

# Third Quarter 2010 Report to Shareholders

*Three and Nine Months ended September 30, 2010*

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## C.A. Bancorp Inc. Reports Third Quarter 2010 Results

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C.A. Bancorp Inc. (C.A. Bancorp or the Company) today announced its consolidated financial results for the third quarter ended September 30, 2010. C.A. Bancorp is listed on the Toronto Stock Exchange (TSX) under the symbol "BKP".

### **THIRD QUARTER 2010 HIGHLIGHTS**

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- Revenues of \$0.8 million compared to \$1.3 million in the third quarter 2009.
- Net loss from results of investments of \$4.3 million compared to a net gain of \$0.1 million in the third quarter 2009.
- Net loss of \$3.8 million or \$0.14 per share compared to a net loss in the third quarter 2009 of \$1.9 million or \$0.07 per share.
- One-time expenses related to the Company's strategic review process (One-time Expenses) were minimal in the quarter as the strategic review progress came to its completion in early August 2010.
- The Company completed three asset dispositions in the third quarter 2010 for aggregate cash proceeds of \$18.4 million.
- The Company's liquid net assets at September 30, 2010 totalled \$37.8 million.

### **NINE MONTHS YEAR-TO-DATE 2010 HIGHLIGHTS**

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- Revenues of \$3.3 million compared to \$4.0 million in 2009.
- Net loss from results of investments of \$1.8 million compared to a net gain of \$5.2 million in 2009<sup>1</sup>.
- Net loss of \$4.7 million or \$0.17 per share compared to net earnings of \$2.3 million or \$0.09 per share in 2009.
- The Company incurred severance and One-time Expenses of \$3.5 million or \$0.13 per share.
- Net loss adjusted for One-time Expenses of \$1.2 million or \$0.04 per share.

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<sup>1</sup> Includes the gain on sale of AgriFinancial (net of tax) reclassified from discontinued operations (as reported under GAAP). See 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 November 9, 2010 provides a review of: (i) how the Company performed in the third quarter of 2010; (ii) material information and a discussion and analysis of the results from operations and financial condition of C.A. Bancorp for the nine month period ended September 30, 2010 which includes the accounts of C.A. Bancorp, its subsidiaries and variable interest entities where the Company is deemed to be the primary beneficiary under Canadian generally accepted accounting principles (GAAP); and, (iii) the Company's future prospects. This MD&A should be read in conjunction with the unaudited consolidated financial statements and the notes thereto of the Company for the third quarter ended September 30, 2010 and the audited consolidated financial statements and the notes thereto of the Company for the year ended December 31, 2009 and the related MD&A. These documents and additional information relating to the Company, including the Company's 2009 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, and where applicable, the 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 common 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 common 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 23 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 is focused on investments, either directly (Direct Investments) or through entities managed by it (Asset Management), 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 common shares trade on the Toronto Stock Exchange (TSX) under the symbol **BKP**.

As at September 30, 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 is a significant shareholder of C.A. Bancorp Canadian Realty Finance Corporation (CRFC), (TSX: **RF.A**). 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.

The Company also has Direct Investments in High Fidelity HDTV Inc. (High Fidelity), Salbro Holdings Inc. (Salbro), Digital Payment Technologies Corp. (DPT), Barlow Capital Management Inc. (Barlow) and Barrett Xplore Inc. (BXI). In the third quarter 2010, the Company exited its investments in Bermingham Foundation Solutions (Bermingham), Kingswood Drive Kitchener Limited Partnership (Kingswood) and Windward (see Significant Events – Third Quarter).

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2010 YEAR-TO-DATE REVIEW

#### SIGNIFICANT EVENTS

*The following is a discussion of the Company's significant events for the nine months ended September 30, 2010, updated for subsequent events to the date hereof.*

Period	Event
<b>First Quarter</b>	<p><b>The Hostile Take-Over Bid and Strategic Review Process</b></p> <p>On December 3, 2009, Maxam Opportunities Fund Limited Partnership and Maxam Opportunities Fund (International) Limited Partnership (collectively, 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 (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. 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 announced that it 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 "Subsequent to Quarter-end" below.</p> <p><b>Disposition of Interest in Everus Communications Inc.</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.</p>
<b>Second Quarter</b>	<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 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.</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 (the Pre-Acquisition Agreement) with 1535633 Alberta Ltd., an affiliate of Century Services LP (together, 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 Board of Directors (the Board) of the Company did not make, and the terms of the Pre-Acquisition Agreement contemplated that it would not make, any recommendation concerning the Century offer to</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Period	Event
	<p>C.A. Bancorp's shareholders. The Company's 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>
	<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 the Board meeting. Mr. Milgram is an Executive Vice President of Weiss Asset Management LP, which manages investment funds holding approximately 19.1% of the outstanding common shares of the Company.</p>
<b>Third Quarter</b>	<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 Company announced that 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 announced that it 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 Company announced that the TSX approved its notice of intention to make a normal course issuer bid for up to 1,816,450 of its common shares or approximately 6.8% of its issued and outstanding shares as at July 31, 2010. The Company may purchase common 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 common shares may not reflect their underlying value and that the purchase of common shares may represent an appropriate and</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Period	Event
	desirable use of funds. C.A. Bancorp funds purchases out of available cash.
	<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, the Company announced that 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 Chief Executive Officer of CRFC. C.A. Bancorp's day-to-day operations are being managed by Kurt Brands, Chief Operating Officer.</p>
<b>Subsequent to Quarter-end</b>	<p><b>Substantial Issuer Bid by way of "Dutch Auction"</b></p> <p>Further to its announcement on September 23, 2010, that it may make a substantial issuer bid by way of modified "Dutch Auction" (Issuer Bid) as a form of distribution to shareholders prior to December 31, 2010, the Company has announced the terms of the Issuer Bid pursuant to which the Company will offer to repurchase for cancellation up to \$31.0 million in value of its common shares from shareholders. The range of offer prices will be \$1.80 to \$2.10 per common share. The Issuer Bid will expire at 5:00 pm (Toronto time) on December 17, 2010, unless it is extended or withdrawn.</p>

### PROPOSED TRANSACTIONS

The Board of Directors of the Company, as disclosed in a Directors' Circular dated June 3, 2010 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 and the distribution of the proceeds to the Company's shareholders.

Specifically, the Company disclosed that it expected that it would pursue opportunities to accelerate the realization dates for its assets (which in many cases are supported by contractual liquidity rights) where it was in the best interests of the Company to do so and explore and develop further opportunities to do so.

The Company is continuing to pursue opportunities to accelerate the realization of its assets. However, given the nature of the Company's investments, it may be that the company's best interests are served by holding certain assets until their respective planned maturity dates. The Company has engaged throughout the quarter, and continues to engage, in discussions, which are at various stages of advancement, with third parties concerning possible dispositions of assets. Except as otherwise disclosed, there are at present no binding agreements between the Company and any party as to any such transactions.

The Company has also taken steps to minimize its operating expenses, and intends to continue to explore more cost effective operational methods and structures to further reduce expenses.

## 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 September 30, 2010. As the Company executes on 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 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 Broadcaster</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, Eastlink, SaskTel, Canadian Cable Systems Alliance and Aurora Cable.</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
	<p><b>Investment Risks Include:</b> Customer concentration (limited number of cable providers under contract), quality of programming, management execution and reduced household budgets for discretionary entertainment.</p> <p><b>Transaction Date:</b> July 2007</p> <p><b>Investment Update:</b> Refer to the Company's 2009 Annual MD&amp;A.</p>
<b>Bottle Manufacturing and Distribution</b>	<p><b>Salbro Bottling Group</b> (Salbro) is an established designer, manufacturer and distributor of packaging components, specializing in glass and plastic bottles.</p> <p><b>C.A. Bancorp's Investment:</b> \$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.</p> <p><b>Rationale:</b> 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.</p> <p><b>Investment Risks Include:</b> Long-term economic slowdown, commodity prices (inputs and fuel), customer concentration and management execution.</p> <p><b>Transaction Date:</b> February 2008</p> <p><b>Investment Update:</b> Refer to the Company's 2009 Annual MD&amp;A.</p>
<b>Parking Payment Systems</b>	<p><b>Digital Payment Technologies Corp.</b> (DPT) develops, sells and supports electronic parking solutions for the collection of parking revenues and management of parking operations in on-street and off-street parking.</p> <p><b>C.A. Bancorp's Investment:</b> \$6.0 million investment structured as a three year secured debenture with a 12% coupon per annum, and nominal cost warrants convertible into 25% to 35% of DPT's common shares (based on DPT's financial performance) on a fully diluted basis.</p> <p><b>Rationale:</b> 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.</p> <p><b>Investment Risks Include:</b> Supplier performance, product performance, slowdown in capital spending from municipalities and universities and management execution.</p> <p><b>Transaction Date:</b> November 2008</p> <p><b>Investment Update:</b> Refer to the Company's 2009 Annual MD&amp;A.</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>Transaction 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.</p>
<b>Investment Management</b>	<p><b>Barlow Capital Management Inc.</b> (Barlow) 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 Barlow's issued and outstanding common shares.</p> <p><b>Rationale:</b> Investment in a niche asset manager.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Industry Company and Investment Overview

**Investment Risks Include:** Customer acquisition and retention, investment performance, compliance and management execution.

**Acquisition Date:** July 2008

**Investment Update:** Refer to the Company's 2009 Annual MD&A.

### *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>	<p><b>Charter Real Estate Investment Trust</b> (Charter REIT) focused on acquiring a portfolio of retail and mixed-use retail community and neighbourhood centres, 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 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.</p>	<p><b>Investment Dates:</b> 2006 and 2007</p> <p><b>Exit Date:</b> June 2010</p>	\$18.9 million	<p>Loss of \$4.5 million</p> <p>(Equal to invested capital 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.)</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *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. CRFC provides a platform for future growth with the opportunity to generate increased fees and, subsequently, a higher rate of return on the Company's sponsor capital.

<b>Industry</b>	<b>Fund/Entity</b>
<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 highly diversified portfolio of commercial real estate mortgages and loans with attractive yields.</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. CRFC has also issued approximately 3,666,000 subordinate Class A Shares for aggregate gross proceeds of \$36.9 million providing investors with tax-efficient cash distributions of 7.6% (yield is indicative and may vary over time) per annum on a \$10.00 issue price. 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>C.A. Bancorp Investment:</b> \$9.85 million in Class A Shares carried on the Company's balance sheet at \$6.3 million or \$6.50 per Class A Share. The Company also holds 50,500 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> <p><b>Preferred Shares, Series 1 Maturity Value:</b> \$25.00 per share in March 2018.</p> <p><b>Class A Share Net Asset Value:</b> \$9.11 per share at September 30, 2010.</p> <p><b>Update:</b> Refer to the Company's 2009 Annual MD&amp;A. For a more detailed review of CRFC, please see CRFC's interim management report of fund performance (MRFP) for the six month period ended June 30, 2010. The MRFP can be found on CRFC's issuer profile on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The following is a summary of (i) the Company's results from operations for the quarter ended September 30, 2010 compared to the same periods ended June 30, 2010 and September 30, 2009; (ii) the Company's results from operations for the nine month period ended September 30, 2010 compared to the same period ended September 30, 2009; and (iii) the Company's financial position as at September 30, 2010 compared to the previous four reporting periods.

Results from Operations	<i>For the three months ended</i>			<i>For the nine months ended</i>	
	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Total revenues	\$ 789	\$ 1,348	\$ 1,281	\$ 3,299	\$ 4,026
Net results of investments <sup>1</sup>	(4,279)	1,961	75	(1,793)	5,160
Expenses	(586)	(2,999)	(3,134)	(6,028)	(6,472)
Taxes and non-controlling interest	251	(70)	(120)	(142)	(481)
Net earnings (loss) from continuing operations	(3,825)	240	(1,898)	(4,663)	2,233
Net earnings from discontinued operations	-	-	-	-	28
<b>Net earnings (loss)</b>	<b>\$ (3,825)</b>	<b>\$ 240</b>	<b>\$ (1,898)</b>	<b>\$ (4,663)</b>	<b>\$ 2,261</b>
<b>Earnings Per Common Share (EPS)</b>					
EPS from continuing operations <sup>1,2</sup>	\$ (0.14)	\$ 0.01	\$ (0.07)	\$ (0.17)	\$ 0.09
EPS from discontinued operations <sup>1,2</sup>	-	-	-	-	0.00
<b>Net earnings (loss) per common share</b>	<b>\$ (0.14)</b>	<b>\$ 0.01</b>	<b>\$ (0.07)</b>	<b>\$ (0.17)</b>	<b>\$ 0.09</b>
<b>Financial Position as at</b>					
	<b>Sept 30, 2010</b>	<b>June 30, 2010</b>	<b>Mar 31, 2010</b>	<b>Dec 31, 2009</b>	<b>Sept 30, 2009</b>
Cash and cash equivalents	\$ 38,214	\$ 20,856	\$ 9,718	\$ 11,114	\$ 11,186
Total assets	\$ 64,436	\$ 70,396	\$ 70,248	\$ 71,514	\$ 71,938
Total debt	\$ 1,592	\$ 1,684	\$ 1,796	\$ 1,825	\$ 2,102
Total shareholders' equity	\$ 61,966	\$ 66,393	\$ 66,564	\$ 67,642	\$ 67,849
Number of common shares outstanding	26,564	26,737	26,737	26,737	26,737
<b>Per Common Share</b>					
Net book value <sup>3</sup>	\$ 2.33	\$ 2.48	\$ 2.49	\$ 2.53	\$ 2.54
Closing market price	\$ 1.80	\$ 1.50	\$ 1.40	\$ 1.33	\$ 0.86
Market price discount to net book value	23%	40%	44%	47%	66%

<sup>1</sup> The nine months ended September 30, 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> Basic and fully diluted basis.

<sup>3</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.

Q3 2010	Q2 2010	Q3 2009
<p><b>Total revenues</b> were \$0.8 million: \$0.6 million from interest and investment income, \$0.2 million from asset management fees.</p>	<p><b>Total revenues</b> were \$1.3 million: \$0.8 million from interest and investment income, \$0.4 million from asset management fees and \$0.2 million from other fees and commissions.</p>	<p><b>Total revenues</b> for the quarter ended September 30, 2009 were \$1.3 million: \$0.8 million generated from interest and investment income and \$0.5 million from asset management fees.</p>
<p><i>Changes quarter-to-quarter: The Company's interest and investment income and asset management fees declined in the third quarter 2010 compared to the previous quarter as the Company monetized its investment in Charter REIT in early June 2010 and its investments in Birmingham, Windward and Kingswood in the third quarter 2010. The small decline in asset management fees compared to the third quarter 2009 is as a result of the reduction in assets under management at Barlow.</i></p>		
<p><b>Net results of investments</b> representing a loss of \$4.3 million primarily as a result of the \$4.0 million impairment loss on the Company's investment in CRFC and the intangible asset related to CRFC.</p> <p>The Company also recorded a realized gain of \$0.7 million offset by a change in unrealized loss of \$1.2 million as a result of the Company's dispositions of its investments in private entities.</p>	<p><b>Net results of investments</b> representing a gain of \$2.0 million primarily as a result of the \$2.1 million gain on the sale of Charter REIT units.</p> <p>The Company recorded a \$3.5 million change in unrealized gain and a \$3.5 million realized loss on the sale of its publicly traded investments. The remaining net unrealized loss of \$0.2 million is comprised of net equity pick-up on CRFC and Charter REIT.</p>	<p><b>Net results of investments</b> representing a gain of \$0.1 million consisting primarily of \$0.1 million change in unrealized losses on investments in private entities, \$0.1 million in realized losses on the sale of publicly traded investments, \$0.1 million change in unrealized foreign exchange losses, offset by a change in unrealized gains on publicly traded investments of \$0.4 million.</p>
<p><b>Total expenses</b> were \$0.6 million consisting primarily of: \$0.4 million in employee expenses, \$0.3 million in general and administration expenses, \$0.2 million in corporate and all other and a reversal of \$0.3 million related to stock option expense.</p>	<p><b>Total expenses</b> were \$3.0 million consisting primarily of: \$1.7 million in employee expenses, \$1.1 million in strategic review and hostile defence expenses, \$0.4 million in general and administration expenses, \$0.2 million in corporate and transaction expenses, \$0.1 million in other expenses and a reversal of \$0.4 million related to stock option expense.</p>	<p><b>Total expenses</b> for the quarter ended September 30, 2009 were \$3.1 million consisting primarily of: \$1.8 million in fees paid to Sentry Select, \$0.8 million in employee costs, and \$0.5 million in general and administration expenses.</p>
<p>One-time Expense related to the Strategic Review Process less than \$0.1 million.</p>	<p>One-time Expenses related to the Strategic Review Process and severance totalled \$2.3 million.</p>	<p>One-time expenses related to the internalization of the Company's management and administration functions (Internalization) totalled \$1.5 million.</p>
<p>Expenses excluding One-time Expenses were \$0.6 million.</p>	<p>Expenses excluding One-time Expenses were \$0.7 million.</p>	<p>Expenses excluding one-time expenses related to the Internalization were \$1.6 million.</p>
<p><b>Net loss of \$3.8 million or \$0.14 per share</b> on a basic and fully diluted basis.</p>	<p><b>Net gain of \$0.2 million or \$0.01 per share</b> on a basic and fully diluted basis.</p>	<p><b>Net loss of \$1.9 million or \$0.07 per share</b> on a basic and fully diluted basis.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Balance Sheet Highlights*

As at September 30, 2010, the Company had net liquid assets of approximately \$37.8 million on its balance sheet for existing commitments and general working capital purposes. The Company indicated its intention during the quarter ended September 30, 2010 to return capital to shareholders by December 31, 2010. The Company announced that it has announced the terms of the Issuer Bid pursuant to which the Company will offer to repurchase for cancellation up to \$31 million in value of its common shares from shareholders. See "Significant Events – Subsequent to Quarter End" above.

September 30, 2010	December 31, 2009	September 30, 2009
<b>Total assets</b> of \$64.4 million.	<b>Total assets</b> of \$71.5 million.	<b>Total assets</b> of \$71.9 million.
<i>Changes period-to-period: The decrease in assets since December 31, 2009 is primarily the result of an impairment to the Company's investment in CRFC and intangible assets related to the management agreements between the Company and CRFC as well as One-time Expenses.</i>		
<b>Total debt</b> of \$1.6 million (excluding short-term payables). The Company had a \$1.6 million note payable to CRFC.	<b>Total debt</b> of \$1.8 million (excluding short-term payables). The Company had a \$1.8 million note payable to CRFC.	<b>Total debt</b> of \$2.1 million (excluding short-term payables). The Company had a \$2.1 million note payable to CRFC.
<i>Changes period-to-period: The Company has serviced its debt obligations since December 31, 2009.</i>		
<b>Total shareholders' equity</b> of \$62.0 million.	<b>Total shareholders' equity</b> of \$67.6 million.	<b>Total shareholders' equity</b> of \$67.8 million.
<i>Changes period-to-period: The decrease in shareholders' equity since December 31, 2009 is primarily the result of an impairment to the Company's investment in CRFC and intangible assets related to the management agreements between the Company and CRFC as well as One-time Expenses.</i>		

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is a breakdown of: (a) the carrying value of each of the Company's assets and liabilities and associated value per share as at September 30, 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 September 30, 2010 carrying values.

<b>Asset/(Liability)</b>	<b>Carrying Value</b>	<b>Value per share</b>	<b>Est. 2010 cash flows</b>	<b>Actual or expected realization date<sup>1</sup></b>				
				<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>n/a</b>
<b>Liquid Net Assets (Working Capital)</b>								
Cash and cash equivalents	\$ 38,214	\$ 1.44	\$ 140	√				
Accounts receivable	640	0.02	-	√				
Loans	29	0.00	-	√				
Publicly traded investments	89	0.00	11	√				
Accounts payable and accruals	(878)	(0.03)	-	√				
Debt to CRFC (due within the year)	(318)	(0.01)	-	√				
<b>Sub-Total</b>	<b>\$ 37,776</b>	<b>\$ 1.42</b>	<b>\$ 151</b>					
<b>Investments in Private Entities</b>								
High Fidelity (debenture & PIK interest) <sup>2</sup>	\$ -	\$ -	\$ 481	√				
High Fidelity (equity & convert. debenture)	4,687	0.18	105			√		
DPT (debenture & PIK interest)	5,924	0.22	480		√			
DPT (25% to 35% equity interest)	2,300	0.09	-				√	
BXI (equity interest)	1,225	0.05	-				√	
Salbro (debenture)	3,744	0.14	480				√	
Salbro (12.5% equity interest) <sup>3</sup>	498	0.02	-				√	
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>\$ 18,378</b>	<b>\$0.69</b>	<b>\$ 1,946</b>					
<b>Investments in Managed Entities</b>								
Charter REIT <sup>5</sup>	\$ -	\$ -	\$ 586	√				
CRFC <sup>6</sup>	6,280	0.24	734					√
Intangible asset related to CRFC <sup>7</sup>	625	0.02	866					√
<b>Sub-Total</b>	<b>\$ 6,905</b>	<b>\$ 0.26</b>	<b>\$ 2,186</b>					
Debt to CRFC	(1,274)	\$ (0.05)	-		√	√	√	
All other	181	0.01	140					√
<b>GRAND TOTAL<sup>8,9</sup></b>	<b>\$ 61,966</b>	<b>\$ 2.33</b>	<b>\$ 4,423</b>					

<sup>1</sup> See "Summary of Investments" beginning on page 7 for additional information.

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

<sup>3</sup> Equity interest has a "put" value back to Salbro of approximately \$1.9 million in February 2012.

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

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

<sup>6</sup> The Company's interests in CRFC can be marketed for sale at any time.

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

<sup>8</sup> Carrying value equals the Company's shareholders' equity under GAAP.

<sup>9</sup> Excludes the Company's tax loss carryforwards of \$13.5 million which would be available to offset future taxable income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2010

The following is an analysis of the Company's results of operations for the three and nine month periods ended September 30, 2010 based on a GAAP basis of presentation<sup>1</sup>. This analysis should be read in conjunction with the unaudited consolidated financial statements for the quarter ended September 30, 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, 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

	<i>Quarter ended September 30</i>			<i>Nine month period ended September 30</i>		
	2010	2009	Inc / (Dec)	2010	2009	Inc / (Dec)
Interest and investment income	\$ 556	\$ 765	\$ (209)	\$ 2,143	\$ 2,260	\$ (117)
Asset management fees	204	475	(271)	912	1,551	(639)
Other fees and commissions	29	41	(12)	244	215	29
<b>Total</b>	<b>\$ 789</b>	<b>\$ 1,281</b>	<b>\$ (492)</b>	<b>\$ 3,299</b>	<b>\$ 4,026</b>	<b>\$ (727)</b>

Consolidated revenues for the third quarter ended September 30, 2010 was significantly lower when compared to the same period in 2009. The Company recorded lower interest and investment income as the Company disposed of its interest in Birmingham during the quarter and did not receive its \$0.2 million dividend at quarter-end. The Company also recognized lower asset management fees in the third quarter 2010 compared to the same period in 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 Barlow.

Consolidated revenues were lower by \$0.7 million for the nine months ended September 30, 2010 compared to the same period in 2009 as a result of lower asset management fees from Charter REIT and management fees earned by Barlow.

Additionally, it should be noted that the Company also generated cash flow of \$0.2 million in the third quarter of 2010 from distributions received from its investments in CRFC (year-to-date \$1.0 million from 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>Quarter ended September 30</i>			<i>Nine month period ended September 30</i>		
	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>
Change in unrealized gain (loss) on publicly traded investments	<b>\$ (10)</b>	376	(386)	<b>\$ 3,583</b>	1,284	2,299
Realized gain (loss) on sale of publicly traded investments	-	\$ (126)	126	<b>(3,494)</b>	\$ (796)	(2,698)
Change in net unrealized gain (loss) on investments in private entities, held for trading	<b>(1,194)</b>	(164)	(1,030)	<b>4,357</b>	(19)	4,376
Realized gain (loss) on sale of investments in private entities	<b>733</b>	-	733	<b>(4,235)</b>	-	(4,235)
Gain on sale of AgriFinancial <sup>1</sup>	-	-	-	-	6,935	(6,935)
Equity participation in Charter REIT	-	(90)	90	<b>(429)</b>	(353)	(76)
Gain on sale of investment in Charter REIT	-	-	-	<b>2,098</b>	-	2,098
Equity participation in CRFC	<b>188</b>	88	100	<b>263</b>	217	46
Impairment loss on investment in CRFC	<b>(2,333)</b>	-	(2,333)	<b>(2,333)</b>	-	(2,333)
Impairment loss on intangible asset related to CRFC	<b>(1,663)</b>	-	(1,663)	<b>(1,663)</b>	-	(1,663)
Impairment loss on goodwill and intangible assets related to Barlow	-	-	-	-	(2,069)	2,069
Other corporate investments	-	(9)	9	<b>60</b>	(39)	99
<b>Total</b>	<b>\$ (4,279)</b>	<b>\$ 75</b>	<b>\$ (4,354)</b>	<b>\$ (1,793)</b>	<b>\$ 5,160</b>	<b>\$ (6,953)</b>

Consolidated net results of investments resulted in a loss of \$4.3 million for the third quarter ended September 30, 2010 compared to a gain of \$0.1 million for the same quarter ended 2009. The loss in the third quarter 2010 was primarily as a result of the \$4.0 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." The Company also recorded a realized gain of \$0.7 million offset by a change in unrealized loss of \$1.2 million as a result of the Company's dispositions of its investments in private entities.

For the nine month period ended September 30, 2010, the Company reported a \$1.8 million loss on net results of investments compared to a gain of \$5.1 million for the same nine month period ended 2009. The Company reported a \$4.0 million impairment loss on the Company's investment in CRFC and the intangible asset related to CRFC. This was offset by \$2.1 million gain on the sale of Charter REIT. For the nine month period ended 2009, the Company reported a \$6.9 million gain on the sale of AgriFinancial offset by a \$2.1 million impairment loss on goodwill and intangible assets related to Barlow.

<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

### Investment in Birmingham Foundation Solutions

In the third quarter of 2010, the Company recognized a realized gain of \$0.9 million and a change in unrealized loss of \$1.4 million related to the sale of its interest in Birmingham. See "Significant Events – Third Quarter" above.

### Investment in Kingswood Estates

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

### Investment in Windward Telecom Inc.

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

### Investment in 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 announced that it has begun implementing its Realization Strategy and is continuing to pursue opportunities to accelerate the realization of its assets. Furthermore, the Class A Shares have traded at a significant and prolonged discount to their net asset value over the past twelve months. The Company has determined that the carrying value of its investment in CRFC based on a range of historical trading prices of CRFC's Class A Shares is impaired. The Company has concluded that the fair value of its investment in CRFC for financial reporting purposes is \$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.

### Intangible Assets

The Company has determined that it may not fully benefit from the future expected value of the management agreements between CAB Ltd. and CRFC and therefore has determined that the value of its intangible asset is impaired. Based on its intangible asset impairment test, the Company recorded a non-cash impairment charge of \$1.7 million on its intangible asset related to the management agreements.

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

	<i>Quarter ended September 30</i>			<i>Nine month period ended September 30</i>		
	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>	<b>2010</b>	<b>2009</b>	<b>Inc / (Dec)</b>
Employee expense <sup>1</sup>	\$ 407	\$ 791	(384)	\$ 1,654	\$ 1,740	\$ (86)
General and administration expense	307	499	(192)	1,061	1,489	(428)
Audit, legal and other corporate expense	61	87	(26)	309	1,126	(817)
Fees paid to Sentry Select	23	267	(244)	86	453	(367)
Interest expense	27	35	(8)	84	141	(57)
Depreciation and amortization expense	14	-	14	43	-	43

<sup>1</sup> Excludes severance incurred in Q2 2010. Reported as a One-time Expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Other expense	-	23	(23)	-	59	(59)
Stock based compensation expense	(289)	(56)	233	(700)	(625)	(75)
<b>Subtotal (operating expenses)</b>	<b>\$ 550</b>	<b>\$ 1,646</b>	<b>\$ (1,096)</b>	<b>\$ 2,537</b>	<b>\$ 4,383</b>	<b>\$ (1,846)</b>
One-time Expense – Internalization	-	1,488	(1,488)	-	2,089	(2,089)
One-time Expense – Strategic Review Process and hostile bid defence	36	-	36	2,286	-	2,286
One-time Expense – Severance <sup>1</sup>	-	-	-	1,204	-	1,204
Provision (Recovery) for income taxes	(251)	154	(405)	99	538	(439)
Non-controlling interests	-	(34)	34	43	(57)	100
<b>Total</b>	<b>\$ 335</b>	<b>\$ 3,254</b>	<b>\$ (2,919)</b>	<b>\$ 6,169</b>	<b>\$ 6,953</b>	<b>\$ (784)</b>

The Company's consolidated expenses, taxes and non-controlling interests decreased by \$2.9 million for the third quarter ended September 30, 2010 compared to the same period in 2009. After deducting One-time Expenses, the Company decreased its operating expenses year-over-year by \$1.1 million. Similarly, for the nine month period ended September 30, 2010, the Company has reduced operating expenses as total headcount have declined year-over-year and other administration and corporate expenses have been reduced. This was primarily driven by a restructuring of the Company's cost structure over the past nine months and a restructuring of the Barlow cost structure which took place in the second quarter 2009.

For the third quarter ended 2010, the Company incurred One-time Expenses of less \$0.1 million related to the Strategic Review Process as the process came to its completion in early August 2010. Total One-time Expenses related to the Strategic Review Process and severance for the nine month period ended September 30, 2010 totalled \$3.5 million. Additional One-time Expenses may also be incurred in the future as the Company continues to execute its Realization Strategy.

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

	<i>For the Quarter ended September 30, 2010</i>	<i>For the nine months ended September 30, 2010</i>	<i>In Aggregate since December 3, 2009</i>
Legal advisors	\$ (94)	\$ 854	\$ 1,044
Financial advisors	102	410	860
Retention bonuses	-	455	455
Expense reimbursement <sup>1</sup>	11	261	261
Special Committee and other Director	-	210	230
Information agent	23	82	171
Other	(6)	14	18
<b>Total</b>	<b>\$ 36</b>	<b>\$ 2,286</b>	<b>\$ 3,039</b>

<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

### SUMMARY OF QUARTERLY RESULTS

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

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 789	\$ 1,348	\$ 1,162	\$ 1,369	\$ 1,281	\$ 1,397	\$ 1,348	\$ 1,696
Net results of investments <sup>1</sup>	(4,279)	1,961	525	609	75	(1,501)	6,586	(11,246)
Expenses	(586)	(2,999)	(2,442)	(2,181)	(3,134)	(1,772)	(1,566)	(1,584)
Non-controlling interests	-	-	(43)	52	34	15	8	11
Net tax recovery (provision)	251	(70)	(280)	12	(154)	41	(425)	(92)
Net earnings (loss) from continuing operations	(3,825)	240	(1,078)	(139)	(1,898)	(1,820)	5,951	(11,215)
Net earnings from discontinued operations	-	-	-	-	-	-	28	348
Net earnings (loss) under GAAP	\$ (3,825)	\$ 240	\$ (1,078)	\$ (139)	\$ (1,898)	\$ (1,820)	\$ 5,979	\$ (10,867)
Add back: one-time expenses <sup>2</sup>	36	2,264	1,190	753	1,488	516	85	-
Net earnings (loss) adjusted for one-time expenses	\$ (3,789)	\$ 2,504	\$ 112	\$ 614	\$ (410)	\$ (1,304)	\$ 6,064	\$ (10,867)
Weighted avg. # of shares								
Basic	26,695	26,737	26,737	26,737	26,737	26,944	27,275	27,375
Diluted	26,695	26,737	26,737	26,737	26,737	26,944	27,275	27,375
EPS from continuing operations – basic/diluted	\$ (0.14)	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.07)	\$ 0.22	\$ (0.41)
EPS from discontinued operations – basic/diluted	-	-	-	-	-	-	0.00	0.02
Net (loss) earnings per share under GAAP	\$ (0.14)	\$ 0.01	\$ (0.04)	\$ (0.01)	\$ (0.07)	\$ (0.07)	\$ 0.22	\$ (0.39)
Net earnings (loss) adjusted for one-time expenses per share	\$ (0.14)	\$ 0.09	\$ 0.00	\$ 0.03	\$ (0.02)	\$ (0.05)	\$ 0.22	\$ (0.39)
Shareholders' Equity	\$ 61,966	\$ 66,393	\$ 66,564	\$ 67,642	\$ 67,849	\$ 69,815	\$ 72,489	\$ 66,719
Common shares o/s	26,564	26,737	26,737	26,737	26,737	26,750	27,133	27,345
Net book value per share <sup>3</sup>	\$ 2.33	\$ 2.48	\$ 2.49	\$ 2.53	\$ 2.54	\$ 2.61	\$ 2.67	\$ 2.44
Total assets <sup>4</sup>	\$ 64,436	\$ 70,396	\$ 70,248	\$ 71,514	\$ 71,938	\$ 73,685	\$ 76,171	\$ 147,778

Quarterly revenue decreased in the third quarter 2010 compared to previous quarters as the Company monetized \$27 million of its assets in the latter half of the second quarter 2010 and the third quarter 2010 resulting in lower investment and interest income and asset management fees. It is expected that revenue will continue at these levels or lower as the Company continues to execute its Realization Strategy.

<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.

<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.

<sup>4</sup> The Company owned its interest in Financial Corp. (AgriFinancial) from October 2007 to January 2009.

## 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 also decreased its expenses in the third quarter 2010 compared to the previous quarters. As the Strategic Review Process came to its completion early in the third quarter 2010, the Company completed a restricting of its headcount and overheads as well as limited the quantum of One-time Expenses being incurred. Since December 2009, the Company 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.

### 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 consolidated financial statements for the quarter ended September 30, 2010 and the corresponding notes thereto and the consolidated annual financial statements for the year ended December 31, 2009 and the corresponding notes thereto and the related MD&A.*

#### *Liquidity*

The Company had liquid net assets of approximately \$37.8 million at September 30, 2010. The Company's cash equivalents of \$38.2 million consist of overnight deposits with Royal Bank of Canada, CIBC Prime Brokerage, Canaccord Capital Inc. and Toronto Dominion Bank (Barlow).

The Company calculates its liquid net assets as follows:

<b>Liquid Net Assets (Working Capital)</b>	<b>September 30, 2010</b>	<b>December 31, 2009</b>
Cash and cash equivalents	\$ 38,214	\$ 11,114
Accounts receivable	640	1,659
Loans receivable	29	58
Publicly traded investments	89	1,718
Accounts payable and accrued liabilities	(878)	(1,935)
Portion of note payable to CRFC due in next twelve months	(318)	(317)
<b>Total</b>	<b>\$ 37,776</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, including by way of the Issuer Bid it will maintain sufficient financial resources to conduct any ongoing business and operations.

#### *Capital Resources*

Except as described below, the Company has not taken on any additional material contractual obligations since December 31, 2009. For a complete description of the Company's contractual obligations, please refer to the Company's 2009 MD&A.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *Share Capital and Options Outstanding*

As at September 30, 2010, a total of approximately 26.56 million (December 31, 2009 – 26.74 million) common shares were outstanding with the Company reporting a net book value of \$62.0 million (December 31, 2009 – \$67.6 million). As at the date hereof, a total of approximately 26.43 million common shares were outstanding.

The Company had incentive stock options to purchase common shares outstanding as at September 30, 2010. The table that follows summarizes those options. No stock options were “in-the-money”, otherwise stated, none had a positive intrinsic value.

	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

235,000 options granted by the Company were forfeited during the quarter in connection with employee departures. For a complete description of the Company's share capital and options outstanding, please refer to the Company's 2009 MD&A.

In the first quarter 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 Company announced that the TSX approved its notice of intention to make a normal course issuer bid for up to 1,816,450 of its common shares or approximately 6.8% of its issued and outstanding shares as at July 31, 2010. The Company may purchase common shares at prevailing market prices during the period from August 10, 2010 to August 9, 2011. Daily purchases will be limited to 14,920 common shares, other than block purchase exemptions and will be made through the facilities of the TSX. As at the date hereof, 309,900 common shares at an average price of \$1.79 per share (excluding commission) were purchased for cancellation. C.A. Bancorp believes that, from time to time, the market price of its common shares may not reflect their underlying value and that the purchase of common shares may represent an appropriate and desirable use of funds. C.A. Bancorp intends to fund future purchases out of available cash.

### *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 nine months ending September 30, 2009:

<b>Results from Operations for nine months ending September 30, 2009</b>	<b>GAAP</b>	<b>Adjustments</b>	<b>Non-GAAP</b>
Total revenues	\$ 4,026	\$ -	\$ 4,026
Net results of investments <sup>1</sup>	(1,775)	6,935	5,160
Expenses	(6,472)	-	(6,472)
Taxes and non-controlling interest	(481)	-	(481)
Net earnings (loss) from continuing operations	(4,702)	6,935	2,233
Net earnings from discontinued operations	6,963	(6,935)	28
<b>Net earnings</b>	<b>\$ 2,261</b>	<b>\$ -</b>	<b>\$ 2,261</b>
<b>Earnings Per Common Share (EPS)</b>			
EPS from continuing operations – basic and diluted	\$ (0.17)	\$ 0.26	\$ 0.09
EPS from discontinued operations – basic and diluted	0.26	(0.26)	-
<b>Net earnings per common share</b>	<b>\$ 0.09</b>	<b>\$ -</b>	<b>\$ 0.09</b>

### TRANSACTIONS WITH RELATED PARTIES

Except as disclosed in note 12 to the September 30, 2010 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.

### CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

#### *Changes in Accounting Policies*

The changes in accounting policies remain unchanged from the disclosure in the Company's 2009 Annual MD&A. Please refer to pages 30 to 31 of the Company's 2009 Annual MD&A for a discussion of these policies.

#### *Critical Accounting Estimates*

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 remain unchanged from the description included in the Company's 2009 Annual MD&A. Please refer to pages 31 to 34 of the Company's 2009 Annual MD&A for a discussion of these estimates.

### 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.

<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

Future financial performance may also be affected by the Company's Issuer Bid. Reference should be made to the Company's Issuer Bid Circular dated the date hereof available under the Company's profile at [www.sedar.com](http://www.sedar.com) for a discussion of the effect of the offer and the related risk factors.

### **ADDITIONAL INFORMATION REGARDING SIGNIFICANT INVESTEES (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 interim financial statements for the six months ended June 30, 2010 and the annual financial statements for the year ended December 31, 2009 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). For additional information regarding this significant equity investee, please see the interim financial statements for the periods ended March 31, 2010 and June 30, 2010 and the annual financial statements for the year ended December 31, 2009 filed under its SEDAR profile.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Operating Officer and Chief Financial Officer (the Certifying Officers) by others, and is recorded, processed, summarized and reported within the required time periods specified under securities legislation. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with Canadian GAAP in its consolidated financial statements. The Certifying Officers are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting.

The Certifying Officers have evaluated the effectiveness of the Company's disclosure controls and procedures as at the interim period ended September 30, 2010. Based on that evaluation, the Certifying Officers concluded that the design and operation of these disclosure controls and procedures were effective as at September 30, 2010 to provide reasonable assurance that material information relating to the Company would be made known to them by others, particularly during the period in which the interim filings are being prepared and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

The Certifying Officers have evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the interim period ended September 30, 2010. Based on that evaluation, the Certifying Officers concluded that the design and operation of internal controls over financial reporting were effective as at September 30, 2010, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Certifying Officers have evaluated whether there were material weaknesses relating to the design of the Company's internal controls over financial reporting as at September 30, 2010. No such material weaknesses were identified through their evaluation.

The Certifying Officers have evaluated whether there were any changes in the Company's internal controls over financial reporting that occurred during the interim period ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting. No such changes were identified in their evaluation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is working to adopt IFRS as the basis for preparing its consolidated financial statements effective January 1, 2011. For the first quarter ended March 31, 2011, the Company will issue its financial results prepared on an IFRS basis with comparative data on an IFRS basis.

In order to meet the new IFRS reporting, the Company developed a transition plan during 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. In early 2009, the Company completed its project scoping, creating a IFRS transition timetable for assessing impact on data systems, internal controls over financial reporting and business activities including financing and compensation arrangements. The IFRS plan milestones included certain training of the Company's key finance staff which was completed by the end of the second quarter of 2009. The milestones also included beginning an assessment of key IFRS-GAAP differences which was completed in the fourth quarter of 2009. The Company's IFRS plan included the following milestones for completion by September 30, 2010: (1) completing the assessment of key IFRS-GAAP differences including an analysis of opening balances; (2) completing the assessment of IFRS 1 elections and exemptions; (3) completing an analysis of the quantitative impact of IFRS on the Company's accounting policies and financial statements; (4) delivery of information sessions for the Company's audit committee; and (5) analysis of detailed disclosure requirements.

In the third quarter of 2010, the Company further advanced its assessment of key IFRS-GAAP differences which remains in progress. The Company has made a determination that the impact of IFRS will mainly result in modifications to financial statement presentation and additional note disclosures. The Company will continue to analyze Canadian GAAP and IFRS accounting policy differences and will continue to progress towards the quantification of identified differences and choices throughout the remainder of 2010. The Company completed its assessment of IFRS elections and exemptions. The Company continues to work on analyzing the quantitative impact of IFRS on the Company's accounting policies and financial statements. The Company delivered an information session to its audit committee during the quarter. The Company's IFRS plan includes the following milestones for completion by December 31, 2010, (i) completion of milestones (1), (3) and (5) referenced above; and (ii) preparation of draft IFRS financial statements.

The Company will continue to provide information about the expected effects of IFRS as the changeover date approaches.

#### **IFRS Transition**

The Company has begun analyzing the optional exemptions available under IFRS 1 First-time Adoption of IFRS. The decisions about the optional exemptions under IFRS 1 are preliminary at this time. The decisions about accounting policy choices available under IFRS 1 and other individual IFRS standards will be disclosed as they are reviewed and approved. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *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.

### *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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

#### *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*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 in the context of the Realization Strategy 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.

### *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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$35.7 million, CIBC Prime Brokerage of \$1.9 million, and Canaccord Capital Inc. of \$0.5 million as at September 30, 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 September 30, 2010, the Company held approximately \$0.1 million in publicly traded investments representing 0.1% of total assets.

### ***Market Risk – Indirect***

Investments in private entities represent \$18.4 million or 28.5% 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 well as with respect to the sustainability of the investee company's financial performance and current economic environment. A sensitivity analysis to market multiples, where applicable, can be found in section "Critical Accounting Estimates" of the 2009 MD&A.

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 eight entities in eight industries as of September 30, 2010. The largest investment in a private entity is carried at an aggregate fair value of \$8.26 million which represents 12.7% 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 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, Director

Eitan Milgram, Director<sup>2</sup>

Frank Potter, Director<sup>2</sup>

Timothy Unwin, Director<sup>2</sup>

##### Officers:

Kurt Brands, Chief Operating Officer

Jillian Crump, Chief Financial Officer

Michael Lovett, Managing Director

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 (CGCNC) was dissolved during the third quarter 2010. Matters previously delegated to the CGCNC are now addressed by the entire Board of Directors.

<sup>2</sup> Member of the Audit Committee.