

## 2010 Report to Shareholders

*Year ended December 31, 2010*

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### C.A. Bancorp Inc. Reports 2010 Financial Results

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C.A. Bancorp Inc. (C.A. Bancorp or the Company) today announced its consolidated financial results for the year ended December 31, 2010. C.A. Bancorp is listed on the Toronto Stock Exchange (TSX) under the symbol “BKP”.

As a result of the Company’s adoption of the Realization Strategy (defined herein) and the progress made as at December 31, 2010, the Company adopted the liquidation basis of accounting effective October 1, 2010. This basis of accounting is considered appropriate when, among other things, liquidation of a company is probable and net realizable values of assets are reasonably determinable.

#### **2010 FINANCIAL HIGHLIGHTS**

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For the year ended December 31, 2010, the Company reported:

- Revenues of \$4.7 million compared to \$5.4 million in 2009;
- A net loss from results of investments of \$0.7 million compared to a net gain of \$5.8<sup>1</sup> million in 2009;
- A net loss of \$6.0 million or \$0.23 per share compared to net earnings in 2009 of \$2.1 million or \$0.08 per share;
- One-time expenses related to the Company’s Strategic Review Process (defined herein) and severance costs (One-time Expenses) of \$3.5 million;
- One-time expenses related to accrued liquidation costs (Accrued Liquidation Costs) of \$2.4 million; and
- Net loss of \$0.1 million adjusted for One-time Expenses and Accrued Liquidation Costs.

As at December 31, 2010, the Company’s:

- Liquid net assets (working capital) were \$7.4 million or \$0.60 per share;
- Investments were fair valued at \$27.1 million or \$2.21 per share;
- Long-term debt and Accrued Liquidation Costs were \$3.6 million or \$0.29 per share; and
- Net book value<sup>1</sup> was \$31.1 million or \$2.53 per share.

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<sup>1</sup> The 2009 financial results include a gain on sale of AgriFinancial Canada Corp. (net of tax) reclassified from discontinued operations (as reported under GAAP). See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated March 23, 2011 is presented to (i) provide readers with material information and a discussion and analysis of the operating results the Company for the year ended December 31, 2010; and (ii) enable readers to assess material changes in the financial condition of the Company as at December 31, 2010, compared with the corresponding periods in prior years. This MD&A should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2010. These documents and additional information relating to the Company, including the Company's Annual Information Form (AIF) can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts in this MD&A are expressed in Canadian thousands of dollars (except per share amounts or unless otherwise indicated) and have been primarily derived from the Company's consolidated financial statements prepared in accordance with Canadian GAAP. Additionally, the 2009 financial results of the Company have been reclassified as required under Canadian GAAP such that the net impact of the discontinued operations of AgriFinancial Canada Corp. (AgriFinancial) are captured as one line-item on the statement of operations. See the cautionary statement regarding the use of Non-GAAP financial measures below.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

*This MD&A contains information that is forward-looking and is subject to risks and uncertainties. Forward-looking information includes information concerning the Company's future financial performance, business strategy, plans, goals, and objectives. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue", similar words or the negative thereof. These statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Factors which could cause actual results to differ materially from those set forth in the forward-looking statements include (but are not limited to): risks associated with general economic conditions, the nature of the Company's investments; the Company's dependence on management of portfolio companies; the Company's limited operating history; the available opportunities and competition for investments; the concentration of the Company's investments; the Company's access to capital for fund management; the Company's dependence on key personnel; leverage of the businesses in which the Company invests; the market for the Company's securities and volatility of trading price; the trading price of the Company's shares relative to the net book value (net asset value); risks affecting the Company's investments; the need for the Company to make follow-on investments in portfolio companies; investments by the Company in private issuers and illiquid securities; joint investments with third parties; conflicts of interest; no guaranteed returns; use of investment proceeds, the potential loss of investment in shares; the management of the growth of the Company; shifts in target exit dates and investment rates of return (IRR) for investments in private entities, the ability of the Company to execute on its realization strategy, and other risks detailed from time to time in the Company's continuous disclosure documents. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Unless otherwise stated, all forward-looking statements speak only as of the date of this MD&A. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Additional information relating to the Company, including the Company's AIF, is available on SEDAR.*

### CAUTIONARY STATEMENT REGARDING USE OF NON-GAAP FINANCIAL MEASURES

*This MD&A makes reference to net results of investments that are different than reported under Canadian GAAP. C.A. Bancorp has reclassified its interest in AgriFinancial from Discontinued Operations to Net Results of Investments. C.A. Bancorp believes that it is more appropriate to classify AgriFinancial under Net Results of Investments because it is more akin to a private equity investment and the capital gains from the sale of AgriFinancial would normally fall in Net Results of Investments if it were a non-consolidated private equity investment. In addition, this MD&A makes reference to the net book value per share which is a non-GAAP financial measure. The Company calculates the net book value per share as it believes it to be an important metric that shareholders use and frequently request and refer to because shareholders often view the Company as a holding company of investments. These are Non-GAAP financial measures that do not have any standardized meaning prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. These classifications are not Canadian GAAP measures and should not be considered either in isolation of, or as a substitute for, measures prepared in accordance with Canadian GAAP. For a reconciliation of the AgriFinancial Non-GAAP financial measure to Canadian GAAP, please see the chart on page 29 of this MD&A.*

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<sup>1</sup> Net book value per share is a non-GAAP financial measure and is calculated as total shareholders' equity under GAAP divided by the number of common shares outstanding at year-end. See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### THE COMPANY

*The following provides a brief overview of the Company, its subsidiaries, and its operations.*

C.A. Bancorp is a publicly traded Canadian merchant bank and alternative asset manager that provides investors with access to a range of private equity and other alternative asset class investment opportunities. The Company has historically focused on investments, either directly or through entities managed by it, in small and middle capitalization private companies, with an emphasis on the industrial, real estate, infrastructure and financial services sectors. The Company is currently implementing its Realization Strategy as described herein. The Company's shares trade on the Toronto Stock Exchange (TSX) under the symbol **BKP**.

As at December 31, 2010, the Company had four wholly-owned operating and holding subsidiaries: C.A. Bancorp Ltd. (CAB Ltd.), C.A. Bancorp Realty Finance Inc. (Realty Finance), C.A. Realty Management Inc. (Realty Management), and C.A.B. Barlow Holdings Corp. (Barlow Holdings). C.A. Bancorp Telecom Inc. (Telecom Inc.) was sold in the third quarter 2010 as part of the Company's sale of its interest in Windward Telecom Inc. (Windward) (see 2010 Year-to-Date Review – Significant Events). The Company dissolved Realty Management effective March 14, 2011 as it no longer conducted active business.

The Company is a significant shareholder of C.A. Bancorp Canadian Realty Finance Corporation (CRFC), (TSX: **RF.A**). On March 15, 2011, the Company entered into an agreement to sell all of its interests in CRFC to Green Tree Capital Management Corp. (Green Tree), including, but not limited to, its shareholdings, CAB Ltd. and Realty Finance (the Proposed CRFC Transaction). The Proposed CRFC Transaction contemplates Green Tree assuming the Company's obligations under the commitment agreement dated January 31, 2008 between the Company and CRFC and the note payable to CRFC. The Proposed CRFC Transaction remains subject to certain conditions, consents and regulatory approvals, the approval of both the Preferred Shareholders and Class A Shareholders of CRFC voting separately as a class and other customary closing conditions for a transaction of this nature. Subject to receipt of approvals, it is expected that the Proposed CRFC Transaction will close in the second quarter of 2011.

The Company was also a significant unitholder of Charter Real Estate Investment Trust (Charter REIT) (now Partners Real Estate Investment Trust), (TSXV: **CRH.UN**) until June 4, 2010, when the Company sold its interest in Charter REIT to a third party. In connection with the sale, the management agreement dated March 27, 2007, between Charter REIT and Realty Management was terminated.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company has investments in High Fidelity HDTV Inc. (High Fidelity), Salbro Bottle Group (Salbro), Digital Payment Technologies Corp. (DPT), Aventine Management Group Inc. (formerly Barlow Capital Management Inc.) (Aventine) and Barrett Xplore Inc. (BXI). In 2010, the Company exited its investments in Birmingham Foundation Solutions (Birmingham), Kingswood Drive Kitchener Limited Partnership (Kingswood) and Windward (see Significant Events – Third Quarter).

For a more comprehensive review of the Company, its subsidiaries, its operations and its Realization Strategy, please refer to the Company's AIF as updated by periodic news releases.

### 2010 YEAR IN REVIEW AND OUTLOOK

#### *Hostile take-over bid and Strategic Review Process*

In December 2009, a hostile take-over bid was launched by Maxam Opportunities Fund Limited Partnership and Maxam Opportunities Fund (International) Limited Partnership (collectively, Maxam). Maxam made the bid while the Company had a large cash position, minimal debt and a depressed stock price. The bid at \$1.22 per share, and subsequently increased to \$1.45 per share, was at a significant discount to the Company's net book value and was viewed as inadequate by the Company, the Board and its financial advisor. The hostile take-over bid failed and was ultimately withdrawn by the bidder. The Company initiated a strategic review process (the Strategic Review Process) in response to the hostile take-over bid. As part of that process, the Company had advanced discussions with a number of interested third parties concerning proposed alternative transactions. The Company also considered other potential value-maximizing alternatives which could yield values superior to Maxam's expired offer.

In May 2010, the Company entered into a pre-acquisition agreement (Pre-Acquisition Agreement) with 1535633 Alberta Ltd., an affiliate of Century Services LP (together, Century). Pursuant to the Pre-Acquisition Agreement, Century agreed to make an offer to acquire all of the issued and outstanding shares of the Company at an offer price of \$1.50 per share. The Century offer was subject to certain terms and conditions, including acceptance by holders of not less than 66⅔% of the outstanding C.A. Bancorp shares calculated on a fully-diluted basis. John Driscoll, the Chairman of the Company and holder of approximately 13% of the outstanding shares, agreed to tender his shares to the Century offer.

The Board, as disclosed in a Directors' Circular dated June 3, 2010 did not, and the terms of the Pre-Acquisition Agreement contemplated that it would not, make any recommendation concerning the Century offer to C.A. Bancorp's shareholders.

In July 2010, Century varied its offer to increase the consideration offered under the Century offer from \$1.50 to \$1.71 per share. The Board did not make any recommendation to shareholders with respect to the varied offer.

In August 2010, the Century offer expired and no shares were taken up as the minimum tender condition was not satisfied. The Pre-Acquisition Agreement with Century Services was terminated.

#### *Commencement of Realization Strategy*

Following the termination of the Century offer, the Board determined that the Company's interests would be best served through the realization of the Company's assets and the distribution of proceeds to the Company's shareholders (Realization Strategy). C.A. Bancorp has contractual liquidity rights in respect of many of its equity interests in private companies, and its debt interests in those entities have scheduled maturities. The Company began to pursue opportunities to accelerate the realization dates for its assets, where possible, and to explore and develop further opportunities to do so. In support of the Realization Strategy, the Company completed the dispositions of certain assets (Charter REIT, Birmingham, Kingswood, Windward, and publicly traded securities) in 2010 for aggregate proceeds of \$28.9 million.

In December 2010, the Company completed a substantial issuer bid by way of modified "Dutch Auction" (Issuer Bid), pursuant to which the Company purchased for cancellation approximately 14.2 million shares at a purchase

## MANAGEMENT'S DISCUSSION AND ANALYSIS

price of \$2.09 per share, for aggregate consideration of approximately \$29.6 million (\$30.0 million including Issuer Bid costs).

Throughout 2010, the Company also took steps to minimize its normal operating expenses, and it continues to explore more cost effective operational methods and structures to further reduce expenses.

Subsequent to year-end, in March 2011, the Company entered into an agreement to sell all of its interests in CRFC to Green Tree. The Proposed CRFC Transaction contemplates Green Tree assuming the Company's obligations under the commitment agreement dated January 31, 2008 between the Company and CRFC and the note payable to CRFC. Subject to receipt of approvals, it is expected that the Proposed CRFC Transaction will close in the second quarter of 2011.

### **Outlook**

The Company continues to manage its investments by meeting regularly with the management teams of each investee company and influencing the direction of the companies by participating as nominee directors on their respective boards of directors. Each investment is now in year three or four of its investment cycle and the value creation objectives that were outlined at the time of investment are being executed and risks are being mitigated to increase the likelihood that the value of the Company's investments are maintained or increase in the next 12 to 24 months.

The Company continues to perform its obligations under the management and investment advisory agreements with CRFC. Subject to closing the Proposed CRFC Transaction, it is expected that the Company will perform certain transition services for a limited period of time in order to ensure an efficient transition to Green Tree.

The Company continues to engage in discussions, which are at various stages of advancement, with third parties concerning possible dispositions of assets. In each instance, the Company's interests may be better served by realizing on a given asset through a process as compared to on or about its scheduled realization date. Management is continuously evaluating the benefits and costs of maintaining each of its interests.

As at December 31, 2010, the Company had cash of approximately \$8.1 million and working capital of approximately \$7.4 million. The Company's working capital is adequate to fund the operations of the Company. Distributions of proceeds from future asset dispositions may be made periodically as and when assets are monetized; the manner and timing of such distributions would be determined by the Board from time to time. As previously disclosed, the Company is also in the process of seeking an advance income tax ruling on tax effective means of distributing capital to shareholders.

Management, with the support of the Board, is committed to managing the Company through its Realization Strategy in a manner that is intended to maximize value for shareholders in the near- to medium-term. The Company is currently of the view that with time and management influence, the Company's remaining assets will be monetized resulting in proceeds distributed to shareholders in excess of recent trading prices.

### **SIGNIFICANT EVENTS**

*The following is a discussion of the Company's significant events for the year ended December 31, 2010, updated for subsequent events to the date hereof.*

<b>Period</b>	<b>Event</b>
<b>First Quarter</b>	<b>The Hostile Take-Over Bid and Strategic Review Process</b> On December 3, 2009, Maxam announced their intention to commence an all-cash offer, through an acquisition entity, to acquire the Company at a price of \$1.22 per share. The offer commenced on December 7, 2009. The expiration of the offer was originally January 12, 2010, but was later extended to February 2, 2010 concurrent with an increased offer price of \$1.45 per share. The offer was unsuccessful and expired. The Company initiated a Strategic Review Process in response to the Maxam take-over bid. As part of that process, the Company was in advanced discussions throughout the first quarter with a number of interested third parties concerning proposed alternative transactions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Period	Event
	<p>The Company also considered other potential value-maximizing alternatives which could yield values superior to Maxam's expired offer. Furthermore, the Company effectively terminated its shareholder rights plan on March 15, 2010.</p>
	<p><b>Follow On Investment in Kingswood Estates</b></p> <p>In January 2010, the Company closed a \$1.2 million follow-on mortgage commitment and investment in Kingswood bearing an interest rate of 10% and maturing in 2011. C.A. Bancorp's \$1.2 million mortgage investment was matched on a proportionate basis by Kingswood's other two limited partners (\$0.15 million each). The aggregate \$1.5 million in mortgage proceeds was to be utilized by Kingswood to refinance existing debt and to fund future property and unit upgrades. \$0.6 million of the \$1.2 million was advanced to Kingswood. See section "Third Quarter" below.</p>
	<p><b>Disposition of Interest in Everus Communications Inc. (Everus)</b></p> <p>In March 2010, BDO Canada Ltd. (BDO), in its capacity as court appointed interim receiver, completed the sale of substantially all the assets and business of Everus to BXI. The transaction represented the culmination of a marketing and sales effort conducted by BDO, in its capacity as court appointed interim receiver of all the assets, undertakings and properties of Everus. The Company, as senior secured creditor of Everus, received approximately \$1.2 million in consideration, after post-closing adjustments. The consideration was satisfied by a promissory note convertible into BXI common shares within twelve months from the closing of the transaction. See section "Third Quarter" below.</p>
Second Quarter	<p><b>Repayment of the High Fidelity HDTV Inc. Debenture</b></p> <p>In April 2010, High Fidelity fully repaid the principal amount outstanding together with all interest owed under the original debenture issued by High Fidelity to the Company in 2007. The Company continues to hold a convertible debenture in the principal amount of \$1.5 million and warrants exercisable into common shares of High Fidelity.</p>
	<p><b>Pre-acquisition Agreement with Century Services Inc.</b></p> <p>On May 12, 2010, C.A. Bancorp entered into a Pre-Acquisition Agreement with Century, representing the culmination of the Strategic Review Process initiated in response to the Maxam offer.</p> <p>Pursuant to the Pre-Acquisition Agreement, Century agreed to make an offer to acquire all of the issued and outstanding shares of the Company at an offer price of \$1.50 per share. The Century offer was subject to certain terms and conditions, including acceptance by holders of not less than 66⅔% of the outstanding C.A. Bancorp shares calculated on a fully-diluted basis. John Driscoll, the Chairman of the Company and holder of approximately 13% of the outstanding shares, agreed to tender his shares to the Century offer.</p> <p>The Company's Board did not make, and the terms of the Pre-Acquisition Agreement contemplated that it would not make, any recommendation concerning the Century offer to C.A. Bancorp's shareholders. The Board determined that, if the Century offer was not successfully completed, C.A. Bancorp's interests would be best served through the realization of the Company's assets (Realization Strategy) and the distribution of the proceeds to the Company's shareholders.</p> <p>Under the Pre-Acquisition Agreement the Company agreed not to solicit competing transactions to the Century offer, and agreed to pay a termination fee of \$1.5 million in certain circumstances including if a superior offer was recommended by the Company's Board. The Company also agreed to reimburse Century for certain expenses if the Century offer was not successfully completed in certain circumstances.</p>
	<p><b>Sale of Interest in Charter REIT</b></p> <p>On June 4, 2010, the Company completed the sale of its units of Charter REIT (now Partners Real Estate Investment Trust) to IGW Public Limited Partnership, an affiliate of League Assets Corp. at a price of \$1.45 per Unit. The sale yielded gross proceeds to C.A. Bancorp of approximately \$8.8 million and the Company reported a \$2.1 million gain on the sale in the second quarter 2010.</p> <p>In connection with the sale, the management agreement dated March 27, 2007 between Charter REIT and Realty Management was terminated. C.A. Bancorp's severance cost in connection with the termination of the management agreement was approximately \$0.7 million.</p>

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Period	Event
	<p><b>Board of Directors and Senior Management Changes</b></p> <p>On May 17, 2010, Mark Gardhouse (President), and Paolo De Luca (Chief Financial Officer), left the Company, and their respective positions with the Company's subsidiaries and investee companies, to pursue other opportunities. To manage the Company's affairs, Paul Haggis, a director of the Company, was appointed to serve as the interim Chief Executive Officer. See "Executive Officer Announcements" below.</p> <p>On June 28, 2010, the Company appointed Eitan Milgram to its Board of Directors at a Board meeting following the Company's annual general meeting. Mr. Milgram took the place of Richard Zarzeczny, who resigned at a board meeting following the annual general meeting. Mr. Milgram is an Executive Vice President of Weiss Asset Management LP, which, at the time of the appointment, managed investment funds holding approximately 19.1% of the outstanding shares of the Company.</p>
Third Quarter	<p><b>Expiry of Century Offer</b></p> <p>On July 19, 2010, Century varied its offer to increase the consideration offered under the Century offer from \$1.50 to \$1.71. The Board did not make any recommendation to shareholders with respect to the varied offer. On August 3, 2010, the Century offer expired and no shares were taken up as the minimum tender condition was not satisfied. The Pre-Acquisition Agreement with Century Services was also terminated. Under the terms of the Pre-Acquisition Agreement, the Company paid \$0.25 million to Century in expense reimbursement related to the making of the Century offer.</p> <p><b>Commencement of Realization Strategy</b></p> <p>The Company's Board determined, as previously disclosed, that if the Century offer were not successfully completed C.A. Bancorp's interests would be best served through the realization of the Company's assets and the distribution of the proceeds to the Company's shareholders. C.A. Bancorp has contractual liquidity rights in respect of many of its equity interests in private companies, and its debt interests in those entities have scheduled maturities. The Company would pursue opportunities to accelerate the realization dates for the Company's assets, where possible, and to explore and develop further opportunities to do so.</p> <p><b>C.A. Bancorp Inc. Implements Normal Course Issuer Bid</b></p> <p>On August 6, 2010, the TSX approved the Company's notice of intention to make a normal course issuer bid for up to 1,816,450 of its shares or approximately 6.8% of its issued and outstanding shares as at July 31, 2010. The Company may purchase shares at prevailing market prices during the period from August 10, 2010 to August 9, 2011. Daily purchases are limited to 14,920 shares, other than block purchase exemptions and are made through the facilities of the TSX. C.A. Bancorp believes that, from time to time, the market price of its shares may not reflect their underlying value and that the purchase of shares may represent an appropriate and desirable use of funds. C.A. Bancorp funds purchases out of available cash.</p> <p><b>Company's Interest in BXI Converted to Common Shares</b></p> <p>On August 10, 2010, the Company's \$1.2 million interest (convertible promissory note) in BXI was converted into BXI voting common shares.</p> <p><b>Sale of Interests in Bermingham, Kingswood and Windward</b></p> <p>In August 2010, the Company completed the dispositions of its interests in Bermingham, Kingswood and Windward for aggregate proceeds of approximately \$18.4 million.</p> <p>The Company completed the sale of its interest in Bermingham for \$11.5 million. C.A. Bancorp received \$11.3 million on closing and \$0.2 million on September 30, 2010.</p> <p>The Company completed the sale of its interest in Kingswood for \$6.7 million.</p> <p>The Company completed the sale of its wholly-owned subsidiary Telecom Inc. which held the Company's interest in Windward for \$0.16 million.</p> <p><b>Executive Officer Announcements</b></p> <p>On August 18, 2010, the Company appointed Jillian Crump as Chief Financial Officer and Kurt Brands as Chief Operating Officer.</p> <p>On September 23, 2010, Paul Haggis resigned from his position as interim Chief Executive Officer. Mr. Haggis continues to serve as an advisor to management, a director of the Company and as interim</p>

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Period	Event
	<p>Chief Executive Officer of CRFC. C.A. Bancorp’s day-to-day operations are managed by Kurt Brands, Chief Operating Officer.</p>
<b>Fourth Quarter</b>	<p><b>Substantial Issuer Bid by way of “Dutch Auction”</b></p> <p>On November 11, 2010, the Company commenced its previously announced substantial issuer bid by way of modified “Dutch Auction” (Issuer Bid) pursuant to which the Company offered to repurchase for cancellation up to \$31.0 million in value of its shares from shareholders. The range of offer prices was \$1.80 to \$2.10 per share.</p> <p>On December 17, 2010, the Issuer Bid expired, pursuant to which the Company determined the purchase price to be \$2.09 per share. The Company took up 14,157,593 shares, for aggregate consideration of approximately \$29.6 million (\$30.0 million including Issuer Bid costs). Those shares represent approximately 54% of the total shares issued and outstanding as at December 17, 2010.</p>
<b>Subsequent to Year-End</b>	<p><b>Proposed Sale of Interest in CRFC</b></p> <p>On March 15, 2011 the Company entered into an agreement to sell all of its interests in CRFC to Green Tree for an aggregate purchase price of \$6.4 million. As part of the Proposed CRFC Transaction, the Company will transfer the 966,160 Class A Shares which it holds (directly and indirectly) in CRFC and its interests in both CAB Ltd. and Realty Finance. The Proposed CRFC Transaction contemplates Green Tree assuming C.A. Bancorp’s obligations under the commitment agreement dated January 31, 2008 between the Company and CRFC and the note payable to CRFC.</p> <p>The Proposed CRFC Transaction remains subject to certain conditions, including without limitation, receipt of consents and regulatory approvals, completion of certain transaction documents, the approval of both the Preferred Shareholders and Class A Shareholders of CRFC voting separately as a class and other customary closing conditions for a transaction of this nature. Subject to receipt of approvals, it is expected that the Proposed CRFC Transaction will close in the second quarter of 2011.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SUMMARY OF INVESTMENTS

The following is a summary of the Company's investments in private entities and managed entities as at December 31, 2010. As the Company executes its Realization Strategy, it will assess each asset and proposed exit value on a case by case basis and will determine whether or not an early exit is in the best interests of the Company. Exit values in the context of the Realization Strategy may or may not correspond with the Company's initial targeted IRR.

#### Investments in Private Entities – Realizations

Industry	Company, Investment Overview, Rationale and Exit	Hold Period	Ownership Percentage	Invested Capital	Gross Return on Investment
<b>Agricultural Financial Services</b>	<p><b>AgriFinancial Canada Corp.</b>, (AgriFinancial) through its operating businesses, Agrifinance and AgriCard, is a leading independent provider of financing solutions to the Canadian agricultural sector.</p> <p><b>Investment Rationale:</b> Platform investment in the financial services sector to capitalize on the significant growth in financing opportunities present in the Canadian agricultural marketplace.</p> <p><b>Investment Exit:</b> AgriFinancial was sold to Bank West, a wholly-owned subsidiary of Western Financial Group Inc. (TSX: WES).</p>	<p><b>Investment Date:</b> October 2007</p> <p><b>Exit Date:</b> January 2009</p>	90%	\$9.5 million	<p>\$19.5 million</p> <p>(Profit of \$10.0 million. Sale proceeds equalled 2x invested capital).</p> <p><b>IRR:</b> 74%</p>
<b>Birmingham Foundation Solutions</b>	<p><b>Birmingham Foundation Solutions</b> (Birmingham) builds customized pile driving equipment for sale or lease in countries around the world, and provides foundation construction services for infrastructure projects.</p> <p><b>Investment Rationale:</b> Growth capital investment in a company with strong growth potential providing specialized equipment and construction services.</p> <p><b>Investment Exit:</b> The Company sold its interest back to Birmingham.</p>	<p><b>Investment Date:</b> November 2007</p> <p><b>Exit Date:</b> August 2010</p>	33%-45%	\$10.0 million	<p>\$13.7 million (incl. dividends)</p> <p>(Profit of \$3.7 million).</p> <p><b>IRR:</b> 14%</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry	Company, Investment Overview, Rationale and Exit	Hold Period	Ownership Percentage	Invested Capital	Gross Return on Investment
<b>Kingswood Estates</b>	<p><b>Kingswood Estates</b> (formerly Kingswood Apartment Complex) consists of eight garden-style apartment buildings containing a total of approximately 360 units. The property is strategically located in the south-end of Kitchener, Ontario with excellent access to major malls, the downtown area and highways.</p> <p><b>Investment Rationale:</b> Acquisition of a property that offers steady cash flow and significant upside potential through superior management, property improvements and unit upgrades.</p> <p><b>Investment Exit:</b> The Company sold its interest to KS Kingswood Drive Holdings Limited Partnership (KS).</p>	<p><b>Investment Date:</b> January 2008</p> <p><b>Exit Date:</b> August 2010</p>	80%	\$6.6 million	<p>\$6.7 million</p> <p>(Profit of \$0.1 million).</p> <p><b>IRR:</b> 1%</p>
<b>Windward Telecom Inc.</b>	<p><b>Windward Telecom Inc.</b> (Windward) is a telecommunications company providing Caribbean markets with long distance phone and data services.</p> <p><b>Investment Rationale:</b> Growth capital investment in a company with a highly scalable business model, generating recurring revenues capable of serving new clients with limited additional investment.</p> <p><b>Investment Exit:</b> The Company sold its interest back to Windward.</p>	<p><b>Investment Date:</b> February 2008</p> <p><b>Exit Date:</b> August 2010</p>	35%	\$0.71 million	<p>\$0.16 million</p> <p>(Loss of \$0.55 million).</p> <p><b>IRR:</b> -40%</p>

### *Investments in Private Entities – Current Portfolio*

Currently, the Company has five investments in private entities across various industry sectors. Each investment in the portfolio was made with a specific investment thesis at the time of entry. C.A. Bancorp management works with these portfolio companies on growth and operational improvement objectives.

Industry	Company and Investment Overview
<b>Specialty TV Channel Broadcast and Production Company</b>	<p><b>High Fidelity HDTV Inc.</b> (High Fidelity) broadcasts specialty television channels in digital high-definition format and distributes its programming through major cable and satellite companies such as Rogers Cable, Bell TV, Shaw Cable, Shaw Direct, Cogeco, and other regional carriers.</p> <p><b>C.A. Bancorp's Investment:</b> Original \$4.0 million investment in the form of a debenture that provided an annual yield of 10%. On April 7, 2010, High Fidelity fully repaid the principal amount outstanding and all interest owed under the original debenture. The Company currently holds a \$1.5 million convertible debenture with a 7% annual cash yield. In addition, the Company holds 13% equity by way of common shares and warrants (convertible into common shares) and an additional 6% via the conversion feature on the convertible debenture for a total equity interest of 19%.</p> <p><b>Rationale:</b> Growth capital investment in a company with recurring cash flows, favourable business model that can generate significant additional cash flow at minimal cost, and an experienced management team.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Industry

### Company and Investment Overview

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**Investment Risks Include:** Customer concentration (limited number of cable providers under contract), quality of programming, management execution and reduced household budgets for discretionary entertainment.

**Original Investment Date:** July 2007

**Investment Update:** High Fidelity increased the number of affiliation agreements with major carriers in 2010. With the addition of these carriers, the addressable customer base has been expanded significantly as High Fidelity's four high definition channels are now available to the majority of consumers across the country. This will increase the potential for stronger than anticipated subscriber growth.

The Company is pleased with the financial and overall performance of High Fidelity and its management team as it continues to expand its presence across Canadian households. For the year ended December 31, 2010, the Company increased the fair value of its equity (and equity like) investment in High Fidelity by approximately \$2.1 million. The Company's investment in High Fidelity is fair valued at \$6.1 million.

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### Bottle Manufacturing and Distribution

**Salbro Bottle Group** (Salbro) is an established designer, manufacturer and distributor of packaging components, specializing in glass and plastic bottles.

**C.A. Bancorp's Investment:** \$4.0 million investment structured as a secured debenture with a 12% per annum coupon and nominal cost warrants providing a base 12.5% equity interest in Salbro, with increases subject to Salbro's financial performance and contractual minimum rates of return.

**Rationale:** Growth capital investment in a company with a diversified customer base, an experienced management team, and a combination of complementary manufacturing and distribution businesses to reduce volatility and risk.

**Investment Risks Include:** Long-term economic slowdown, commodity prices (inputs and fuel), customer concentration and management execution.

**Original Investment Date:** February 2008

**Investment Update:** Salbro's expanded its customer base and sales volumes across multiple industry verticals in 2010 which had a positive impact on financial performance. Combined with strategic capital decisions, Salbro has positioned itself to capture greater overall market share in 2011.

The Company is pleased with the performance of Salbro and its management team. As at December 31, 2010, the Company fair valued the debenture and equity investment at \$4.0 million and \$0.4 million, respectively.

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### Parking Payment Systems

**Digital Payment Technologies Corp.** (DPT) develops, sells and supports electronic parking solutions for the collection of parking revenues and management of parking operations in the on-street and off-street markets.

**C.A. Bancorp's Investment:** \$6.0 million investment structured as a three year secured debenture with a 12% coupon per annum, and nominal cost warrants convertible into 35% of DPT's common shares on a fully diluted basis.

**Rationale:** Growth capital investment in a company with industry leading products and technology, servicing a growing North American marketplace of municipalities, universities and private parking lot operations.

**Investment Risks Include:** Supplier performance, product performance, slowdown in capital spending from municipalities and universities and management execution.

**Original Investment Date:** November 2008

**Investment Update:** DPT increased unit sales and revenue in 2010 as it was successful in winning a proportionate share of request for proposals in 2010. The additions to DPT's install base have also increased recurring revenues generated from software fees and after-sales support. The industry continues to be active with a number of new RFPs in both the on-street and off-street market. DPT made strategic investments in its sales organization in 2010 which has resulted in a growing new business pipeline from universities, municipalities and private operators. In addition, DPT is expected to benefit from its ongoing R&D efforts in 2011.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry	Company and Investment Overview
	<p>For the year ended December 31, 2010, the Company increased the fair value of its equity investment in DPT by approximately \$0.2 million. The Company's investment in DPT is fair valued at \$9.0 million.</p>
<b>Rural Wireless Broadband</b>	<p><b>Barrett Xplore Inc.</b> (BXI) is Canada's largest rural broadband internet provider that deploys a hybrid of fixed wireless and satellite technologies to rural Canadians.</p> <p><b>C.A. Bancorp's Investment:</b> \$1.2 million promissory note converted into BXI voting common shares.</p> <p><b>Rationale:</b> Growth capital investment in a company with a backlog of new customers and a highly scalable business model capable of serving new customers at a lower incremental cost.</p> <p><b>Investment Risks Include:</b> Management execution, competition, network failures and alternative technology entering the market.</p> <p><b>Original Investment Date:</b> March 2010</p> <p><b>Investment Update:</b> On August 10, 2010, the Company's \$1.2 million interest (convertible promissory note) in BXI was converted into voting common shares of BXI. BXI maintained its track record of subscriber and revenue growth in 2010 and is positioned to continue to add new subscribers in the future as it has (i) contracted the majority of next generation satellite capacity over Canada and (ii) secured government grants to support its growth capital plan. As at December 31, 2010, the Company fair valued its equity investment in BXI at \$1.2 million.</p>
<b>Investment Management</b>	<p><b>Aventine Management Group Inc. (previously named Barlow Capital Management Inc.)</b> (Aventine) is a fee-for-service boutique investment counsel and portfolio manager with an exclusive focus on providing endowment style investment management services to high net worth Canadian investors.</p> <p><b>C.A. Bancorp's Investment:</b> \$2.9 million to acquire 85% of Aventine's issued and outstanding common shares.</p> <p><b>Rationale:</b> Investment in a niche asset manager.</p> <p><b>Investment Risks Include:</b> Customer acquisition and retention, investment performance, compliance and management execution.</p> <p><b>Acquisition Date:</b> July 2008</p> <p><b>Investment Update:</b> In 2010, Aventine continued to manage a number of high net worth private clients as a going concern and developed new relationships in the pooled fund business. Aventine was cash flow positive in 2010 and did not require any capital injections from the Company or outside sources to fund the business. The Company also leveraged the capabilities and capacity of the main principal at Aventine, as he performed the role of chief compliance officer for the Company and its subsidiaries. In the fourth quarter of 2010, the Company de-consolidated its investment in Aventine and fair valued its equity investment in Aventine at \$nil.</p>

### *Managed Entities – Realizations*

Up until June 2010, the Company provided management and administration services to Charter REIT (now Partners Real Estate Investment Trust). On June 4, 2010 the Company sold its interest in Charter REIT and in conjunction with the sale, the management agreement between Realty Management, a wholly owned subsidiary of the Company and Charter REIT, was terminated. The Company generated management fees of approximately \$0.2 million in 2010 from this management agreement. Below is a summary of the fees and distributions and gross return on invested capital during the Company's investment hold period in Charter REIT.

Industry	Company, Investment Overview, Rationale and Exit	Hold Period	Invested Capital	Gross Return on Investment
<b>Commercial Real Estate - Retail</b>	<b>Charter Real Estate Investment Trust</b> (Charter REIT) focused on acquiring a portfolio of retail and mixed-use retail community and neighbourhood centres,	<b>Investment Dates:</b> 2006 and 2007 <b>Exit Date:</b> June	\$18.9 million	Loss of \$4.5 million (Equal to invested capital)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry	Company, Investment Overview, Rationale and Exit	Hold Period	Invested Capital	Gross Return on Investment
	<p>generally in the mid-market deal size range of \$10 to \$40 million, comprised of stable cash-flow and value added properties from both primary and secondary markets throughout Canada, with the principal goal of generating a reliable and growing yield for investors.</p> <p><b>Investment Rationale:</b> Platform investment with the potential to generate increased management and acquisition fees and distributions and subsequently, higher rate of return on the Company's sponsor capital.</p> <p><b>Investment Exit:</b> The Company's interest in Charter REIT was sold to IGW Public Limited Partnership, an affiliate of League Assets Corp. at a price of \$1.45 per Unit. The sale yielded gross proceeds to C.A. Bancorp of approximately \$8.8 million and the Company reported a \$2.1 million gain on the sale in 2010.</p> <p>In connection with the sale, the management agreement dated March 27, 2007 between Charter REIT and Realty Management was terminated.</p>	2010		of \$18.9 million less the sum of \$3.7 million in distributions, \$1.9 million in management and acquisition fees and \$8.8 million from the sale of Charter REIT units.)

### *Managed Entities – Current Portfolio*

Currently, the Company is actively managing one entity: CRFC. CRFC generates management fees of approximately \$0.8 million per year for the Company as well as distributions on the sponsorship capital that the Company has invested. In March 2011, the Board of CRFC suspended the Class A Share distribution until such time as CRFC has further visibility on the reinvestment of its excess cash into mortgages and loans. On March 15, 2011, the Company entered into an agreement to sell all of its interests in CRFC to Green Tree. As part of the Proposed CRFC Transaction, the Company will transfer the 966,160 Class A Shares which it holds (directly and indirectly) in CRFC and its interests in both CAB Ltd. and Realty Finance. CAB Ltd. has management and investment advisory agreements in place with CRFC and a note payable to CRFC.

Industry	Fund/Entity
<b>Commercial Real Estate Lending</b>	<p><b>C.A. Bancorp Canadian Realty Finance Corporation</b> (CRFC) is a publicly traded mutual fund corporation that provides investment exposure to a diversified portfolio of commercial real estate mortgages and loans.</p> <p><b>Assets under Management:</b> CRFC issued 1,540,000 Preferred Shares, Series 1 for aggregate gross proceeds of \$38.5 million providing investors with tax-efficient fixed cash distributions of \$1.69 or 6.75% per annum on a \$25.00 maturity value (March 2018). CRFC has also issued approximately 3,666,000 subordinate Class A Shares for aggregate gross proceeds of \$36.9 million providing investors with a targeted cash distribution of \$0.76 per annum (yield is indicative and may vary over time). CRFC also has 2,900,000 warrants outstanding, each of which entitles the holder to purchase one Preferred Share, Series 1 at a subscription price of \$23.75 at any time on or before 4:00 p.m. (Toronto time) on September 30, 2011 (Warrants).</p> <p><b>Ticker Symbols:</b> Preferred Shares, Series 1 (<b>RF.PR.A</b> on the TSX); Class A Shares (<b>RF.A</b> on the TSX) and Warrants to purchase Preferred Shares, Series 1 (<b>RF.WT</b> on the TSX).</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Industry

### Fund/Entity

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**Original Investment:** \$9.85 million in Class A Shares carried on the Company's balance sheet at \$6.4 million or \$6.62 per Class A Share.

**Class A Share Net Asset Value:** \$9.01 per share at December 31, 2010.

**Update:** Subsequent to year-end, the Board of CRFC suspended the Class A Share distribution for the first quarter 2011 until such time as CRFC has further visibility on the reinvestment of its excess cash balances into mortgages and loans. For a detailed review of CRFC, please see CRFC's annual management report of fund performance (MRFP) for the period ended December 31, 2010. The MRFP can be found on CRFC's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The following is a summary of (a) the Company's audited consolidated financial statements for the year ended December 31, 2010 and (b) the Company's financial position as at December 31, 2010, in each case, compared to the years ended December 31, 2009 and December 31, 2008.

Results from Operations for Year Ending December 31	2010	2009	2008
Total revenues	\$ 4,742	\$ 5,395	\$ 8,058
Net results of investments <sup>1</sup>	(663)	5,769	(17,853)
Expenses	(9,986)	(8,653)	(7,081)
Taxes and non-controlling interest	(142)	(417)	1,412
Net earnings (loss) from continuing operations	(6,049)	2,094	(15,464)
Net earnings from discontinued operations	-	28	1,105
<b>Net earnings (loss)</b>	<b>\$ (6,049)</b>	<b>\$ 2,122</b>	<b>\$ (14,359)</b>
<b>Earnings Per Share (EPS)</b>			
EPS from continuing operations – basic and diluted <sup>1</sup>	\$ (0.23)	\$ 0.08	\$ (0.55)
EPS from discontinued operations – basic and diluted <sup>1</sup>	0.00	0.00	0.04
<b>Net earnings (loss) per share</b>	<b>\$ (0.23)</b>	<b>\$ 0.08</b>	<b>\$ (0.51)</b>
<b>Financial Position as at December 31</b>			
Cash and cash equivalents	\$ 8,070	\$ 11,114	\$ 1,245
Total assets as reported	\$ 36,088	\$ 71,514	\$ 147,778
Total assets (adjusted) <sup>2</sup>	\$ 36,088	\$ 71,514	\$ 72,684
Total debt (adjusted) <sup>3</sup>	\$ 1,451	\$ 1,825	\$ 5,178
Total shareholders' equity	\$ 31,071	\$ 67,642	\$ 66,719
Number of shares outstanding	12,269	26,737	27,345
<b>Per Share</b>			
Net book value <sup>4</sup>	\$ 2.53	\$ 2.53	\$ 2.44
Closing market price	\$ 1.94	\$ 1.33	\$ 0.65
Market price discount to net book value	23%	47%	73%

<sup>1</sup> The 2009 financial results includes a gain on sale of AgriFinancial (net of tax) reclassified from discontinued operations (as reported under GAAP). See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

<sup>2</sup> Assets in 2008 exclude the discontinued operations of AgriFinancial. AgriFinancial (Financial Corp.) was sold on January 30, 2009 to a third party.

<sup>3</sup> Debt in 2008 excludes the discontinued operations of AgriFinancial.

<sup>4</sup> Net book value per share is a non-GAAP financial measure and is calculated as total shareholders' equity under GAAP divided by the number of common shares outstanding at year-end. See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Results of Operations Highlights*

The Company's operating results reflect (i) revenue recognized primarily from the income generated from the Company's investments in private entities and the income and management fees from the Company's managed entities (ii) changes in the value of the Company's assets and (iii) the expenses required to manage the Company's portfolio of invested capital. Effective October 1, 2010, the Company adopted the liquidation basis of accounting.

2010	2009	2008
<p><b>Total revenues were \$4.7 million:</b> \$3.4 million from interest and investment income, \$1.1 million from asset management fees and \$0.3 from other fees and commissions.</p>	<p><b>Total revenues were \$5.4 million:</b> \$3.1 million from interest and investment income, \$2.0 million from asset management fees and \$0.3 from other fees and commissions.</p>	<p><b>Total revenues were \$8.1 million.</b> \$6.1 million from interest and investment income, \$1.4 million from asset management fees and \$0.5 million from other fees and commissions.</p>
<p><i>Changes year-over-year: The Company's interest and investment income modestly increased in 2010 compared to the previous year as the Company amortized the remaining discount related to the Salbro and DPT debentures. This was offset by a decline in investment income as the Company sold its investment in Bermingham in the third quarter of 2010. The Company's asset management fees declined as the Company monetized its investment in Charter REIT in June 2010 and Aventine reported lower asset management fees year over year. Revenues are lower compared to 2008 as the Company divested the majority of its investments in income paying public securities in and invested the capital in private investments.</i></p>		
<p><b>Net results of investments representing a loss of \$0.7 million</b> primarily as a result of the \$5.9 million change in unrealized gain on investments in private entities, \$2.1 million gain on sale of its investment in Charter REIT offset by \$4.2 million realized loss on its investment in private entities (related to the Company's investment in Everus Communications Inc.) and a net \$4.3 million impairment loss on the Company's investment in CRFC and the intangible asset related to CRFC.</p>	<p><b>Net results of investments representing a gain of \$5.8 million</b> (when including the gain on sale of AgriFinancial) consisting primarily of realized \$7.0 million in net earnings from the discontinued operations of AgriFinancial, \$1.6 million change in unrealized gain on publicly traded investments offset by \$0.8 million in realized losses on the sale of publicly traded investments and \$2.1 million impairment loss on goodwill and intangible assets related to Aventine.</p>	<p><b>Net results of investments representing a loss of \$17.9 million</b> primarily as a result of \$7.9 million in realized losses on the sale of publicly traded investments, \$1.6 million in the change in unrealized losses on publicly traded investments, \$1.0 million change in unrealized losses on investments in private entities and \$6.6 million unrealized impairment loss on the Company's investment in Charter REIT.</p>
<p><b>Total expenses were \$10.0 million</b> consisting primarily of: \$3.2 million in employee expenses (including One-time Expense related to severance of \$1.2 million), \$1.3 million in general and administration expenses, \$0.8 million in corporate and all other expenses.</p>	<p><b>Total expenses were \$8.7 million</b> consisting primarily of: \$3.0 million in employee costs, \$2.6 million in fees paid to Sentry Select, \$1.9 million in corporate and transaction costs, \$1.6 million in general and administration expenses and a reversal of \$0.7 million related to stock based compensation.</p>	<p><b>Total expenses were \$7.1 million</b> consisting primarily of: \$0.5 million in employee costs, \$2.0 million in fees paid to Sentry Select, \$0.7 million and corporate and transaction costs, \$1.4 million in general and administration expenses, \$0.5 million in stock based compensation and \$1.8 million in interest expense.</p>
<p>One-time Expense related to the Strategic Review Process of \$2.3 million.</p>	<p>One-time Expense related to the Strategic Review Process of \$0.8 million.</p>	<p>One-time Expense of \$nil.</p>
<p>Accrued Liquidation Costs of \$2.4 million</p>	<p>One-time Expense related to the Internalization of \$2.1 million.</p>	
<p><b>Expenses excluding One-time Expenses and Accrued Liquidation Costs were \$4.1 million.</b></p>	<p><b>Expenses excluding One-time Expenses were \$5.8 million.</b></p>	<p><b>Expenses excluding One-time expenses related to the Internalization were \$7.1 million.</b></p>
<p><b>Net loss of \$6.0 million or \$0.23 per share</b> on a basic and fully diluted basis.</p>	<p><b>Net earnings of \$2.1 million or \$0.08 per share</b> on a basic and fully diluted basis.</p>	<p><b>Net loss of \$14.4 million or \$0.51 per share</b> on a basic and fully diluted basis.</p>
<p><b>Net loss adjusted for One-time Expenses of \$0.1 million.</b></p>	<p><b>Net earnings adjusted for One-time Expenses of \$0.9 million.</b></p>	

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Balance Sheet Highlights*

Effective October 1, 2010, the Company adopted the liquidation basis of accounting. The Company completed an Issuer Bid in December 2010 pursuant to which the Company repurchased for cancellation approximately 14.2 million shares for aggregate consideration of approximately \$29.6 million (\$30.0 million including Issuer Bid costs) from shareholders. As at December 31, 2010, the Company had net liquid assets of approximately \$7.4 million on its balance sheet.

December 31, 2010	December 31, 2009	December 31, 2008
<b>Total assets</b> of \$36.1 million.	<b>Total assets</b> of \$71.5 million.	<b>Total assets</b> of \$72.7 million excluding the discontinued operations of AgriFinancial. (Total assets of \$147.8 million.)
<i>Changes year-over –year: The substantial decrease in assets compared to December 31, 2009 was the result of the Company monetizing many of its investments for aggregate cash proceeds of \$29.8 million and subsequently repurchasing for cancellation a total of 14.5 million shares for aggregate consideration of \$30.1 million (\$30.5 million including fees) by way of an Issuer Bid and a normal course issuer bid. The Company also recorded a net loss of \$6.0 million for the period.</i>		
<b>Total debt</b> of \$1.5 million (excluding short-term payables). The Company has a \$1.5 million note payable to CRFC over the next five years.	<b>Total debt</b> of \$1.8 million (excluding short-term payables). The Company has a \$1.8 million note payable to CRFC over six years.	<b>Total debt</b> of \$5.2 million (excluding short-term payables and the discontinued operations of AgriFinancial). The Company had \$2.6 million that was due to broker and a \$2.6 million note payable to CRFC over seven years.
<i>Changes year-over –year: The Company paid the debt owing to broker in the first quarter of 2009 after it completed the sale of AgriFinancial.</i>		
<b>Total shareholders' equity</b> of \$31.1 million.	<b>Total shareholders' equity</b> of \$67.6 million.	<b>Total shareholders' equity</b> of \$66.7 million.
<i>Changes year-over–year: The decrease in shareholders' equity compared to 2009 is primarily a result of the Company completing an Issuer Bid in December 2010 pursuant to which the Company repurchased for cancellation approximately 14.2 million shares for aggregate consideration of approximately \$30.0 million (including fees) from shareholders and the net loss for the period of \$6.0 million. For the year ended December 31, 2010, the Company incurred \$5.9 million in expenses related the Strategic Review Process, severance and Accrued Liquidation Costs.</i>		

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Fair Value Analysis and Expected Realization Dates*

The following is a breakdown of: (a) the fair value of each of the Company's assets and liabilities and associated value per share as at December 31, 2010; (b) the approximate annual cash flows from each investment; and, (c) the expected year of value realization for each asset. The Company believes that, in the event the investments in private entities are held to the expected realization dates, the future value in aggregate will be higher than the December 31, 2010 carrying values.

Asset/(Liability)	Fair value	Value per share	2010 cash flows	Actual or expected realization date <sup>1</sup>		
				2010	2011	2012
<b>Liquid Net Assets (Working Capital)</b>						
Cash and cash equivalents	\$ 8,070	\$ 0.66	\$ 160		√	
Accounts receivable	648	0.05	-		√	
Loans	24	0.00	-		√	
Publicly traded investments	72	0.01	23		√	
Accounts payable and accruals	(1,149)	(0.09)	-		√	
Debt to CRFC (due within the year)	(306)	(0.02)	-		√	
<b>Sub-Total</b>	<b>\$ 7,359</b>	<b>\$ 0.60</b>	<b>\$ 183</b>			
<b>Investments in Private Entities</b>						
High Fidelity (debenture & PIK interest) <sup>2</sup>	\$ -	\$ -	\$ 481	√		
High Fidelity (equity & convert. debenture)	6,100	0.50	105			√
DPT (debenture & PIK interest)	6,528	0.53	480		√	
DPT (35% equity interest)	2,500	0.20	-			√
BXI (equity interest)	1,225	0.10	-			√
Salbro (debenture)	4,000	0.33	480			√
Salbro (12.5% equity interest) <sup>3</sup>	400	0.03	-			√
Kingswood (80% LP equity interest and loan) <sup>4</sup>	-	-	-	√		
Windward (35% equity interest) <sup>4</sup>	-	-	-	√		
Birmingham (33 to 45% equity interest) <sup>4</sup>	-	-	400	√		
<b>Sub-Total</b>	<b>\$ 20,753</b>	<b>\$ 1.69</b>	<b>\$ 1,946</b>			
<b>Investments in Managed Entities</b>						
Charter REIT <sup>5</sup>	\$ -	\$ -	\$ 588	√		
CRFC <sup>6</sup>	6,400	0.52	734		√	
Intangible asset related to CRFC <sup>7</sup>	-	-	771		√	
<b>Sub-Total</b>	<b>\$ 6,400</b>	<b>\$ 0.52</b>	<b>\$ 2,093</b>			
Debt payable to CRFC	\$ (1,145)	\$ (0.09)	\$ -		√	
Accrued Liquidation Costs	(2,417)	(0.20)	-		√	√
All other	121	0.01	-		√	
<b>GRAND TOTAL</b> <sup>8,9</sup>	<b>\$ 31,071</b>	<b>\$ 2.53</b>	<b>\$ 4,222</b>			

<sup>1</sup> See "Summary of Investments" beginning on page 9 for additional information.

<sup>2</sup> Debenture and all interest owed was repaid in the second quarter of 2010.

<sup>3</sup> Equity interest has a "put" value back to Salbro in February 2012.

<sup>4</sup> The Company sold its interest in the third quarter of 2010.

<sup>5</sup> The Company sold its interest in the second quarter of 2010.

<sup>6</sup> The Company has entered into an agreement to sell its interest in CRFC.

<sup>7</sup> Related to the management and administration agreements between CAB Ltd. and CRFC.

<sup>8</sup> Grand total equals the Company's shareholders' equity under GAAP.

<sup>9</sup> Excludes the Company's tax loss carryforwards of \$13.4 million which would be available to offset future taxable income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

The following is an analysis of the Company's results of operations for the year ended December 31, 2010 based on a GAAP basis of presentation<sup>1</sup>. This analysis should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and the corresponding notes thereto.

The consolidated financial statements include the accounts of C.A. Bancorp and its wholly-owned subsidiaries: CAB Ltd., Realty Finance, Realty Management, Barlow Holdings up to October 1, 2010, its ownership of Telecom Inc. up to August 24, 2010, and its majority-ownership in Financial Corp. for the period from October 12, 2007 to January 30, 2009. All intercompany transactions and balances have been eliminated in these consolidated statements in accordance with GAAP.

#### Revenues

	Year ended December 31		
	2010	2009	Inc / (Dec)
Interest and investment income	\$ 3,362	\$ 3,124	\$ 238
Asset management fees	1,119	1,976	(857)
Other fees and commissions	261	295	(34)
<b>Total</b>	<b>\$ 4,742</b>	<b>\$ 5,395</b>	<b>\$ (653)</b>

Consolidated revenues for the year ended December 31, 2010 were lower when compared to the full year of 2009. The Company recorded higher interest and investment income as the Company amortized the remaining discount related to the debentures issued by Salbro and DPT. This was offset by a reduction in year-over-year income from the Company's investment in Bermingham, as that investment was sold in the third quarter of 2010. The Company also recognized lower asset management fees in 2010 compared to 2009 as a result of the termination of the management agreement between Charter REIT and Realty Management which occurred in the beginning of June 2010 and lower asset management fees earned by Aventine.

Additionally, it should be noted that the Company also generated cash flow of \$1.1 million in 2010 from distributions received from its investments in CRFC and Charter REIT that are not classified as interest and investment income but as a return of capital for accounting purposes and therefore are not recognized as revenue.

<sup>1</sup> Excludes the gain on sale of AgriFinancial (net of tax) which has been reclassified from discontinued operations (as reported under GAAP). See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Net Results of Investments*

	<i>Year ended December 31</i>		
	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>
Change in unrealized gain on publicly traded investments	<b>\$ 3,584</b>	\$ 1,630	\$ 1,954
Realized loss on sale of publicly traded investments	<b>(3,494)</b>	(781)	(2,713)
Change in unrealized gain on investments in private entities	<b>5,872</b>	253	5,619
Realized loss on sale of investments in private entities	<b>(4,210)</b>	-	(4,210)
Gain on sale of AgriFinancial <sup>1</sup>	-	6,935	(6,935)
Equity participation in private entities	<b>60</b>	84	(24)
Equity participation in Charter REIT	<b>(429)</b>	(542)	113
Gain on sale of investment in Charter REIT	<b>2,098</b>	-	2,098
Equity participation in CRFC	<b>263</b>	342	(79)
Impairment loss on investment in CRFC	<b>(2,333)</b>	-	(2,333)
Unrealized fair value adjustment related to CRFC	<b>304</b>	-	304
Impairment loss on intangible asset related to CRFC	<b>(2,224)</b>	-	(2,224)
Impairment loss on goodwill and intangible assets related to Aventine	-	(2,069)	2,069
Impairment loss related to Aventine	<b>(154)</b>	-	(154)
Other corporate investments	-	(82)	82
<b>Total</b>	<b>\$ (663)</b>	<b>\$ 5,770</b>	<b>\$ (6,433)</b>

Consolidated net results of investments resulted in a loss of \$0.7 million for the year ended December 31, 2010 compared to a gain of \$5.8 million for the same period in 2009. The net loss in 2010 was primarily as a result of the \$5.9 million change in unrealized gain on investments in private entities, \$2.1 million gain on sale of its investment in Charter REIT offset by a \$4.2 million realized loss on its investment in private entities (related to the Company's investment in Everus) and a net \$4.2 million impairment loss on the Company's investment in CRFC and the intangible asset related to CRFC (see section below, "Impairment of Investment in CRFC and Intangible Assets").

#### **Investment in Publicly Traded Investments**

In 2010, the Company sold the majority of its investment in publicly traded investments generating cash proceeds of approximately \$1.8 million, resulting in a net gain of approximately \$0.1 million for the year ended December 31, 2010.

#### **Investment in High Fidelity HDTV Inc.**

In 2010, the Company recognized an unrealized gain of \$2.1 million related to the convertible debenture, warrant and common share investments in High Fidelity based on the Company's valuation of High Fidelity (financial

<sup>1</sup> The gain on sale of AgriFinancial (net of tax) reclassified from discontinued operations (as reported under GAAP). See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

performance over the past twelve months, future prospects, as well as High Fidelity's financial position) as at December 31, 2010.

### **Investment in Digital Payment Technologies Corp.**

In 2010, the Company recognized an unrealized gain of \$0.2 million related to its equity (warrants) investment in DPT as a result of an increased valuation based on the Company's valuation of DPT (financial performance over the past twelve months, future prospects, as well as DPT's financial position) as at December 31, 2010.

### **Investment in Salbro Bottle Group**

In 2010, the Company recognized an unrealized loss of \$0.1 million related to its equity (warrants) investment in Salbro as a result of an increased valuation based on the Company's valuation of Salbro (financial performance over the past twelve months, future prospects, as well as Salbro's financial position) as at December 31, 2010.

### **Investment in Everus Communications Inc. / Barrett Xplore Inc.**

In 2010, the Company recognized a realized loss of \$4.9 million and an unrealized gain of \$4.9 million related to its interests in Everus. In February 2010, an interim receiver completed a sale of substantially all the assets and business of Everus to BXI. The Company, as the senior secured creditor of Everus, received approximately \$1.2 million, structured as a promissory note, convertible in common shares of BXI. The convertible promissory note was converted into common shares of BXI in 2010 (see "Significant Events – First Quarter and Third Quarter" above).

### **Investment in Bermingham Foundation Solutions**

In 2010, the Company recognized a realized gain of \$0.9 million and a change in unrealized loss of \$0.9 million related to the sale of its interest in Bermingham (see "Significant Events – Third Quarter" above).

### **Investment in Kingswood Estates**

In 2010, the Company recognized a realized gain of \$0.1 million and a change in unrealized loss of \$0.3 million related to the sale of its interest in Kingswood (see "Significant Events – Third Quarter" above).

### **Investment in Windward Telecom Inc.**

In 2010, the Company recognized a realized loss of \$0.3 million related to the sale of its interest in Windward (see "Significant Events – Third Quarter" above).

### **Investment in CRFC and Intangible Assets related to CRFC**

On a quarterly basis, the Company evaluates the carrying value of its Class A Shares in CRFC to determine whether or not its investment is impaired on an "other than temporary" basis. During the third quarter of 2010, the Company's began implementing its Realization Strategy. Furthermore, the Class A Shares have traded at a significant and prolonged discount to their net asset value. In the third quarter 2010, the Company determined that the carrying value of its investment in CRFC based on a range of historical trading prices of CRFC's Class A Shares was impaired. The Company concluded that the fair value of its investment in CRFC for financial reporting purposes was \$6.50 per Class A Share or \$6.3 million as at September 30, 2010. As a result, the Company recorded an "other than temporary" impairment loss of \$2.3 million in the third quarter 2010.

As well, in the third quarter 2010, the Company determined that it may not fully benefit from the future expected value of the management agreements between CAB Ltd. and CRFC and therefore determined that the value of its intangible asset was impaired. Based on its intangible asset impairment test, the Company recorded a non-cash

## MANAGEMENT'S DISCUSSION AND ANALYSIS

impairment charge of \$1.7 million on its intangible asset related to the management agreements in the third quarter 2010.

At year-end, as a result of the Proposed CRFC Transaction, the Company recorded an unrealized fair value adjustment related to its investment in CRFC of \$0.3 million to reflect the expected proceeds from the Proposed CRFC Transaction and an impairment charge of \$0.6 million on its intangible asset related to the management agreements.

### *Expenses, Income Tax and Non-Controlling Interests*

	<i>Year ended December 31</i>		
	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>
Employee expense <sup>1,2</sup>	\$ 1,983	\$ 3,011	\$ (1,028)
General and administration expense	1,328	1,592	(264)
Audit, legal and other corporate expense	412	500	(88)
Interest expense	109	177	(68)
Fees paid to Sentry Select	103	1,163	(1,060)
Depreciation and amortization expense	55	61	(6)
Stock based compensation expense	-	(693)	693
<b>Subtotal (operating expenses)</b>	<b>\$ 3,990</b>	<b>\$ 5,811</b>	<b>\$ (1,821)</b>
One-time Expense – Internalization	-	2,089	(2,089)
One-time Expense – Strategic Review Process and hostile bid defence	2,286	753	1,533
One-time Expense – Employee Severance	1,204	-	1,204
Write-off of capital assets	89	-	89
Accrued Liquidation Costs	2,417	-	2,417
Provision for income taxes	99	526	(427)
Non-controlling interests	43	(109)	152
<b>Total</b>	<b>\$ 10,128</b>	<b>\$ 9,070</b>	<b>\$ 1,058</b>

The Company's consolidated expenses, taxes and non-controlling interests increased by \$1.1 million for the year ended December 31, 2010 compared to the same period in 2009. After deducting One-time Expenses and Accrued Liquidation Costs, taxes and non-controlling interests, the Company decreased its operating expenses year-over-year by \$1.8 million as total headcount declined throughout the year and other administration and corporate expenses have been reduced as the Company executes its Realization Strategy

For the year ended 2010, the Company incurred One-time Expenses of \$2.3 million related to the Strategic Review Process. The Strategic Review Process came to its completion in the third quarter of 2010. The following is a summary expenses incurred related to the Strategic Review Process:

<sup>1</sup> Excludes severance expense incurred in 2010. Reported as a One-time Expense.

<sup>2</sup> Excludes retention bonuses paid to employees in conjunction with Strategic Review Process. Reported as a One-time Expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### One-time Expenses related to the hostile bid defence and Strategic Review Process

	<i>Year ended December 31, 2010</i>	<i>In Aggregate since December 3, 2009</i>
Legal advisors	\$ 854	\$ 1,044
Financial advisors	410	860
Retention bonuses	455	455
Expense reimbursement <sup>1</sup>	261	261
Special Committee and other director	210	230
Information agent	82	171
Other	14	18
<b>Total</b>	<b>\$ 2,286</b>	<b>\$ 3,039</b>

The Company is required to make significant estimates and exercise judgment in determining Accrued Liquidation Costs. The Company reviewed contractual commitments such as payroll and related expenses, lease termination costs, and professional fees to determine the estimated costs to be directly incurred through the Realization Strategy period. The following summarizes the costs accrued as at December 31, 2010:

### Accrued Liquidation Costs

Employee costs	\$ 1,481
Lease and equipment buyouts	239
Realization costs	697
<b>Total</b>	<b>\$ 2,417</b>

The Company has not accrued the ongoing operating costs that are anticipated to be incurred through the Realization Strategy period such as payroll and related expenses, general and administration costs and other corporate expenses.

## FOURTH QUARTER RESULTS

For the three month period ended December 31, 2010, the Company generated consolidated revenues of \$1.4 million compared to \$1.4 million in the same period ended 2009. The Company recognized additional investment income for the three month period ending December 31, 2010 compared to the same period in 2009 as the Company, in conjunction with its change to liquidation basis accounting, amortized the remaining discounts related to the Salbro and DPT debentures. This offset a decrease in asset management fees and interest income as the Company disposed of its interests in Charter REIT and Birmingham prior to the fourth quarter 2010.

The Company had a net gain on investments of \$1.1 million in the three month period ending December 31, 2010 compared to a net gain of \$0.6 million in the corresponding period of 2009. The net gain resulted from additional unrealized gains on investments in private entities of \$1.5 million compared to the same period ending 2009.

<sup>1</sup> The Company agreed to reimburse Century for certain expenses if the Century offer was not successfully completed in certain circumstances.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Company recorded a loss of \$1.4 million for the three months ended December 31, 2010, compared to a net loss of \$0.1 million in the corresponding period of 2009. Adjusted for Accrued Liquidation Costs, the Company recorded net earnings of \$1.0 million for the three month period ended December 31, 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the last eight quarters.

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	1,443	\$ 789	\$ 1,348	\$ 1,162	\$ 1,369	\$ 1,281	\$ 1,397	\$ 1,348
Net results of investments <sup>1</sup>	1,130	(4,279)	1,961	525	609	75	(1,501)	6,586
Expenses	(3,959)	(586)	(2,999)	(2,442)	(2,181)	(3,134)	(1,772)	(1,566)
Non-controlling interests	-	-	-	(43)	52	34	15	8
Net tax recovery (provision)	-	251	(70)	(280)	12	(154)	41	(425)
Net earnings (loss) from continuing operations	(1,386)	(3,825)	240	(1,078)	(139)	(1,898)	(1,820)	5,951
Net earnings from discontinued operations	-	-	-	-	-	-	-	28
Net earnings (loss) under GAAP	\$ (1,386)	\$ (3,825)	\$ 240	\$ (1,078)	\$ (139)	\$ (1,898)	\$ (1,820)	\$ 5,979
Add back: one-time expenses <sup>2</sup>	2,417	36	2,264	1,190	753	1,488	516	85
Net earnings (loss) adjusted for one-time expenses	\$ 1,031	\$ (3,789)	\$ 2,504	\$ 112	\$ 614	\$ (410)	\$ (1,304)	\$ 6,064
Weighted avg. # of shares								
Basic	25,229	26,695	26,737	26,737	26,737	26,737	26,944	27,275
Diluted	25,229	26,695	26,737	26,737	26,737	26,737	26,944	27,275
EPS from continuing operations – basic/diluted	\$ (0.05)	\$ (0.14)	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.07)	\$ 0.22
EPS from discontinued operations – basic/diluted	-	-	-	-	-	-	-	0.00
Net (loss) earnings per share under GAAP	\$ (0.05)	\$ (0.14)	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.07)	\$ 0.22
Net earnings (loss) adjusted for one-time expenses per share	\$ 0.04	\$ (0.14)	\$ 0.09	\$ 0.00	\$ 0.03	\$ (0.02)	\$ (0.05)	\$ 0.22
Shareholders' Equity	\$31,071	\$ 61,966	\$ 66,393	\$ 66,564	\$ 67,642	\$ 67,849	\$ 69,815	\$ 72,489
Shares o/s	12,269	26,564	26,737	26,737	26,737	26,737	26,750	27,133
Net book value per share <sup>3</sup>	\$ 2.53	\$ 2.33	\$ 2.48	\$ 2.49	\$ 2.53	\$ 2.54	\$ 2.61	\$ 2.67
Total assets	\$ 36,088	\$ 64,436	\$ 70,396	\$ 70,248	\$ 71,514	\$ 71,938	\$ 73,685	\$ 76,171

Quarterly revenue increased in the fourth quarter of 2010 compared to previous quarters in 2010 as the Company recognized one-time investment income related to the amortization of the discount of certain debenture investments in private entities.

<sup>1</sup> Includes the gain on sale of AgriFinancial (net of tax) in Q1 2009 reclassified from discontinued operations (as reported under GAAP). See cautionary statement regarding the use of Non-GAAP financial measures on page 2 of the MD&A.

<sup>2</sup> Expenses related to the internalization of management and administration functions in Q2 and Q3 2009, and expenses related to the hostile bid defence and Strategic Review Process in Q4 2009, Q1 2010, Q2 2010 and Q3 2010 and severance in Q2 2010. The Company accrued liquidation costs in Q4 2010.

<sup>3</sup> Net book value per share is a non-GAAP financial measure calculated by dividing net book value (shareholders' equity under GAAP) by the number of shares outstanding at the period end. The Company provides this information as it is a commonly sought after financial metric by existing shareholders. See cautionary statement regarding the use of Non-GAAP financial measures on page 2 of the MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net results of investments vary on a quarter-to-quarter basis due to realized gains or losses on investments but also unrealized gains or losses on investments being measured at fair value on the balance sheet (See "Net Results of Investments" above).

In conjunction with the Realization Strategy, the Company began to decrease its operating expenses beginning in the third quarter of 2010 compared to the previous quarters. As the Strategic Review Process came to its completion early in the third quarter of 2010, the Company completed a restructuring of its headcount and overheads. In the fourth quarter of 2010, the Company accrued liquidation costs in conjunction with its adoption of liquidation basis of accounting in October 2010. Since December 2009, the Company has incurred One-time Expenses related to the hostile take-over bid defence and Strategic Review Process and in the second quarter 2010, the Company incurred severance costs. In the second and third quarters 2009, the Company incurred One-time Expenses related to the Internalization. See "Expenses, Income Tax and Non-Controlling Interest" above.

In the fourth quarter of 2010, the Company completed an Issuer Bid pursuant to which it repurchased for cancellation approximately 14.2 million shares for an aggregate cost of \$29.6 million (\$30.0 million including Issuer Bid costs).

It is expected that revenue will continue to decline as the Company continues to execute its Realization Strategy. Moreover, the Company is pursuing all opportunities to reduce its operating expenses throughout the Realization Strategy period.

### LIQUIDITY, CAPITAL RESOURCES AND OFF-BALANCE SHEET ARRANGEMENTS

*The following is an analysis of the liquidity, capital resources and off-balance sheet arrangements of the Company and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and the corresponding notes thereto.*

#### *Liquidity*

The Company had liquid net assets of approximately \$7.4 million at December 31, 2010. The Company's cash equivalents of \$8.1 million consist of overnight deposits with Royal Bank of Canada and Canaccord Capital Inc.

The Company calculates its liquid net assets as follows:

<b>Liquid Net Assets (Working Capital)</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Cash and cash equivalents	\$8,070	\$ 11,114
Accounts receivable	648	1,659
Loans receivable	24	58
Publicly traded investments	72	1,718
Accounts payable and accrued liabilities	(1,149)	(1,935)
Portion of note payable to CRFC due in next twelve months	(306)	(317)
<b>Total</b>	<b>\$ 7,359</b>	<b>\$ 12,297</b>

The Company believes it has sufficient working capital to support the Company's operations. As the Company returns capital to shareholders, it will maintain sufficient financial resources to conduct any ongoing operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Capital Resources*

The Company has no long-term debt, capital lease obligations or other long-term obligations at the parent-company level other than the repayment of the note payable to CRFC (which is proposed to be assumed by Green Tree pursuant to the Proposed CRFC Transaction) and operating lease payments as detailed in the chart below. The Company expects that the management fees earned on CRFC will be sufficient to pay for all the principal and interest payments due on the note payable pending closing of the Proposed CRFC Transaction. In connection with the Internalization, the Company entered into a sublease for its office space and assumed various equipment leases. At the end of 2010, the Company entered into a sub-subleasing agreement with a third party and relocated its operations to smaller offices.

<b>Obligations</b>	<b>Payment Due Period</b>			<b>Total</b>
	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>Beyond 3 years</b>	
Note payable to CRFC	\$ 306	\$ 612	\$ 533	\$ 1,451
Future minimum operating lease payments	98	115	44	257
<b>Total</b>	<b>\$ 404</b>	<b>\$ 727</b>	<b>\$ 577</b>	<b>\$ 1,708</b>

The Company has the following additional contractual obligations.

Pursuant to the Commitment Agreement, the Company has agreed to subscribe for, or arrange subscriptions for, additional Class A shares of CRFC on a quarterly basis if the face value of the outstanding CRFC Preferred Shares exceeds the tangible net book value of the CRFC Class A Shares by a ratio of greater than 9 to 1. As at December 31, 2010, the ratio was approximately 1.5 to 1 (December 31, 2009 – 1.3 to 1). The Commitment Agreement is proposed to be assigned to Green Tree pursuant to the Proposed CRFC Transaction.

The Company's Board, in the Directors' Circular dated December 21, 2009 which was issued in response to the hostile take-over bid launched in December 2009, indicated their intention to, among other things amend the employment agreements of management of the senior team members of C.A. Bancorp, Charter REIT, and CRFC to provide for certain protections customary in the context of a take-over transaction. Subsequent to year end, retention agreements were entered into providing that existing severance obligations be triggered following a change of control if the employee was constructively dismissed and that members of management shall receive an additional retention bonus of one-third of annual base salary payable on the earlier of immediately prior to a change of control or June 6, 2010. The Board determined such measures were in the best interests of the Company, in order to provide reasonable and customary protection for, and incentive to remain, to key members of the management group. In aggregate, the amount of retention bonuses was approximately \$0.46 million.

### *Share Capital and Options Outstanding*

As at December 31, 2010, a total of 12,269,280 (December 31, 2009 – 26.74 million) shares were outstanding with the Company reporting a net book value of \$31.1 million (December 31, 2009 – \$67.6 million). As of the date hereof, a total of 12,269,280 shares were outstanding.

The Company had incentive stock options to purchase shares outstanding as at December 31, 2010. The table that follows summarizes those options. No stock options were "in-the-money", otherwise stated, none had a positive intrinsic value.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Number	Weighted Average Exercise Price	Number of Options "In-the-Money"
Optioned shares outstanding	0.6 million	\$3.24	Nil
Optioned shares vested	0.6 million	\$3.24	Nil

597,500 options granted by the Company were forfeited during the year in connection with employee departures.

In the first quarter of 2010 and in the context of the Strategic Review Process, the Company issued units to its employees under a short term incentive plan (STIP). The purpose of the STIP was to provide an incentive plan for employees in the context of the hostile take-over bid and the Strategic Review Process initiated in response thereto, to reward such employees for their leadership and contribution in achieving a value-maximizing result from the Strategic Review Process. The Company awarded an aggregate of 232,000 units under the STIP. Each unit entitled the holder to receive, immediately prior to a change of control, and on and subject to the terms of the STIP, an amount equal to the difference between the price per share received on a change of control of the Company and a base price of \$1.11. On October 26, 2010, the Company notified its employees that the STIP had been terminated, in accordance with its terms.

As part of its strategy to return capital to shareholders, on August 6, 2010, the TSX approved the Company's notice of intention to make a normal course issuer bid for up to 1,816,450 of its shares or approximately 6.8% of its issued and outstanding shares as at July 31, 2010. The Company may purchase shares at prevailing market prices during the period from August 10, 2010 to August 9, 2011. Daily purchases will be limited to 14,920 shares, other than block purchase exemptions and will be made through the facilities of the TSX. As at the date hereof, 309,900 shares at an average price of \$1.81 per share (excluding commission) were purchased for cancellation. C.A. Bancorp believes that, from time to time, the market price of its shares may not reflect their underlying value and that the purchase of shares may represent an appropriate and desirable use of funds. C.A. Bancorp intends to fund future purchases out of available cash.

On November 11, 2010, the Company commenced its Issuer Bid pursuant to which the Company offered to repurchase for cancellation up to \$31.0 million in value of its shares from shareholders. The range of offer prices was \$1.80 to \$2.10 per share.

On December 17, 2010, the Issuer Bid expired, pursuant to which the Company determined the purchase price to be \$2.09 per share. The Company took up 14,157,593 shares, for aggregate consideration of approximately \$29.6 million (\$30.0 million including Issuer Bid costs). Those shares represented approximately 54% of the total shares issued and outstanding as of December 17, 2010.

### *Off-Balance Sheet Arrangements*

The Company currently has no off-balance sheet arrangements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GAAP TO NON-GAAP RECONCILIATION

The following is a reconciliation of the GAAP figures to Non-GAAP financial measures for the results from operations for the year ended December 31, 2009:

Results from Operations for Year Ending Dec 31, 2009	GAAP	Adjustments	Non-GAAP
Total revenues	\$ 5,395	\$ -	\$ 5,395
Net results of investments <sup>1</sup>	(1,166)	6,935	5,769
Expenses	(8,653)	-	(8,653)
Taxes and non-controlling interest	(417)	-	(417)
Net earnings (loss) from continuing operations	(4,841)	-	2,094
Net earnings from discontinued operations	6,963	(6,935)	28
<b>Net earnings</b>	<b>\$ 2,122</b>	<b>\$ -</b>	<b>\$ 2,122</b>
<b>Earnings Per Share (EPS)</b>			
EPS from continuing operations – basic and diluted	\$ (0.18)	\$ 0.26	\$ 0.08
EPS from discontinued operations – basic and diluted	0.26	(0.26)	-
<b>Net earnings per share</b>	<b>\$ 0.08</b>	<b>\$ -</b>	<b>\$ 0.08</b>

### TRANSACTIONS WITH RELATED PARTIES

Except as disclosed in the notes to the December 31, 2010 audited consolidated financial statements, the Company had no transactions with related parties. For a summary of related party transactions that occurred in 2009, please see the Company's 2009 Annual MD&A.

### PROPOSED TRANSACTIONS

On March 15, 2011, the Company entered into an agreement to sell all of its interests in CRFC to Green Tree for an aggregate purchase price of \$6.4 million. As part of the Proposed CRFC Transaction, the Company will transfer the 966,160 Class A Shares which it holds (directly and indirectly) in CRFC and its interests in both CAB Ltd. and Realty Finance. The Proposed CRFC Transaction contemplates Green Tree assuming C.A. Bancorp's obligations under the commitment agreement dated January 31, 2008 between the Company and CRFC and the note payable to CRFC. It is contemplated that the purchase price will be satisfied in part by a \$1.0 million promissory note from Green Tree to the Company.

The Proposed CRFC Transaction remains subject to certain conditions including, without limitation, receipt of consents and regulatory approvals (including the non-objection of the Ontario Securities Commission), completion of certain transaction documents, the approval of both the Preferred Shareholders and Class A Shareholders of CRFC voting separately as a class and other customary closing conditions for a transaction of this nature. Subject to receipt of approvals, it is expected that the Proposed CRFC Transaction will close in the second quarter of 2011.

### CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company's audited consolidated financial statements have been prepared in accordance with Canadian GAAP.

<sup>1</sup> Includes gain on sale of AgriFinancial (net of tax) reclassified from discontinued operations (as reported under GAAP). See the cautionary statement regarding use of Non-GAAP financial measures on page 2 of this MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Changes in Accounting Policies*

The Canadian Institute of Chartered Accountants (CICA) has announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. The Company anticipates reporting its financial statements in accordance with IFRS on January 1, 2011. Management is currently evaluating the impact of IFRS on the Company's financial statements.

As a result of the Company's adoption of the Realization Strategy and the progress made as at December 31, 2010, the Company has adopted the liquidation basis of accounting effective October 1, 2010. This basis of accounting was considered appropriate as, among other things, liquidation of the Company is probable and net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts.

### *Critical Accounting Estimates*

These Company's annual consolidated financial statements as at December 31, 2010 have been prepared in accordance with Canadian GAAP using the liquidation basis of accounting which has been adopted effective October 1, 2010, and as a result has impacted the presentation of the consolidated balance sheet as at December 31, 2010. The conversion from going concern to liquidation basis of accounting required management to make significant estimates and judgements to record assets at estimated realizable value and liabilities at estimated settlement amounts. These estimates are subject to change based on the timing of the potential realization of assets and changes to the valuations of assets.

Except as described above, the Company's critical accounting estimates are primarily limited to valuing its Portfolio investments. The valuation methods and the techniques it employs in valuing its Portfolio investments and the assumptions used are detailed below.

### **High Fidelity**

The original fair value allocation of the equity component of the investment was calculated based on the present value of the estimated enterprise and equity values of High Fidelity in 2010 (the maturity date for the debenture) assuming a discount rate of 45%. The 2010 enterprise and equity value was estimated based on existing earnings and subscribers of High Fidelity at the time of the Company's investment, an estimate of growth in subscribers and earnings and assumptions around exit multiples based on comparables (with adjustments where the Company believed adjustments were needed based on differences in High Fidelity's business model vs. those of the comparables).

Since the time of the Company's original investment in High Fidelity, the Company has moved, as its primary valuation method, to a valuation model commonly referred to as an "earnings approach" where the Company uses public and private comparables (where available) to derive a multiple it will use to apply against an earnings figure such as earnings before interest, taxes, depreciation and amortization ("EBITDA"). This valuation method is more widely used and is a better reflection of the value of the business as public comparable companies are traditionally valued on a multiple of EBITDA. The chosen enterprise value/EBITDA multiple is typically below the average of comparables surveyed to recognize the Company's minority equity position and the fact that High Fidelity is a private company. However, the multiple does imply future subscriber growth. The EBITDA figure is normalized to adjust for any unusual or one-time items and the Company uses a forecasted EBITDA for the current fiscal year. High Fidelity's fiscal year ends in August.

The key valuation assumption is the multiple used. A change in the EBITDA multiple factor of +/- 1.0 would result in an aggregate change in the carrying values of the warrants, common shares and convertible debenture of approximately +/- \$1.0 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Salbro

The Company has performed an analysis that is focused on Salbro's ability to repurchase (either as a going concern refinancing or on a liquidation basis) the Company's investments (both the debenture and warrants). Different asset valuation assumptions are used in these analyses. A percentage change in the assumed valuations would generally correspond to a similar percentage change in the Company's combined carrying value of the debenture and the equity (warrants).

### DPT

The \$6 million investment was allocated to the securities received based on the estimated fair value of each security at the time of closing. The debenture was originally fair valued using a discounted cash flow analysis with an effective discount rate of 20% and was classified as held-to-maturity.

The equity was classified as held-for-trading and originally fair valued using a 45% per annum discount rate on the projected enterprise value in 2012.

The Company estimates the enterprise value of DPT based on applying an enterprise value/revenue multiple and an enterprise value/EBITDA multiple to an average of trailing and forecasted revenue and EBITDA figures, respectively. Where the Company uses public comparables to derive a multiple it will use to apply against a revenue figure and EBITDA figure, the multiple chosen is typically below the average comparables surveyed to recognize the Company's minority equity position and the fact that DPT is a private company.

The key valuation assumption is the multiple used. For example, a change in the EBITDA multiple factor of +/- 1.0 would result in an aggregate change in the carrying values of the equity (warrants) of +/- \$0.8 million.

### BXI

The Company's equity investment in BXI is now reflected at the net realizable value and is fair valued at a discount to a future estimated price per common share of BXI.

## FACTORS THAT MAY AFFECT FUTURE RESULTS

Future financial performance could be influenced by the Company's ability to execute on its Realization Strategy. Reference should be made to the Directors' Circular dated June 4, 2010 available under the Company's profile at [www.sedar.com](http://www.sedar.com) for a more complete discussion of the Realization Strategy and the related risk factors.

## ADDITIONAL INFORMATION REGARDING SIGNIFICANT INVESTEEES (MANAGED ENTITIES)

As at the date hereof, the Company has one significant equity investee, CRFC, which is a reporting issuer which files financial statements on SEDAR at [www.sedar.com](http://www.sedar.com). For additional information regarding this significant equity investee, please see the annual financial statements for the year ended December 31, 2010 filed under its SEDAR profile. Charter REIT was a significant equity investee of the Company until the Company sold its interest on June 4, 2010. Charter REIT (now Partners REIT) is a reporting issuer which files financial statements on SEDAR at [www.sedar.com](http://www.sedar.com).

## CONTROLS AND PROCEDURES

### *Disclosure Controls and Procedures*

The Company's controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under securities laws and include controls and procedures that are designed to ensure that information is

## MANAGEMENT'S DISCUSSION AND ANALYSIS

accumulated and communicated to management including the Company's Chief Operating Officer and Chief Financial Officer (collectively, the "Certifying Officers") to allow timely decisions regarding disclosure. As at December 31, 2010 the Certifying Officers evaluated the effectiveness of the Company's disclosure controls and procedures as defined under National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*. Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were appropriately designed as at December 31, 2010.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable, and not absolute, assurance that the objectives of such controls and procedures are met.

### ***Internal Control Over Financial Reporting***

The Company's internal control over financial reporting is a process designed under the supervision of the Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. The Certifying Officers evaluated the effectiveness of the Company's internal controls over financial reporting as at December 31, 2010, based on the framework and criteria established in the Internal Control – Integrated Framework issued by COSO. Based on that evaluation, the Certifying Officers concluded that the Company's internal control over financial reporting was appropriately designed as at December 31, 2010. There were no material weaknesses that have been identified by the Certifying Officers as at December 31, 2010. There have been no changes during the year ended December 31, 2010 in the Company's internal control over financial reporting that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met.

## TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board has confirmed that, absent certain exemptions, the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company had been working to adopt IFRS as the basis for preparing its consolidated financial statements effective January 1, 2011. However, for the first quarter ended March 31, 2011, the Company currently anticipates that it may not issue its financial results prepared on an IFRS basis. As a result of the Realization Strategy and the CRFC Proposed Transaction, the Company has made a preliminary determination, in consultation with its auditors, that its operations are akin to that of an investment company pursuant to accounting guideline Acg 18 and as such the Company is considering whether it can avail itself of a deferral for the effective date for its IFRS transition.

The information below is provided to allow readers to obtain a better understanding of the Company's changeover plan and the resulting possible effects on the Company's financial statements and operating performance measures. This information reflects the Company's most recent assumptions and expectations; however, circumstances may arise such as changes in IFRS, regulations or economic conditions which could change these assumptions or expectations.

In order to meet the new IFRS reporting, the Company developed a transition plan in 2009 which included project structure and governance, resources and training analysis of key GAAP differences and a phase plan to assess accounting policies under IFRS and potential IFRS exemptions. Summarized below is a description of the

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Company's progress toward completion of selected key activities of its IFRS changeover plan as at December 31, 2010. At this time, the Company has determined the preliminary impact that the future adoption of IFRS will have on its consolidated financial statements and operating performance measures however the analysis is not complete and is expected to be finalized in the second quarter of fiscal 2011.

	Selected Key Activities	Progress to Date
<b><i>Project Structure and Governance</i></b>	Project scoping. IFRS transition timetable assessing impact on data systems, internal controls over financial reporting and business activities including financing and compensation arrangements.	Completed in Q2 2009. Completed in Q2 2009.
<b><i>Resources and Training</i></b>	Training of Company's key finance staff. Delivery of information sessions for the Company's audit committee.	Completed in Q2 2009. Periodic and ongoing.
<b><i>Analysis of key GAAP differences</i></b>	Initial assessment of key IFRS-GAAP differences. Additional assessment of key IFRS-GAAP differences including an analysis of opening balances.	Completed in Q4 2009. During Q3 2010, the Company made a determination that the impact of IFRS will mainly result in modifications to financial statement presentation and additional note disclosures. Ongoing.
<b><i>Phase plan to assess accounting policies under IFRS and potential IFRS exemptions</i></b>	Completing the assessment of IFRS 1 elections and exemptions. Completing analysis of the quantitative impact of IFRS on the Company's accounting policies and financial statements. Analysis of detailed disclosure requirements. Continued analyzing of Canadian GAAP and IFRS accounting policy differences to progress towards the quantification of identified differences and choices. Preparation of draft IFRS financial statements.	Completed Q3 2010. Ongoing. Ongoing. Ongoing. Ongoing.

The Company continued to work on analyzing the quantitative impact of IFRS on the Company's accounting policies and financial statements during the quarter ended December 31, 2010. The Company's IFRS plan included the following milestones for completion by December 31, 2010, (i) completing assessment of key IFRS-GAAP differences including an analysis of opening balances; (ii) completing an analysis of the quantitative impact of IFRS on the Company's accounting policies and financial statements and (iii) analysis of detailed disclosure requirements; and (iv) preparation of draft IFRS financial statements. The Company has not yet quantified information about the impact of IFRS on the key line items in the issuer's financial statements, however the Company does not anticipate that these would be significant.

The Company made some progress toward achieving the above noted milestones during the quarter ended December 31, 2010, however, as a result of the Company's Realization Strategy and its adoption of liquidation accounting during the quarter, the conversion to IFRS is not as far progressed as the Company had outlined in its plan. The adoption of liquidation accounting has resulted in other changes to the Company's financial statements and will require the Company to re-evaluate accounting policy differences and choices and to now prepare its draft financial statements on a liquidation basis of accounting rather than going concern under IFRS. The Company anticipates engaging its auditors, Deloitte & Touche LLP to assist with the preparation of detailed disclosures required under IFRS.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ***IFRS Transition***

The Company has analyzed the optional exemptions available under IFRS 1 First-time Adoption of IFRS. The following are exceptions and exemptions under IFRS 1 that the Company anticipates adopting:

### ***Share-based Payments***

This standard encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the IFRS transition date. The Company has elected not to apply this standard to its previously vested stock options. All of the Company's stock options are vested as at the date of transition to IFRS and therefore are eligible for the exemption from applying IFRS 2 on a retrospective basis.

### ***Investments in subsidiaries, jointly controlled entities, and associates***

The Company has elected to deem the cost of its investments in subsidiaries and associates in its financial statements to be the previous GAAP carrying amount.

### ***Business combinations***

IFRS 1 allows for the guidance under IFRS 3 (revised), Business Combinations, to be applied either retrospectively or prospectively. The Company anticipates electing to adopt IFRS 3 (revised) prospectively. Accordingly, all business combinations on or after January 1, 2010 will be accounted for in accordance with IFRS 3 (revised).

### ***Estimates***

Hindsight is not to be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any difference in accounting policies between IFRS and Canadian GAAP.

### ***IFRS to Canadian GAAP differences***

In addition to the exemptions and exceptions discussed above, the following discussion explains the significant accounting policy differences between Canadian GAAP and IFRS as they apply to the Company's consolidated financial statements.

### ***Share-based Payments***

Canadian GAAP - Under C.A. Bancorp's application of Canadian GAAP, the Company is permitted to choose at the grant date whether to recognize the compensation cost on the best available estimate of the number of options expected to vest or recognize actual forfeitures as they occur. The Company currently recognizes actual forfeitures as they occur.

IFRS – Under IFRS, the Company will be required to recognize an expense over the vesting period based on the best available estimate of the number of equity instruments expected to vest.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Business Combinations are non-controlling interests*

Canadian GAAP – Under C.A. Bancorp's application of Canadian GAAP, transaction costs are capitalized as a part of the cost of acquisition, when applicable. In addition, the non-controlling interests' share of net assets is recognized as a separate line item on the balance sheet, outside of equity and the non-controlling interests' share of earnings is recorded on the statement of net earnings, above net earnings. Additionally, when C.A. Bancorp divests a portion of an operating company, but retains control, a gain or loss is recorded in the statement of income for the difference between the carrying value for the portion sold and the proceeds.

IFRS – Under IFRS, all transaction costs relating to acquisitions are expensed as incurred. In addition, the non-controlling interests' share of the net assets is considered a component of equity. As a result, the non-controlling interests' share of earnings is recorded as an allocation after arriving at net earnings. Also, when a divestiture is made of a portion of a subsidiary and control is retained, the resulting change is recorded in the statement of equity, outside of the statement of net earnings.

### *Reversal of impairments of intangible and long-lived assets, excluding goodwill*

Canadian GAAP – Reversal of impairment losses is not permitted.

IFRS – Reversal of impairment losses is required if the circumstances that led to the impairment no longer exist.

Based on work performed to date, the Company does not currently believe that IFRS will have a significant impact on its financial statements or its data systems. Given the size of the Company and the nature of its operations, the Company does not currently expect that there will be significant changes to its internal controls over financial reporting. The Company has reviewed its internal controls to ensure that they can support initial reporting under IFRS and has noted no major changes. As the Company's review of accounting policies is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. The Company believes that its current controls will be adequate to ensure reliability of financial reporting under IFRS.

## RISK MANAGEMENT

The merchant banking business is affected by a number of economic factors, including changing economic environments, capital markets and interest rates. As a result, the Company faces various risk factors, inherent in its normal business activities. These risk factors and the management thereof are described below.

The Company attempts to manage the risks associated with its merchant banking business and investment portfolio through planning, significant due diligence of investment opportunities and active involvement in and monitoring of its investments.

Investments in private entities are less liquid than public securities as there is no readily available market to sell an investment. There is a possibility that when an investment is to be sold, the price received may not be equal to its intrinsic value or its fair value for financial reporting purposes.

Currently, the Company has assets invested in cash and cash equivalents as well as in marketable securities. Therefore interest rates will affect income derived from the cash and cash equivalent investments and general risk such as commodity prices, the business environment and company specific risks will affect the value of the marketable securities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Realization Strategy Risks*

Reference should be made to the Directors' Circular dated June 4, 2010 available under the Company's profile at [www.sedar.com](http://www.sedar.com) for a discussion of the risk factors related to the Company's Realization Strategy.

### *Retention Risk*

The success of the Company depends in substantial part upon the skill and expertise of its management. The loss of service to the Company of one or more of its executives could have a material adverse effect on the Company. There can be no assurance that members of management would not terminate their employment and be entitled to severance payments by the Company.

The Company's ability to retain its management group or attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact the Company's financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. The conduct of the Company's business relies heavily on teamwork.

### *Concentration Risk*

The Company has made a considerable investment in the form of sponsor capital in CRFC. This investment was intended, when made, to be strategic in nature and expected to be long-term in nature as the Company intended to continue to raise new capital that will increase assets under management and drive increased asset management fees for the Company.

If the Company monetizes this asset by completion of the CRFC Proposed Transaction or otherwise, given the size and percentage ownership the Company holds in CRFC (31%) as well as the relatively low daily trading volumes, the Company would likely need to find a strategic buyer for its position in order to generate a fair return for the Company, as opposed to selling its equity interest in the public market where the Company could realize a significant discount to fair value. In addition, the Company might have to sell its interest in the management agreement it holds for CRFC to facilitate a sale of its equity position. As a comparison, the Company sold its entire interest in Charter REIT to a third party in the second quarter 2010 and as part of that sale transaction, the management agreement between Charter REIT and a subsidiary of the Company was terminated for no prescribed value.

### *Liquidity Risk*

The Company has made investments in private entities which do not typically have an active market in which they can be sold. Private investment transactions can be highly structured and the Company takes measures, where possible, to create defined liquidity events. However, such liquidity events are rarely expected in the first year or two of making the investment. The Company seeks to obtain regular cash flow from its investments through coupon payments and/or management fees.

The Company has invested in public securities in an active market which can typically be readily disposed of. However, there can be no assurance that an active trading market for the securities will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings in a timely manner as described above. Since the Company has largely liquidated its public portfolio, those securities which remain are those which are less liquid or in which the Company holds a larger position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Interest Rate Sensitivity and Risk Management*

The Company does not currently have any material direct interest rate sensitivity or exposure.

Exposure to interest rate risk exists as a result of the mismatch, or gap, between assets, liabilities and off-balance sheet instruments, if any, scheduled to mature or reset on particular dates.

The Company manages interest rate risk, where possible, by maintaining an appropriate mix of fixed and floating rate assets and liabilities. The Company may, from time to time, consider the use of interest rate swap contracts and forward interest rate contracts to hedge interest rate risk. Decisions to use these products will be based on the relative merits of hedging as compared to the costs of such hedging arrangements.

### *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management reviews the financial condition of investee companies regularly.

The Company has adopted a policy of only dealing with counterparties it determines to be creditworthy and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company does not have any significant credit risk exposure to any single counterparty except overnight term deposits placed with the Royal Bank of Canada of \$7.4 million and Canaccord Capital Inc. of \$0.6 million as at December 31, 2010.

### *Market Risk - Direct*

Market risk includes exposure to fluctuations in the market value of the Company's investments, currency rates and interest rates.

The Company has minimal direct exposure to market risk. As at December 31, 2010, the Company held approximately \$0.1 million in publicly traded investments representing 0.2% of total assets.

### *Market Risk – Indirect*

Investments in private entities represent \$20.8 million or 57.5% of the Company's total assets. These investments do not trade in an active marketplace and therefore values are not directly observable by market prices. Certain investments classified as "held-to-maturity" are carried at amortized cost (typically debt instruments with fixed maturities) and others classified as "held-for-trading" are carried at fair values. Fair values are estimated based on financial figures (actual or forecast) obtained directly from the investee companies and market multiples (e.g. EBITDA multiple) which are not directly observable but which can be estimated by considering public company multiples for companies in the same or similar businesses and, where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and multiples at which the Company invested in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as

## MANAGEMENT'S DISCUSSION AND ANALYSIS

well as with respect to the sustainability of the investee company's financial performance and current economic environment.

Therefore, to the extent that fluctuations occur in stock markets (market risk), those fluctuations could influence multiples used by the Company in valuing its investments in private entities.

The Company's portfolio of investments in private entities is diversified across five entities in five industries as of December 31, 2010. The largest investment in a private entity is carried at an aggregate fair value of \$9.0 million which represents 25% of the Company's assets. The Company believes the debt profile of the investee companies to be, on the whole, at a sufficiently conservative level and encourages and influences those companies to remain prudent with debt levels. Keeping prudent levels of debt is a method of managing the risk on the overall portfolio.

For general factors affecting the Company see the section entitled "Risk Factors" included on pages 16 to 19 of the Company's AIF dated as at March 31, 2010 and subsequent AIF's when available and filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CORPORATE INFORMATION

#### C.A. BANCORP INC.

##### Board of Directors<sup>1</sup>:

John F. Driscoll, Chairman of the Board

Paul Haggis<sup>2</sup>

Frank Potter<sup>2</sup>

Timothy Unwin<sup>2</sup>

##### Officers:

Kurt Brands, Chief Operating Officer

Jillian Crump, Chief Financial Officer

Michael Lovett, Managing Director, Real Estate Capital

Helen Martin, General Counsel & Corporate Secretary

**Auditors:** Deloitte & Touche LLP, Toronto, Ontario

**Transfer Agent:** Computershare Investor Services Inc., Calgary, Alberta

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info@cabancorp.com, [www.cabancorp.com](http://www.cabancorp.com)

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<sup>1</sup>The Company's Corporate Governance, Compensation and Nominating Committee (GC) was dissolved during the third quarter of 2010. Matters previously delegated to the CG are now addressed by the entire Board of Directors.

<sup>2</sup> Member of the Company's Audit Committee.