Second Quarter	No Trading	No Trading
		Third Quarter	No Trading	No Trading
		Fourth Quarter	No Trading	No Trading
	<b>2004</b>	First Quarter	\$1.05	\$1.05
		Second Quarter	No Trading	No Trading
		Third Quarter	No Trading	No Trading
		Fourth Quarter	No Trading	No Trading

*Historical Events of Interest.* In November 1991, Croff reverse-split its common stock on a ratio of 1 share of common stock for every 10 shares previously held. On February 28, 1996, the shareholders of Croff approved the issuance of the Preferred B stock to be issued to each common shareholder on the basis of one share Preferred B for each share of common stock. Articles of Amendment for Croff authorizing and issuing the Preferred B shares were filed on July 1, 1996. Croff issued all of the Preferred B shares and delivered the Preferred B shares to each of the shareholders for which it had a current address. In June 2000, Croff approved the increase in the authorized Class B Preferred stock to 1,000,000 shares. No additional Preferred B shares were issued, except under then existing options to the Board of Directors which options were exercised or expired on December 31, 2001. During 2001, the Croff Board of Directors determined that the cash generated from the Oil Assets, which had been building during a period of high oil prices, should be formally allocated between the common stock and the Preferred B stock. The Board made a one time allocation of \$250,000 cash to the common stock with the balance of cash remaining with the Preferred B stock. The Board then determined that future oil and gas cash flow from the Oil Assets would be accumulated solely for the benefit of the Preferred B shareholders. Croff established separate investment accounts for the Preferred B and common stock investments. The Preferred B money market account has a current balance of approximately \$270,000.

*Determination of Purchase Price.* Because of the limited trading in the Preferred B shares, there is no active market on which to determine the trade price. The last trades were at \$1.05, approximately one-third of our \$3 offer price. We looked at two other factors in determining the Purchase Price. The primary criterion was the reserve report on the Oil Assets received by Croff, effective December 31, 2004. According to the reserve report, the present value of the Oil Assets (future net revenue, discounted at 10% to present value) was \$1,642,205. This reserve report was completed by an independent engineer and is summarized on pages F-14 to F-18 in the annual report (Form 10-K) recently sent to you by Croff. The Offer was also based on our opinion that approximately 80% present value of the oil and natural gas reserves was a fair market value offer. To this we added the approximate cash money market assets of the Preferred B shares to reach a value that was just under \$3 per share. We then rounded the offer up to \$3 per share. We also examined the book value of the Preferred B assets which, as of December 31, 2004, was valued at \$1.41 per share or approximately one-half of the \$3 offer. This valuation reflects entirely the determination and judgment of Offerors as to value and not any other third party.

## SECTION 7. PURPOSE OF THE OFFER; CERTAIN EFFECTS OF THE OFFER

The first purpose of the Offer is to provide the Offerors with majority control of the Preferred B shares, thereby obtaining priority interest in the Oil Assets in the event of liquidation, distribution, merger or sale of the Oil Assets. Another purpose of the Offer is to provide liquidity in the form of a cash offer to the Preferred B shareholders, based on the fact that there has been an extremely limited market developed for the Preferred B shares, and the last trades were at a price of approximately \$1 per share. As set out above under "Determination of share price," the determination of the Purchase Price was based on our determination that the offered Purchase Price is (a) approximately 80% of the net reserve value of our Oil Assets, discounted at 10% to present value, plus the cash assets allocated to the Preferred B shares, (b) approximately twice the book value, and (c) approximately three times the last trade value in 2004, divided where appropriate, by the 540,659 Preferred B shares to yield a value of \$3 per share, our Offer. This Offer will enable the Preferred B shareholder to obtain the Purchase Price without further cost or commission. The Offerors believe that the Offer is mutually beneficial in providing liquidity to the remaining Preferred B shareholders who have a very limited market and transferring to Offerors a greater ownership share of the Oil Assets. If we are successful in this Offer in obtaining a majority of the Preferred B shares, we intend to seek to separate these Oil Assets from Croff, and its attendant public company expenses. We cannot give any assurances that we will be successful in executing our plans. However, while the Preferred B shares have a priority beneficial interest in the Oil Assets, superior in interest to any other class of Croff shares, the Oil Assets are nevertheless owned by Croff and their ultimate disposition, if any, will be determined by Croff's Board of Directors. According to Croff's Amended Articles of Incorporation, the Preferred B Shareholders are the only class of shares entitled to vote on the sale or liquidation of the Oil Assets.

If this Offer is successful, Offerors will likely control a majority of the Preferred B shares and thus, a controlling beneficial interest in the Oil Assets. The current operations of Croff consist almost entirely of the Oil Assets. The only oil and natural gas assets over which the Preferred B shareholders do not have a priority beneficial interest are the Dewitt Leases. The Dewitt Leases are the leases which were contributed to a joint venture with Tempest Resources in which the

Company has a right to a 25% working interest. See the Company's annual report on Form 10-K for the year ended December 31, 2004 for a more thorough discussion of the Dewitt Leases. We believe that the value of Croff's common shares without the Oil Assets may be dependent on a reverse merger with a private company which has assets more suitable for a public company, in that they may be more scalable and of higher value. We believe that if such a transaction were accomplished in the future by the Company that the shareholders will be better served by receiving cash for their Preferred B shares pursuant to this Offer. Offerors believe that the common shares may be more valuable separated from the Preferred B shares as the Company may be an attractive vehicle for an entity seeking to merge with a public company.

We originally proposed to Croff that it sell us the Oil Assets and cancel the non-Offerors Preferred B shares in return for a cash payment from us, that would be paid directly to the Preferred B shareholders. The non-management committee of the Board rejected that proposal and suggested that we present a tender offer directly to the Preferred B shareholders. The Company's stated reason was that if the Company transferred the Oil Assets for fair market value and distributed the proceeds to the Preferred B shareholders, it would likely have two adverse tax consequences. Because Croff's tax basis in many of the leases, comprising the Oil Assets, is at a low value, and the transfer would have to be at fair market value, this could result in a substantial tax bill to Croff in the range of hundreds of thousands of dollars. This would diminish the assets available for distribution and the value of the Preferred B shares. In addition, such a proposal risked the treatment by the Internal Revenue Service of taxing any such distribution as a dividend for income tax purposes, which would result in an ordinary gain to the shareholder, which could cost shareholders a larger tax on any distribution. Offerors believe that this tender offer is more favorable to the Company and the Preferred B shareholder.

The Offerors intend to acquire as many of the remaining Preferred B shares not owned by Mr. Jensen and Jensen Development as possible, with a view to controlling the Oil Assets, over which these shares have a priority beneficial interest. While no definitive plan currently exists, we intend to consolidate control of these assets in a non-public company. We believe the Oil Assets are too small, geographically diverse, and not scalable enough to attract more public capital. We believe that by separating the Oil Assets and offering a cash payout to the Preferred B shareholders, the Preferred B shareholders are benefited. The Company then could possibly enter into a strategic transaction such as a reverse merger or acquisition, in order to increase the common shareholders' value. After completion of a transaction by us in which the Oil Assets are sold or placed in a private entity, the Company could then seek assets that are more scalable, and faster growing, so that shareholder value of the common could be increased, while providing a cash liquidation of the Preferred B shares. We cannot give assurance that our views are correct or that our plans (or Croff's) may materialize, nor that if our plans (or Croff's) do materialize, that they will achieve the results that we intend.

Each shareholder must make his, her or its own decision as to the value of the Preferred B shares and relative benefits, in light of his, her or its own financial position and investment objectives, of tendering in the Offer or retaining the shares for the possibility of increased value in the future. We have been authorized to state that the four disinterested non-management committee of Croff's Board of Directors "unanimously believe that a tender offer is a good alternative, from a financial perspective, for the Croff Preferred B shareholders generally at this time. The same Directors also unanimously believe that each preferred B shareholder should decide whether or not to tender shares in this Tender Offer based upon their specific situation and investment objectives. Therefore, the non-management committee makes no recommendation for or against this Tender Offer. For your information each Director on the non-management committee has expressed an inclination to tender all or part of his shares in this Tender Offer. Directors, officers and employees of the Company who own shares may participate in the Offer on the same basis as any other shareholders, subject to the conditions set forth in Section 5.

*Effect of the Offer.* If you decide not to tender, you will be a minority shareholder of the Preferred B shares, while the majority of the Preferred B shares most likely would be held by us, and our affiliate, Mr. Jensen. After the Offer is concluded, we may seek greater control over the Oil Assets and/or attempt to separate the Oil Assets from the other assets of the Company. In any of these events, there will likely be an even more limited market for the Preferred B shares than exists at present. The shares may be worth less based upon being less marketable. You also may have difficulty in selling the shares. In the event of liquidation, distribution, merger or sale of the Oil Assets, the rights and preferences of the Preferred B shares provide that you will be paid your pro rata share of the net asset value of the Oil Assets. In addition, in the event of certain events such as a merger, which would impact your Preferred B shares, you may have the right under Utah law to dissent to such transaction, or the amount being offered to you in such transaction, and demand payment of the fair value of your Preferred B shares. In the event such a transaction occurs, we recommend you consult with legal counsel about your rights and whether you have a right to dissent under Utah law. If you are also a Croff common shareholder, as most Preferred B shareholders are, whether or not you tender your Preferred B shares in the Offer, if we are successful in our efforts to gain control of, and ultimately dispose of, the Oil Assets, the Company and the common shareholders will essentially be left with the Dewitt Leases as the principal assets of the Company.

**SECTION 8. SOURCE AND AMOUNT OF FUNDS**

*Source of Funds.* Jensen Development Company and C.S. Finance L.L.C. are prepared to purchase all of the remaining outstanding Preferred B shares of Croff not owned by Mr. Jensen or Jensen Development (up to 287,468 shares) at \$3.00 per share. Assuming that the maximum number of shares sought is purchased at \$3 per share, we expect that the maximum aggregate cost, including all expenses, will be approximately \$870,000. The source of funds for this Offer is a contribution of cash as follows:

Jensen Development Company	\$100,000
CS Finance L.L.C.	\$ 270,000
<u>Bank Line of credit*</u>	<u>\$ 500,000</u>
Total	\$870,000

\* "Borrowed Funds" section below.

There are no conditions to the above financing, which is in place and sufficient to pay for all tendered shares.

**Borrowed Funds.** Gerald L. Jensen has secured a line of credit from American National Bank in the amount of \$500,000 for our benefit. Mr. Jensen has agreed to have the Bank transfer to the Depository account of Jensen Development Company and C.S. Finance L.L.C. whatever amounts are necessary from this line to purchase the Croff Preferred B shares, up to the amount of \$500,000. American National Bank is also acting as the Depository in connection with the Offer. As a condition of such loan, Offeror Jensen Development Company has pledged its and Gerald L. Jensen's, Croff Common and Preferred B shares to secure the line of credit from American National Bank. American National Bank has served as Croff's bank since 2003, and is the depository for Croff's accounts, including the Preferred B money market account with a balance of approximately \$270,000.

**SECTION 9. INFORMATION CONCERNING CROFF ENTERPRISES, INC.**

For information concerning Croff Enterprises, Inc., we urge you to review the Form 10-K for the fiscal year ending December 31, 2004, as filed with the Securities and Exchange Commission ("SEC") on March 1, 2005, and the Form 10-Q for the interim period ended March 31, 2005 filed with the SEC on May 17, 2005. These reports were prepared by Croff, and not by us, but our sole owner, Mr. Jensen, is the President and Chairman of the Board of Croff and signed certifications in each of these reports certifying their accuracy, and other matters, at the time these reports were filed. These reports are both available on Croff's website at <http://www.croff.com>, corporate profile section or at the website maintained by the SEC, <http://www.sec.gov/>. We are advised by Croff that it mailed to all shareholders on or about June 6, 2005 the Company's Annual Report, which includes the Form 10-K for fiscal year ended December 31, 2004. If you do not have access to a computer or did not receive a mailed copy of the Annual Report for 2004, you may contact Kelle Thomas at Croff at 303-383-1555 or [kelle@croff.com](mailto:kelle@croff.com). You may request a copy of the Form 10-Q for the period ended March 31, 2005 in the same way. These reports are available for copying and inspection at public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 or 233 Broadway, New York, New York 10279 or CitiCorp Center, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. A summary of this financial information is shown in Section 11-Selected Financial Information of this Offer.

**SECTION 10. INTEREST OF DIRECTORS AND OFFICERS; TRANSACTIONS AND ARRANGEMENTS CONCERNING SHARES; PARTICIPATION IN OFFER BY PREFERRED SHAREHOLDERS**

We have been advised that some of the directors and officers of Croff intend to tender their Preferred B shares in connection with the Offer. We believe that the only affiliates of Croff are the other officers and directors. Directors, officers and employees of the Company who own Preferred B shares may participate in the Offer on the same basis as our other Preferred B shareholders, subject to the conditions in Section 5.

The following table sets forth the beneficial ownership, in accordance with SEC Rule 13d-3, of common stock and Preferred B stock of Croff as of December 31, 2004, by (a) each person who owned of record, or beneficially, more than five percent (5%) of Croff's \$.10 par value common stock, its common voting securities, and (b) each director and all directors and officers as a group. Ownership includes both outstanding common stock and shares issuable upon exercise of options that are currently exercisable or will become exercisable within 60 days after December 31, 2004.

<u>Offerors:</u>	<u>Shares of Common Stock Owned Beneficially</u>	<u>Percentage of Class of Common Stock<sup>1</sup></u>	<u>Shares of Preferred B Stock Owned Beneficially</u>	<u>Percentage of Class B Preferred Stock<sup>2</sup></u>
Gerald L. Jensen 3773 Cherry Creek Dr. N. Suite 1025 Denver, Colorado 80209	246,988	43.4%	253,191	46.8%
Jensen Development Company 3773 Cherry Creek Dr. N. Suite 1025 Denver, Colorado 80209	132,130	23.3%	132,130	24.4%
CS Finance, LLC 3773 Cherry Creek Dr. N. Suite 1025 Denver, Colorado 80209	0	0	0	0
<b>Offerors Total:</b>	<b>246,988</b>	<b>43.5%</b>	<b>253,191</b>	<b>46.8%</b>
<b><u>Non-Management Directors of Croff Enterprises, Inc.:</u></b>				
Edwin W. Peiker, Jr. 550 Ord Drive Boulder, Colorado 80401	4,000	0.7%	4,000	0.7%
Dilworth A. Nebeker 10823 Palliser Bay Drive Las Vegas, Nevada 89141	2,900	0.5%	2,900	0.5%
Richard H. Mandel, Jr. 3333 E Florida Ave. Suite 94 Denver, Colorado 80210	15,100	2.7%	16,202	3.0%
Julian D. Jensen 311 South State Stree, Suite 380 Salt Lake City, Utah 84111	31,663	5.6%	31,663	5.9%

**Directors as a Group:**

300,651

52.8%

307,956

57%

<sup>1</sup>. According to Croff's latest annual report on Form 10-K, as of December 31, 2004, there were 568,900 shares of common stock issued and outstanding..

<sup>2</sup>. According to Croff's latest annual report on Form 10-K, as of December 31, 2004, there were 540,659 Preferred B shares issued and outstanding..

<sup>3</sup>. Gerald L. Jensen owns 100% of the shares of Jensen Development Company and C.S. Finance, L.L.C., and is the Chairman and President of Croff. Mr. Jensen beneficially owns 246,988 shares of Croff common stock and 253,191 Preferred B shares of which shares, Jensen Development Company, which is wholly owned by Mr. Jensen, owns 132,130 common shares and 138,333 Preferred B shares.

*Transactions in Preferred B Shares by Directors and Officers During Past 60 Days.* Based on Croff's records and information provided to us by Croff's directors and officers, during the past 60 days there have not been any transactions in the Company's Preferred B shares by the Company or by any of the Company's officers and directors.

*Arrangements by Directors and Officers Concerning Preferred B Shares.* Neither the Company nor, to the best of our knowledge, any of the Company's affiliates, directors or executive officers, or any of the directors or executive officers of any of its affiliates, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to any securities of the Company including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies, consents or authorizations.

*No Plans or Proposal of Directors and Officers.* Except as disclosed in this Offer, we have not been advised of, and are not aware that the Company, its directors and executive officers have any current plans or proposals which relate to or would result in:

- an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company;
- a purchase, sale or transfer of a material amount of assets of the Company;
- any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company;
- any change in the present Board of Directors or management of the Company;
- any other material change in the Company's corporate structure or business;
- a class of equity security of the Company ceasing to be authorized for quotation on the OTC Bulletin Board;
- a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act;
- the suspension of the Company's obligation to file reports pursuant to Section 15(d) of the Exchange Act;
- any change in the Company's certificate of incorporation or bylaws or any actions which may impede the acquisition of control of the Company by any person.

**SECTION 11. SELECTED FINANCIAL INFORMATION**

*Financial Statement Information.* Croff files annual, quarterly and special reports and other information with the SEC. We believe that Croff is current in its periodic and other filings with the SEC. For information concerning Croff Enterprises, Inc., see Section 9 above. We concurrently filed a statement relating to this Offer on Schedule TO, as amended, with the SEC. The initial Schedule TO was filed with the SEC on June 16, 2005, and was amended by Amendment No. 1, filed on June 28, 2005 and Amendment No. 2, filed on July 5, 2005. The Schedule TO and such reports and other information contain additional information about Croff. These reports will be available at [www.croff.com](http://www.croff.com), or from the SEC website at [www.sec.gov](http://www.sec.gov).

For information concerning Croff Enterprises, Inc., see Section 9 above.

Each person to whom a copy of this Offer to Purchase has been delivered may obtain, upon request, a copy of any or all of the documents that we have filed with the SEC. You may request these documents by writing or telephoning the information agent for the Offer at the following address or phone number: Gerald L. Jensen or Katie Eisenach, Jensen Development Company, 3773 Cherry Creek Drive North #1025, Denver, Colorado 80209; (303) 383-1515. The information relating to the Company contained in this Offer to Purchase does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference.

*Historical Operations; Consolidated Income Statements and Book Value per share.* The selected data presented below are derived from audited consolidated financial statements of Croff as of and for the years ended December 31, 2003 and 2004. The selected data as of and for the three months ended March 31, 2005 are derived from the unaudited consolidated financial statements of the Company. We are advised that in the opinion of Croff's management, such unaudited data reflect all adjustments, consisting only of normally recurring adjustments, necessary to fairly present the Company's financial position and results of operations for the periods presented.

	Unaudited	
	<u>Three months ended March 31</u>	
	<u>2005</u>	<u>2004</u>
<b>Consolidated Statements of Income Data</b>		
Revenues	\$194,429	\$85,801
Income before Income taxes	\$84,003	(\$17,787)

Net Income <u>applicable</u> to Pfd B shareholders	\$62,562	\$19,474
Pfd B Income per share (540,659 Pfd B shares)	\$.116	\$.036
Consolidated Balance Sheet Data		
Working Capital	\$409,875	\$295,699
Total Assets	\$1,182,678	\$922,986
Preferred B Equity	\$835,491	\$578,769
Book Value per Pfd share	\$1.55	\$1.07
Audited		
<u>One Year Ended December 31</u>		

	<u>2004</u>	<u>2003</u>
Consolidated Statements of Income Data		
Revenues	\$576,162	\$415,926
Income before Income taxes	\$150,993	\$104,109
Net Income <u>applicable</u> to Pfd B shareholders	\$213,364	\$88,385
Pfd B Income per share	\$.395	\$.163
Pfd B shares outstanding	540,659	540,659
Consolidated Balance Sheet Data		
Working Capital	\$330,243	\$336,471
Total Assets	\$1,088,553	\$898,221
Preferred B Equity	\$772,929	\$559,295
Book Value per Pfd share	\$1.43	\$1.03

## SECTION 12. LEGAL MATTERS, REGULATORY APPROVALS

Offerors are not aware of any license or regulatory permit that appears to be material to Croff's business that might be adversely affected by our acquisition of shares as contemplated herein or of any approval or other action by, or any filing with, any government or governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of shares by the Offerors, other than our filing the Schedule TO and amendments thereto, and exhibits with the SEC, as contemplated herein. Should any approval or other action be required, Offerors presently contemplate that the approval or other action will be sought. We are unable to predict whether we may determine that we are required to delay the acceptance for payment of, or payment for, shares tendered pursuant to this offer pending the outcome of any such matter. There can be no assurance that any approval or other action, if needed, would be obtained, or would be obtained without substantial conditions, or that the failure to obtain any approval or other action might not result in adverse consequences to the Offerors' or the Company's business. The obligations under the Offer to accept for payment, and pay for, shares is subject to the conditions specified in "Section 5. Conditions of the Offer." One such condition is that the selling Preferred B shareholders meet certain requirements, as described in Section 5, to ensure that their sale to us of restricted securities is not required to be registered under applicable federal and state securities laws. As to state securities law requirements ("Blue Sky laws"), we believe, but can give you no assurance, that exemptions from registration exist in most states that may apply to you in selling your shares pursuant to this Offer. However, since Blue Sky laws vary from state to state, and each Preferred B shareholder's circumstances are different, if any shareholder has questions, he or she should consult with an attorney licensed to practice law in his or her state.

*Litigation.* To the best of our knowledge, no lawsuits have been filed or threatened relating to the Offer.

## SECTION 13. FEDERAL INCOME TAX CONSEQUENCES

**Caution.** We are not responsible for the manner in which the Company will record the Tender Offer transaction for income tax accounting purposes. The tax consequences of tendering shares in this Offer will vary depending on the circumstances of each shareholder. **Each shareholder should consult his, her or its own tax advisor as to the particular United States federal, and state, income tax consequences to that shareholder of tendering shares pursuant to the Offer and the applicability and effect of any state, local or foreign tax laws and recent changes in applicable tax laws.**

*General.* The following is a summary of the material United States federal income tax consequences to shareholders with respect to a sale of shares pursuant to the Offer. The discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, Treasury Regulations, Internal Revenue Service rulings and judicial decisions, all in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect, by subsequent legislative, judicial or administrative action. The discussion does not address all aspects of United States federal income taxation that may be relevant to a particular shareholder in light of the shareholder's particular circumstances or to certain types of holders subject to special treatment under the United States federal income tax laws, such as certain financial institutions, tax-exempt organizations, life insurance companies, dealers in securities or currencies, employee benefit plans or shareholders holding the shares as part of a conversion transaction, as part of a hedge or hedging transaction, or as a position in a straddle for tax purposes. This discussion does not discuss the United States federal income tax consequences to any Preferred B shareholder of Croff who, for United States federal income tax purposes, is a nonresident alien individual, a foreign corporation or a foreign estate or trust, nor does it consider the effect of any foreign, state, local or other tax laws or estate or gift tax considerations. This discussion does not discuss the United States federal income tax consequences to those who hold their Preferred B shares through an entity treated as a partnership or other pass-through entity for United States federal income tax purposes. No ruling as to any matter discussed in this summary has been requested or received from the United States Internal Revenue Service. In addition, the discussion below does not

consider the effect of any foreign, state, local or other tax laws that may be applicable to particular shareholders. The discussion assumes that the shares are held as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code.

The tender of Preferred B shares for cash pursuant to the Offer will be a taxable transaction for United States federal income tax purposes and possibly for state, local and foreign income tax purposes as well. In general, a stockholder who sells Preferred B shares pursuant to the Offer will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received and the stockholder's adjusted tax basis in the Preferred B shares sold pursuant to the Offer. It is believed that each individual stockholder would have an adjusted tax basis in the Croff common stock. The Offerors do not know the individual tax basis or what shares of common stock have any amount of tax basis. Since Preferred B shares were issued for no additional considerations to all common shareholders on a one for one ratio, the shareholders basis normally would be zero, unless an allocation of the individual tax basis in the common stock is properly allocable to the individual's Preferred B stock.

Gain or loss will be determined separately for each block of shares (that is, shares acquired at the same cost in a single transaction) tendered pursuant to the Offer. Such gain or loss will be long-term capital gain or loss provided that a Preferred B shareholder's holding period for such shares is more than one year at the time of consummation of the Offer. Capital gains recognized by an individual upon a disposition of a share that has been held for more than one year generally will be subject to a maximum United States federal income tax rate of 15%. In the case of a share that has been held for one year or less, such capital gains generally will be subject to tax at ordinary income tax rates. Certain limitations apply to the use of a stockholder's capital losses. Capital gain recognized by a corporate taxpayer will be subject to tax at the rates applicable to that corporation. Capital losses recognized by an individual in any tax year may be used to offset capital gains for that year plus up to \$3,000 in ordinary income for that year. Capital losses not utilized in any taxable year by an individual may be carried forward indefinitely and allowed to offset capital gains plus \$3,000 of ordinary income in any future taxable year. Capital losses recognized by a corporation upon the sale of capital assets are allowed only to the extent of gains from the sale of capital assets. Capital losses not utilized in any taxable year by a corporation generally must first be carried back and applied against capital gains in the three preceding taxable years and then may be carried forward and allowed to the extent of capital gains in the five succeeding taxable years.

**Consult Your Tax Advisor. The tax discussion set forth above is summary of the applicable federal income tax consequences and may not apply to shares acquired in connection with the exercise of stock options or pursuant to other compensation arrangements with the Company. The tax consequences of a sale pursuant to the Offer may vary depending upon, among other things, the particular circumstances of the tendering shareholder. No information is provided herein as to the state, local or foreign tax consequences of the transaction contemplated by the Offer. Shareholders are urged to consult their own tax advisors to determine the particular federal, state, local and foreign tax consequences to them of tendering shares pursuant to the offer and the effect of the stock ownership attribution rules described above.**

#### SECTION 14. EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENTS

*Right to Extend, Amend or Terminate Offer.* We expressly reserve the right, in our sole discretion and at anytime or from time to time, to extend the period of time during which the Offer is open by giving oral or written notice of the extension to the Depository and making a public announcement thereof or by mailing written notice to each shareholder. However, we have no current intent to extend the Offer. During any extension, all shares previously tendered will remain subject to the Offer, except to the extent that shares may be withdrawn as set forth in Section 3. We also expressly reserve the right, upon the occurrence of any of the conditions specified in Section 5 hereof to terminate the offer and not accept for payment any shares not previously accepted for payment or, subject to Rule 14e-1(c) under the Exchange Act which requires us either to pay the consideration offered or to return the shares tendered promptly after the termination or withdrawal of the Offer, to postpone payment for shares, by giving oral or written notice of such termination to the Depository and making a public announcement thereof. We also reserve the right, in our discretion, at any time, or from time to time, to amend the Offer in any respect. Any such extension, delay, termination, or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled Expiration Date. Amendments to the Offer may be effected by public announcement or by a subsequent mailing to the shareholders. Offerors shall have no obligation, except as otherwise required by applicable law, to publish, advertise or otherwise communicate any extension, termination or amendment, other than by making a public announcement or a subsequent mailing to all shareholders. Material changes to information previously provided to holders of the shares in this offer or in documents furnished subsequent thereto will be disseminated to holders of shares in compliance with Rule 14d-4(d) promulgated by the SEC under the Exchange Act.

*Material Changes to Offer.* If we materially change the terms of the Offer or the information concerning the Offer, or if we waive a material condition of the Offer, we will extend the Offer to the extent required by applicable law. If we make a material change to the terms of the Offer, we will extend the Offer by at least ten business days from the time notice of the change is given.

#### SECTION 15. SOLICITATION FEES AND EXPENSES

The Company has retained American National Bank as Depository in connection with the Offer. The Depository will receive reasonable and customary compensation for its services and also will be reimbursed for certain out-of-pocket expenses. We have agreed to indemnify the Depository against certain liabilities, including certain liabilities under the federal securities laws, in connection with the Offer. **The Depository has not been retained to make solicitations or recommendations in connection with the Offer.**

We have designated Gerald L. Jensen and Katie Eisenach as information agents in connection with the Offer. The information agents will receive no compensation for their services. The information agents may contact shareholders by mail, telephone, facsimile, or other electronic means and may request brokers, dealers, and other nominee shareholders to forward materials and information concerning the Offer to the beneficial owners.

We will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the Offer.

#### SECTION 16. WHERE YOU CAN OBTAIN ADDITIONAL INFORMATION

Additional copies of this Offer to Purchase, the Letter of Transmittal or other Tender Offer materials may be obtained from the Information Agents, Gerald L. Jensen or Katie Eisenach by calling (303) 383-1515. Gerald L. Jensen will return all calls or emails directly to shareholders requesting the same. Copies of such materials will be furnished promptly at the Offerors' expense. Questions regarding the procedures for tendering your shares can be directed to American National Bank, the Depository for the Offer, at the address and telephone number set forth in the Letter of Transmittal. Questions concerning the Preferred B stock should be directed to Kelle Thomas at Croff Enterprises, Inc. Shareholders may also contact their local broker, dealer, commercial bank or trust company for assistance concerning the Offer.

We have also filed an Issuer Tender Offer Statement on Schedule TO, and certain amendments thereto, with the SEC, which includes certain additional information relating to the Offer. Such statement and other information may be accessed electronically by means of the SEC's web page on the Internet (<http://www.sec.gov>).

#### SECTION 17. MISCELLANEOUS

The Offer is being made to all holders of Preferred B shares. Offerors are not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to a valid state statute. If we become aware of any valid state statute prohibiting the making of the Offer, Offerors will make a good faith effort to comply with the statute. If, after such good faith effort, Offerors cannot comply with the statute, the Offer will not be made to, nor will tenders be accepted from or on behalf of, holders of shares in that state.

No person has been authorized to make any recommendation on behalf of Croff Enterprises, Inc. or the Offerors as to whether shareholders should tender shares pursuant to the offer. No person has been authorized to give any information or to make any representations in connection with the Offer other than those contained in this Offer to Purchase or in the related Letter of Transmittal. If given or made, the recommendation and the other information and representations must not be relied upon as having been authorized by Croff Enterprises, Inc. or by the Offerors.

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Gerald L. Jensen owns 100% of the shares of Jensen Development Company and C.S. Finance, L.L.C., the "Offerors" and is the Chairman and President of Croff.