

This *Management's Discussion and Analysis* ("MD&A") presents an analysis of the consolidated results and financial condition of C.A. Bancorp Inc. (referred to herein as the "Consolidated Entity") which includes the business of C.A. Bancorp Inc. (referred to herein as the "Company" or "C.A. Bancorp"), and its wholly owned subsidiaries, and the consolidated results and balance sheet of Charter Real Estate Investment Trust (formerly Charter Realty Holdings Ltd. and referred to herein as "Charter" or "Charter REIT"), of which the Company owns 52.4% at June 30, 2007. The following information should be read in conjunction with the unaudited consolidated financial statements of the Consolidated Entity for the three and six months ended June 30, 2007.

This MD&A is dated August 7, 2007 and presents material information up to this date. This information includes discussion and analysis of the Company's direct investing activities (see "Direct Investing"), development of its fund management business (see "Fund Management"), investment in Charter REIT (see "Investment in Charter"), and continuing expansion of the Company's management team (see "Management Team").

On April 30, 2007, the Company's common shares were consolidated on a 10-for-1 basis (the "Consolidation") and the consolidated common shares were contemporaneously listed on the Toronto Stock Exchange ("TSX"), trading under the symbol "BKP". Prior to the Consolidation, the Company had 141,741,703 common shares outstanding. Subsequent to the Consolidation, the Company had 14,174,171 common shares outstanding.

All information contained herein with respect to the Company's common shares, warrants and options to purchase common shares is presented on a post-Consolidated basis unless otherwise stated.

I. OVERVIEW

Background

The Company was incorporated on March 29, 2005 pursuant to the *Business Corporations Act* (Alberta). The Company initially issued 200,000 common shares (two million pre-Consolidation) at \$1.00 per share (\$0.10 pre-Consolidation) for total gross proceeds of \$200,000. The Company was formed as a capital pool company ("CPC") and consequently there was minimal business activity until it completed its Qualifying Transaction.

In August 2005, the Company completed its initial public offering of 150,000 common shares (one-and-one-half million pre-Consolidation) at \$2.00 per share (\$0.20 pre-Consolidation), raising additional capital of \$300,000. The costs of the offering were \$92,106 and were netted against share capital.

On January 26, 2006, the Company completed its qualifying transaction acquiring (a) the net assets of Sentry Select Focused Wealth Management Fund in exchange for 451,638 common shares (approximately 4.516 million pre-Consolidation) and 451,638 common share purchase warrants (approximately 4.516 million pre-Consolidation) of the Company, and (b) 100 per cent of the outstanding shares of C.A. Bancorp Ltd. ("CABL"), and \$9,874 due from Petro Assets Inc., the sole shareholder of CABL, in exchange for 339,991 common shares (approximately 3.399 million pre-Consolidation) and 339,991 common share purchase warrants (approximately 3.399 million pre-Consolidation) of the Company. The acquisitions constituted the Company's qualifying transaction pursuant to Policy 2.4 *Capital Pool Companies* of the TSX Venture Exchange ("TSXV"). After the completion of the qualifying

transaction, the Company changed its name from Masthead Resources Ltd. to C.A. Bancorp Inc. and its trading symbol on the TSXV to "BKP".

The Company completed a prospectus offering on November 27, 2006 (the "November 2006 Offering") which, together with the exercise of the agents' over-allotment option on December 18, 2006, raised gross proceeds of \$38,751,177 from the issuance of 12,917,059 common shares (approximately 129.17 million pre-Consolidation) at \$3.00 per common share (\$0.30 pre-Consolidation).

The Company completed another prospectus offering on June 29, 2007 (the "June 2007 Offering") which raised gross proceeds of \$47,850,000 from the issuance of 14,500,000 common shares at \$3.30 per common share.

Immediately subsequent to the June 2007 offering and as at June 30, 2007 the Company had 28,674,171 shares outstanding. On July 25, 2007 an additional 410,000 shares were issued for gross proceeds of \$1,353,000 pursuant to the exercise by the agents of their over-allotment option in connection with the common share offering that closed June 29, 2007.

General Description of the Business

C.A. Bancorp Inc. is a publicly traded Canadian merchant bank and asset manager established to provide investors with access to a range of private equity and alternative asset class investment opportunities. The Company is focused on investments, either directly, or through entities managed and/or sponsored by C.A. Bancorp, in public and private companies with emphasis on opportunities in the industrials, real estate, infrastructure and financial services industries.

John F. Driscoll, the Chief Executive Officer of the Company, formed the Company in 2005. Mark Gardhouse joined C.A. Bancorp as President in January 2006. Mr. Gardhouse was previously Managing Director of Corporate Finance of Roynat Capital Inc. In April 2006, Mark MacDonald joined C.A. Bancorp as Managing Director, Private Investments. Mr. MacDonald was previously Vice-President of Teachers' Private Capital, the private equity arm of Ontario Teachers' Pension Plan Board. Messrs. Gardhouse and MacDonald have significant experience investing in private and public companies in Canada and are principally responsible for investing C.A. Bancorp's funds.

Sentry Select Capital Corp. ("Sentry Select"), provides management and administrative services to C.A. Bancorp. Sentry Select is a portfolio manager, commodities trader, and mutual fund dealer engaged in the business of promoting and managing investment funds in Canada. The management agreement between the Company and Sentry Select also provides C.A. Bancorp with access to the expertise and experience of Sentry Select's portfolio managers, portfolio advisers and research analysts. Sentry Select may also develop structured products to be managed by C.A. Bancorp. Sentry Select was formed by John F. Driscoll who is President, Chief Executive Officer and Chairman thereof. Mr. Driscoll is also the controlling equity owner of Sentry Select, owning, along with his family, 100% of the outstanding equity thereof (directly or indirectly). As at June 30, 2007, Sentry Select had approximately \$8.0 billion in gross assets under management.

Direct Investing

The Company focuses on both public and private companies that present unique growth opportunities, are believed by management to be under-valued and/or under-performing due to poor management execution or inappropriate capital structure or are undergoing a significant transition, such as change in senior

management or succession in ownership. The announcement by the Canadian federal government on October 31, 2006 of its intention to tax income trusts has created additional deal flow and investment opportunities that the Company has actively participated in. Coinciding with the public market opportunities, management has also been busy evaluating and bidding on a number of private company investments.

The Company has made "toehold" and "event/catalyst" driven investments in a number of public companies under different investment theses. The Company has made toehold investments under the thesis of pursuing an investment strategy, such as, a going-private transaction on its own or with a partner. In addition to the Company's toehold investments, C.A. Bancorp has also made a series of event or catalyst driven investments in Canadian income trusts where management believes a change in the ownership structure, such as a take-over, will occur prior to the implementation of the proposed taxation changes.

C.A. Bancorp holds 27.1% of the common shares outstanding in two capital pool companies ("CPCs"); Universal Infrastructure Corp. ("Universal"), and Global Investments Inc. ("Global"). Universal has been established by C.A. Bancorp with the intention that it act as an investment vehicle to focus on investments in infrastructure businesses, including power generation, transportation systems, railroad and shipping assets and various communication, toll road and utility based companies. Global has been established by C.A. Bancorp with the intention that it act as an investment vehicle to raise equity capital outside of North America to make alternative investments in various offshore asset classes. As of the date hereof, the only business carried on by Universal and Global, respectively, is the identification of a suitable qualifying transaction. It is anticipated that C.A. Bancorp will enter into management agreements with Universal and Global upon completion of its qualifying transactions.

The Company continues expanding its real estate capital (lending) business in the quarter by making two Alberta based real estate mortgage loans totaling \$912,500 at 10% rate of interest. The Company has a \$4.5 million loan to Charter outstanding which is eliminated on consolidation.

See "Investment Activities" for a discussion of Direct Investments to date.

Fund Management

The Company continues to believe that raising and managing funds (public or institutional) is an integral component of its business model. The Company has been actively managing its first fund, Sentry Select Total Strategy Fund (the "Total Strategy Fund"), developing new funds that are being marketed or are planned to be marketed to investors in the future, and exploring new fund opportunities that will generate management fees for the Company. The managed funds will maintain the Company's typical investment objectives and provide investors with access to alternative asset classes.

C.A. Bancorp's first structured product, the Total Strategy Fund, raised net proceeds of \$51.3 million, up to 25% of which may be invested in private equity investments. As of June 30, 2007 the Total Strategy Fund was valued at approximately \$57.5 million based on net asset value. The Company is manager of the Total Strategy Fund and earns asset management fees and performance fees.

In February 2007, C.A. Bancorp commenced marketing its first private equity fund. The private equity fund is being formed to provide institutional and high net worth investors the opportunity to capitalize on a variety of small to mid-cap opportunities in both private and publicly-traded companies. The fund has

received institutional commitments and is increasing its marketing to high net worth investors. The fund's first closing is expected later in 2007.

Investment in Charter

On September 14, 2006, the Company acquired 2,500,000 common shares at \$0.20 per common share of Charter, a CPC at the time. Charter was established as a real estate investment vehicle focused on acquiring a portfolio of retail and mixed-use retail real estate throughout Canada. After giving effect to the acquisition, C.A. Bancorp holdings represented 41.7% of Charter's outstanding common shares.

On February 23, 2007, Charter completed its qualifying transaction consisting of (i) a private placement of 15,000,000 common shares at a price of \$0.20 per common share and (ii) the purchase of three free-standing commercial retail properties leased to Rona Ontario Inc. in Exeter, Seaforth, and Zurich, Ontario (collectively, the "Rona Properties") for \$2.1 million. C.A. Bancorp participated in this private placement acquiring an additional 9,500,000 common shares for an additional purchase price of \$1.9 million. At the conclusion of the private placement, C.A. Bancorp held 12,000,000 common shares of Charter representing 57.1% of Charter's outstanding common shares.

On March 30, 2007, C.A. Realty Management Inc. ("CARM"), a wholly owned subsidiary of C.A. Bancorp, entered into an agreement to provide strategic, advisory, asset, management and administrative services to Charter for an annual fee of 0.30% of the adjusted book value of Charter's assets, paid quarterly in arrears, and an acquisition fee equal to 0.50% of the property cost of all real property acquired by Charter during each calendar quarter.

Charter purchased a shopping centre located in St. Laurent, Quebec ("Méga Centre") on March 30, 2007 for \$37.6 million (before closing costs and in accordance with Canadian generally accepted accounting principles "GAAP" the purchase price of the rental property acquisitions are allocated between income producing properties, intangible assets and intangible liabilities).

C.A. Bancorp provided a \$10 million subordinate loan facility to Charter; \$4.5 million of which was utilized for the purchase of Méga Centre. The outstanding principal amounts owing on this loan facility earn interest at a rate of 12% per annum, payable monthly. The loan facility has a maximum term of two years.

On May 10, 2007, Charter converted into a real estate investment trust ("REIT"), called Charter Real Estate Investment Trust.

As at June 30, 2007, Charter's last traded common share price was \$4.50 (closing bid price of \$3.95).

On August 3, 2007 Charter announced that it filed a final short form prospectus in each of the provinces and territories of Canada in connection with a marketed offering of trust units to raise proceeds of up to \$55 Million at \$3.45 a unit. C.A. Bancorp subscribed for an addition \$15 Million. The closing of the offering is expected on August 9, 2007. Subsequent to the Offering C.A. Bancorp is expected to hold approximately 31% of Charter's units outstanding.

Management Team and Dedicated Employees

The Company continues to add to its management, sales and research teams in order to execute its business plan. The current management team has been drawn from varied backgrounds including; corporate finance, operations, strategic consulting, outsourcing, marketing, legal and accounting, which enhance the Company's ability to evaluate and manage investments. Management's broad set of skills as well as their wide-ranging educational backgrounds contribute significant investment, financial, sales, and operational experience to the Company.

In March and April 2007, respectively, Kurt Brands and Jake Trainor, joined the Company as Vice-Presidents, Corporate Development. Mr. Brands recently worked as a Senior Consultant with Everest Group. His previous experience includes six years in corporate finance with IBM Canada. He earned his Masters of Business Administration degree from the Richard Ivey School of Business and is a Certified Management Accountant. Mr. Trainor recently worked as a Senior Associate with Mercer Management Consulting. His previous experience also includes serving in the Canadian Forces as a Special Operations Pilot. He earned his Masters of Business Administration degree from the Richard Ivey School of Business.

In May of 2007 Michael Lovett joined the Company as Managing Director, Real Estate Capital. Mr. Lovett has over 24 years expertise in the commercial real estate lending industry, most recently as the President of Commerical Mortgage & Capital, a private commercial mortgage company. Previously, he was the President and founder of Montrose Mortgage Corporation (Toronto) Ltd. Mr. Lovett has been involved in placing loans on all major asset classes, including term loans, construction financing and mezzanine facilities. Mr. Lovett has also held senior real estate related positions in loan organizations, risk assessment, and special loans with CIBC Mortgages Inc., National Trust, Citibank, National Bank and Swiss American Bank of Antigua.

II. RESULTS OF OPERATIONS – GAAP BASIS

The following is an analysis of the results of operations based on a “GAAP” basis of presentation. Management of C.A. Bancorp suggest that readers of this MD&A should consider these results in tandem with the “Results of Operations – Adjusted GAAP Basis” and the table “Net Book Value (Adjusted) for Fair Value of Corporate Investments” presented separately as it is these latter two measures that management uses to evaluate the performance of its business.

Basis of Presentation: Generally Accepted Accounting Principles (“GAAP”)

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: CABL, C.A. Realty Finance Inc. (“Realty Finance Inc.”) and CARM, and its investment in Charter REIT. Realty Finance Inc. currently has nominal operations but is expected to operate a mortgage broker business (primarily commercial) as well as other real estate related services including portfolio management of real estate related investments. CABL was acquired on January 26, 2006 as part of the qualifying transaction. CARM provides management and administrative services to Charter REIT. As of March 31, 2007, CARM had no assets, liabilities, revenues or expenses. As of June 30, 2007 C.A. Bancorp held a total of 1,496,000 units of Charter representing 52.4% of Charter’s outstanding units.

The comparative balance sheet as at December 31, 2006 and the comparative statements of operations, deficit and cash flows for the three and six months ended June 30, 2006 are those of the Company only, as the Company only began consolidating Charter in 2007. Prior to this time the Company’s investment in Charter was carried on-balance sheet as a one line item. The consolidated statements of operations, deficit and cash flows for the six months ended June 30, 2006 include the results of operations and cash flows of CABL from January 1, 2006 and of the Company since January 26, 2006. All intercompany transactions and balances have been eliminated in these consolidated financial statements in accordance with GAAP.

Results from Operations for the periods ended June 30, 2007 and 2006

For the quarter ended June 30, 2007 the Consolidated Entity had net income of \$663,555 (2006 – loss of \$291,123). This represented earnings of \$0.05 (2006 – loss of \$0.26) per common share on a basic and fully diluted basis. Of the \$663,555 in net income earned by the Consolidated Entity, \$682,433 was earned by the Company.

Consolidated Entity
Statements of Operations (post elimination adjustments on consolidation)

For the periods ended June 30, 2006

	Q2-2007			Q2-2006	6 mos YTD 2007			6 mos YTD 2006
	C.A. Bancorp	Charter	Consolidated Entity	C.A. Bancorp	C.A. Bancorp	Charter	Consolidated Entity	C.A. Bancorp
REVENUE								
Interest and investment income	727,354	10,781	738,135	24,536	1,373,926	20,533	1,394,459	49,330
Revenues from rental properties	-	1,142,657	1,142,657	-	-	1,194,111	1,194,111	-
Asset management fees	207,625	-	207,625	-	354,591	-	354,591	-
Deal fees	-	-	-	-	65,991	-	65,991	-
	934,979	1,153,438	2,088,417	24,536	1,794,508	1,214,644	3,009,152	49,330
NET GAIN (LOSS) ON INVESTMENTS								
Realized gain on sale of direct investments	1,083,269	-	1,083,269	936	1,123,244	-	1,123,244	936
Gain on dilution of Charter investment	-	452,071	452,071	-	-	452,071	452,071	-
Unrealized (loss) gain on direct investments	(360,620)	-	(360,620)	(34,924)	40,556	-	40,556	(34,924)
	722,649	452,071	1,174,720	(33,988)	1,163,800	452,071	1,615,871	(33,988)
EXPENSES								
General and administration	320,862	258,640	579,502	189,403	638,542	436,252	1,074,794	295,773
Management fees	146,666	-	146,666	-	278,061	-	278,061	-
Corporate transaction costs	161,609	404,232	565,841	54,883	224,948	754,067	979,015	65,796
Interest expense	1,149	605,100	606,249	1,458	1,693	613,177	614,870	7,052
Depreciation and amortization	-	522,650	522,650	-	-	532,464	532,464	-
Rental property operating costs	-	320,655	320,655	-	-	347,209	347,209	-
Stock based compensation	117,427	11,957	129,384	35,927	260,126	42,689	302,815	35,927
Investment management fees	86,650	-	86,650	-	166,814	-	166,814	-
Equity participation in CPCs	2,048	-	2,048	-	6,093	-	6,093	-
	836,411	2,123,235	2,959,645	281,671	1,576,277	2,725,858	4,302,135	404,548
NET INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST								
	821,218	(517,726)	303,492	(291,123)	1,382,031	(1,059,143)	322,888	(389,206)
PROVISION (RECOVERY) OF INCOME TAXES								
Current tax provision	197,057	-	197,057	-	197,057	-	197,057	-
Future tax recovery	(58,272)	-	(58,272)	-	(598,001)	-	(598,001)	-
	138,785	-	138,785	-	(400,944)	-	(400,944)	-
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST								
	682,433	(517,726)	164,707	(291,123)	1,782,975	(1,059,143)	723,832	(389,206)
NON-CONTROLLING INTEREST								
	-	(498,848)	(498,848)	-	-	(742,273)	(742,273)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME								
	682,433	(18,877)	663,555	(291,123)	1,782,975	(316,870)	1,466,105	(389,206)
NET INCOME (LOSS) PER SHARE								
Basic	\$ 0.05	\$ (0.00)	\$ 0.05	\$ (0.26)	\$ 0.12	\$ (0.02)	\$ 0.10	\$ (0.38)
Diluted	\$ 0.05	\$ (0.00)	\$ 0.05	\$ (0.26)	\$ 0.12	\$ (0.02)	\$ 0.10	\$ (0.38)
WEIGHTED AVG. # OF SHARES								
Basic	14,492,852	14,492,852	14,492,852	1,141,629	14,329,004	14,329,004	14,329,004	1,030,905
Diluted	14,692,027	14,692,027	14,692,027	1,141,629	14,620,170	14,620,170	14,620,170	1,030,905

For the six months ended June 30, 2007 the Consolidated Entity has net income of \$1,446,105 (2006 – loss of \$389,206). This represented earnings of \$0.10 per common share on a basic and fully diluted basis. Of the \$1,446,105 in net income \$1,782,975 was earned by the Company.

Interest and investment income of Q2: \$738,135 (2006 - \$24,536); 6 mos YTD: \$1,394,459 (2006 – \$49,330)

The Company and Charter earn interest income on their cash deposits and cash equivalents (e.g. term deposits). The Company receives investment distributions on its equity holdings in corporations, income trusts, partnerships and investment trusts as well as interest income on its real estate loans. The Company is earning a higher proportion of its income from its direct investments as part of its “toehold” and “catalyst / event” investment strategies as it draws down its cash balance and moves to becoming fully invested.

Asset management fees of Q2: \$207,625 (2006 – nil); 6 mos YTD: \$354,591 (2006 – nil)

The Company collects and recognizes asset management fees of approximately 1.1% (110 basis points) of the net asset value (“NAV”) of the Total Strategy Fund throughout the year. As at end of the quarter the Total Strategy Fund had a NAV of approximately \$57.5 million. The Company, for the first time since launching the Total Strategy Fund, also recongnized \$48,766 in performance fees in the six months ended June 30, 2007.

Deal fees of Q2: nil (2006 – nil); 6 mos YTD: \$65,991 (2006 – nil)

The Company may earn deal fees or “work” fees as part of it direct investing strategy where the Company is buying an entire company or an asset or assets. A fee may be paid by a target company during an acquisition if the pending deal is terminated, (i.e. a break fee), or a fee may be paid by one party of a contract to another party in order to terminate or cancel legal obligations. The Company supported an unsuccessful shotgun buy-sell arrangement in the first quarter which generated a fee for the Company.

Revenue from rental properties of Q2: \$1,142,657 (2006 – nil); 6 mos YTD: \$1,194,111 (2006 – nil)

Charter earned revenues from rental properties: the Rona properties acquired on February 23, 2007 and the Méga Centre property acquired on March 30, 2007. The majority of Charter’s rental revenue was earned in Q2 subsequent to the acquisition of the Mega Centre on March 30, 2007. The Company recorded no revenue from rental properties.

Net Gain on Direct Investments

Realized gains on the sale of investments of Q2: \$1,083,269 (2006 – \$936); 6 mos YTD: \$1,123,244 (2006 – \$936)

During the second quarter the Company realized gains on Amtelecom Income Fund, Custom Direct Income Fund and KCP Income Fund – all three investments were subject to offers to be acquired after the Company made its initial investment. These investments along with Norcast Income Fund in the first quarter are representative of the Company’s strategy to identify entities where it believes there is a high probability that the entity or a third party will create a catalyst event that will increase unitholder or shareholder value. See “Investment Activities” for further information.

Unrealized gain (loss) on direct investments of Q2: \$(360,620) (2006 – (\$34,924)); 6 mos YTD: \$40,556 (2006 – (\$34,924))

In accordance with the Company's accounting policies an unrealized loss of \$360,620 (2006 – (34,924)) was recognized in the quarter ended June 30, 2007 as the change in the unrealized gain (defined as the fair value of its outstanding direct investments less their cost basis) decreased from March 31, 2007.

The Company adopted new accounting standards consistent with Canadian Institute of Chartered Accountants ("CICA") Handbook as of January 1, 2007 (see section "Important Changes to Financial Reporting of Direct Investments") which requires recognition in the calculation of net income for fair value adjustments if these relate to financial assets (or financial liabilities) that are designated as trading by the Company in accordance with the accounting standards.

Expenses

General and administrative expenses of Q2: \$579,502 (2006 - \$189,403); 6 mos YTD: \$1,074,794 (2006 - \$295,733)

Included in general and administrative expenses for the six months ended June 30, 2007 are \$240,000 in Company administration fees paid to Sentry Select pursuant to an administration agreement between Sentry Select and C.A. Bancorp (the "Original Administration Agreement"). For the three months ended June 30, 2007 \$120,000 of administration fees are included in general & administration expenses.

Charter's general and administrative expenses reflect Charter's first six months as an operating real estate company. Charter's general and administrative expenses were composed of audit fees of \$100,000, directors fees of \$70,000, legal fees of \$22,000, consulting fees of \$105,000, and other expenses \$181,136.

Corporate transaction costs of Q2: \$565,841 (2006 - \$54,883); 6 mos YTD: \$979,015 (2006 - \$65,796)

The Company incurred significant audit, legal, filing and due diligence charges during the quarter as it executed its business plan. The Company incurred legal fees in conjunction with its TSX listing application and information circular and in preparation for the Company's annual special meeting. In addition, the Company incurred legal and due diligence costs on a number of potential deals including one potential acquisition in the financial services sector, as well as a potential acquisition in the telecom industry. The costs are charged to the statement of operations when the Company no longer pursues these opportunities. Costs on deals which are executed may be reimbursed by the vendor or investee company. Management believes that such costs are typical of the business that the Company operates in.

Charter's corporate transaction costs for the six months ended June 30, 2007 of \$754,067 (Q1 – 404,232) reflect costs incurred in connection with Charter's conversion to a REIT.

Stock based compensation of Q2: \$129,384 (2006 - \$35,927); 6 mos YTD: \$302,815 (2006 – \$35,957)

Included in the Company's total expenses was a charge for stock-based compensation in the amount of \$117,427 for the quarter ended June 30, 2007 (2006 – 35,927) relating to the fiscal 2006 grant of employee and non-employee stock options. One third of the options granted vest immediately on grant with the remaining two-thirds vesting equally on the one-year and two-year anniversaries of the grant.

The options are expensed in a manner consistent with their vesting schedules. Stock based compensation is a non-cash expense which is added back in determining cash flow from operations.

Charter's stock based compensation amounted to \$11,957 for the quarter ended June 30, 2007 and includes the amortization of the fair value of the 150,000 options granted in February 2007.

Investment management fees of Q2: \$86,650 (2006 – nil); 6 mos YTD: \$166,814 (2006 – nil)

Of the asset management fees that are earned by the Company on the Total Strategy Fund, 54.5% (or 60 basis points of the 110 basis points recognized in revenue) are paid to Sentry Select for Sentry Select's services as investment manager of the Total Strategy Fund.

Rental property operating costs of Q2: \$320,655 (2006 – nil); 6 mos YTD: \$347,279 (2006 – nil)

The rental property operating costs relate to properties owned by Charter. The majority of Charter's rental operating costs was incurred in Q2 subsequent to the acquisition of the Mega Centre on March 30, 2007.

Depreciation and amortization of Q2: \$522,650 (2006 – nil); 6 mos YTD: \$532,464 (2006 – nil)

The depreciation and amortization expense relates to properties owned by Charter.

Interest expense of Q2: \$606,249 (2006 – \$1,458); 6 mos YTD: \$614,870 (2006 - \$7,052)

The interest expense relates primarily to mortgages and loans associated with properties owned by Charter.

Income Taxes

For the three-months ended June 30, 2007 the Consolidated Entity recognized a net tax provision of \$138,785 (2006 – nil) comprised of \$197,057 of current taxes and an offsetting (\$58,272) future tax recovery attributable entirely to the Company. The Company previously recorded a valuation allowance for its tax loss carry forwards and other items that gave rise to future income tax benefits.

For the six months ended June 30, 2007 the Consolidated Entity recognized a net tax recovery of (400,944).

The Company raised the majority of its capital in late 2006 and again just before the reporting period and its investments have generally provided a high yield. This yield coupled with realized and unrealized capital gains resulted in a profitable six months ended June 30, 2006. Management believes that future taxable income is likely to be generated given the Company's cost structure and revenue stream. The Company has recognized a future income tax recovery in the statement of operations and has established a corresponding future tax asset on its balance sheet that is consistent with management's view on the likely realization of tax loss carry forwards.

Non-Controlling Interest

The Consolidated Entity recognized a *non-controlling interest* credit to income of \$498,848 (2006 – nil) for the quarter ended June 30, 2007 and \$742,273 for the six months ended June 30, 2007 (2006 – nil) representing the pro-rata portion of Charter's loss attributable to non-controlling investors in Charter.

RESULTS OF OPERATIONS – ADJUSTED GAAP BASIS

For the six months ended June 30, 2007 the Consolidated Entity reported net income per share of \$0.10. Charter provided a negative earnings drag of \$0.02 per share – therefore excluding Charter the net income per share was approximately \$0.10. Under Canadian GAAP a parent company is required to reflect its pro-rata portion of a subsidiary's profit and loss if it is deemed to control or have significant influence over the subsidiary. However, this does not necessarily reflect the economic change in the value of the investment in the subsidiary from the parent's perspective. For example the fair value of Charter's units (previously shares) increased from \$2.00 at December 31, 2006 to \$3.95 at June 30, 2007.

Real estate companies are typically valued in the marketplace on funds from operations ("FFO") as opposed to net income since GAAP net income in real estate companies typically involves a significant component of depreciation whereas, historically, real estate values have increased and there is no ability to recognize into earnings the appreciation of real estate under Canadian GAAP without disposing of the properties and triggering a realized gain. In addition Charter was impacted by many costs that management believe to be one-time in nature including a significant amount of legal and other corporate costs incurred to prepare and convert Charter from a corporation to a REIT.

BALANCE SHEET, LIQUIDITY AND CAPITAL RESOURCES

Consolidated Entity

Balance Sheets (post elimination adjustments on consolidation)

As at June 30, 2007 and December 31, 2006

	June 30, 2007		Consolidated Entity	Dec 31, 2006
	C.A. Bancorp	Charter		C.A. Bancorp
ASSETS				
CURRENT				
Cash and cash equivalents	43,428,470	3,218,548	46,647,018	32,904,560
Restricted cash	-	525,000	525,000	-
Receivables	478,255	81,211	559,466	215,518
Real estate loans	912,500	-	912,500	-
Future income tax	598,001	-	598,001	-
Prepaid expenses and other	26,576	1,364,493	1,391,069	20,604
Direct investments	30,932,050	-	30,932,050	4,137,377
Corporate investments in capital pool companies	158,253	-	158,253	653,026
	76,534,105	5,189,252	81,723,357	37,931,085
NON-CURRENT				
Income producing properties	-	28,592,491	28,592,491	-
Intangible assets	-	9,118,101	9,118,101	-
Deferred costs and other	256,552	1,528,744	1,785,296	84,325
Goodwill	269,460	-	269,460	-
	526,012	39,239,336	39,765,348	84,325
	77,060,117	44,428,588	121,488,705	38,015,410
LIABILITIES				
CURRENT				
Bridge financing	-	5,742,167	5,742,167	-
Accounts payable and accrued liabilities	1,188,087	1,824,030	3,012,117	665,118
Due to related party	136,456	-	136,456	176,381
Due to broker	-	-	-	140,359
	1,324,543	7,566,197	8,890,740	981,858
NON-CURRENT				
Secured debt	-	27,353,573	27,353,573	-
Intangible liabilities	-	116,757	116,757	-
	-	27,470,330	27,470,330	-
NON-CONTROLLING INTEREST				
	-	2,167,557	2,167,557	-
SHAREHOLDERS' EQUITY				
Share capital			82,674,868	38,592,016
Warrants			-	253,716
Contributed surplus			913,056	375,319
Deficit			(627,846)	(2,187,499)
			82,960,078	37,033,552
			121,488,705	38,015,410

As at June 30, 2007, the Consolidated Entity had total assets of \$121,488,705 (December 31, 2006- \$38,015,410), total liabilities of \$36,361,070 (December 31, 2006 - \$981,858) and total shareholders' equity of \$82,960,078 (December 31, 2006 – \$37,033,552). Non-controlling interest was \$2,167,557 (December 31, 2006 – nil).

The largest factor contributing to these increases is the consolidation of Charter's balance sheet and the June 2007 Offering which closed on June 29th.

The Consolidated Entity's total assets as at June 30, 2007 of \$121,488,705 (December 31, 2006 - \$38,015,410) were primarily comprised of cash and cash equivalents of \$46,647,018 (December 31, 2006 - \$32,904,560), restricted cash of \$525,000 (December 31, 2006 - nil), receivables of \$559,466 (December 31, 2006 - \$215,518), real estate loans receivable \$912,500 (December 31, 2006 - nil), future income tax of \$598,001 (December 31, 2006 - nil), direct investments of \$30,932,050 (December 31, 2006 - \$4,137,377), deferred costs (mostly related to Charter) of \$1,785,296 (December 31, 2006 - 84,325), income producing properties from Charter of \$28,592,491 (December 31, 2006 - nil), intangible assets from Charter of \$9,118,101 (December 31, 2006 - nil) and corporate investments in CPCs of \$158,253 (December 31, 2006 - 653,026). The remaining assets totaled \$1,660,529 (December 31, 2006 - \$104,929) and consisted of primarily prepaid expense, and goodwill. Cash and cash equivalents and direct investments are considered to be highly liquid.

The Consolidated Entity's total current liabilities of \$8,890,740 (December 31, 2006 - \$981,858) were comprised almost entirely of Charter's bridge financing, accounts payable, accrued liabilities. Only \$1,324,543 of the total current liabilities (accounts payable, accrued liabilities and due to a related party) were liabilities of C.A. Bancorp.

The Company has no long-term debt, no capital lease obligations and no other long-term obligations. Under such conditions, the Company has sufficient working capital to maintain current operations for at least twelve months.

Charter has long-term liabilities driven by financing for the Méga Centre acquisition. This acquisition was financed with a first mortgage loan from a financial institution in the amount of \$27,525,000. The secured debt has been reduced by commitment and other fees of \$171,427. Charter REIT also has intangible liabilities of \$116,757 related to its properties.

The Company's investing activities may require significant amounts of capital beyond what it currently has. The Company anticipates that additional funds may be secured through additional public offerings, as well as private equity placements, and the exercise of stock options. Some of the Company's initiatives may involve the use of credit facilities, short-term borrowings or debt structures at the level of the target investment.

Share Capital and Options Outstanding

As at June 30, 2007 a total of 28,674,171 (December 31, 2006 - 14,136,147) common shares were outstanding with total share capital of \$82,674,868 (December 31, 2006 - \$38,592,016).

The Company had options to purchase of common shares outstanding as at June 30, 2007. The following table summarizes those options.

<u>Optionee Type</u>	<u># of Optioned Shares Outstanding</u>	<u>Vested at 31-Mar-07</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
<i>Sept. 15, 2005 Grant</i>				
Employees	19,500	19,500	15-Sep-10	\$ 2.00
<i>June 22, 2006 Grant</i>				
Employees	37,000	24,667	22-Jun-11	\$ 3.30
Non-Employees	<u>38,000</u>	<u>25,333</u>	22-Jun-11	\$ 3.30
	75,000	50,000		
<i>December 22, 2006 Grant</i>				
Employees	455,500	151,833	22-Dec-11	\$ 3.10
Non-Employees	<u>310,000</u>	<u>103,333</u>	22-Dec-11	\$ 3.10
	765,500	255,166		
Total	860,000	324,666		

INVESTMENT ACTIVITIES

The Company has been actively executing its direct investment strategy since the closing of the November Offering. These investments, along with the investments in CPCs, are largely centered on the four industry sectors in which the Company seeks to operate in: (i) financial services; (ii) real estate; (iii) infrastructure; and (iv) industrials.

The Company has:

- Generated exposure to significant proprietary and non-proprietary deal flow pertaining to buy-out and growth situations in both public and private markets;
- Reviewed over 79 direct investment opportunities in public and private companies;
- Invested in 13 “toehold” investments in public companies which the Company made with the intention of pursuing a specific strategy, such as a going-private transaction that may be initiated by the Company on its own or with a partner;
- Pursued its activist/catalyst strategy via investments in a number of Canadian income trusts where management believes a change in the ownership structure, such as a take-over, will occur prior to the implementation of the new proposed taxation changes. To date, a number of the Company’s investments have been the target of merger/acquisition activity, including Custom Direct Income Fund, Norcast Income Fund and KCP Income Fund. These investments have collectively produced realized absolute returns (not including distributions) of approximately \$396,000 or 22%;
- One example of the Company’s activities in the income trust buy-out area involved Amtelecom Income Fund (“Amtelecom”). During the last six months, the Company accumulated a toehold position of approximately 284,400 units of Amtelecom at an average cost of approximately

\$12.08 each, with a view of working with financial partners and management to pursue a going-private transaction. Bell Aliant Regional Communications Income Fund (“Bell Aliant”) made an unsolicited offer to Amtelecom’s unitholders of \$13.00 per unit on February 28, 2007 and subsequently Bragg Communications Inc. (“Bragg”) counter-bid with an offer price of \$14.25 per unit. On April 18, 2007 Bell Aliant announced it would not counter Bragg’s offer. The Company sold over half its position in the market at above Bragg’s offer price and tendered the balance of its position to Bragg’s takeover bid. The investment produced realized absolute returns (not including distributions) of approximately \$701,000 or 20%; and

- Evaluated and bid on a number of income trust going-private and leveraged buy-out transactions arising as a consequence of the announcement in October 2006 by the Canadian federal government of its intention to tax income trusts.
- Made two real estate loans totaling \$912,500 on Alberta based properties. These loans are expected to have maturities of less than a year and will earn interest at 10%. The Company may keep these loans on its balance sheet or transfer them to fund it will manage at a later date.

The Company also recently become active as an activist/catalyst investor in PRT Forest Regeneration Income Fund (“PRT Fund”), announcing its support of the initiative of PRT Management Inc. (“PMI”, the manager and administrator of PRT Fund) to initiate a disciplined and accretive growth strategy to strengthen and diversify PRT Fund’s revenue base (the “PRT Strategic Plan”). The Company controlled over 5% of the outstanding units of PRT Fund. The Company and PMI mailed a dissident proxy circular to PRT’s unitholders in early June that recommended PRT unitholders vote for new independent trustees. PRT Fund announced on June 28, 2007 that the preliminary voting results from its Annual General meeting, which was completed on June 27, 2007, was that the incumbent Board of Trustees were re-elected by a voting margin of 59% of the ballots cast, versus 41% for the C.A. Bancorp/PMI proposed slate. The Company continues to maintain its position in units and is contemplating its next steps in respect of its investment in PRT Fund.

In the first quarter of 2007, the Company was invited to participate in a competitive bid situation for the acquisition of a Canadian financial services company. After completing due diligence in conjunction with third party advisors, the Company was selected as one of the last two bidders but ultimately was not chosen as the successful bid. The Company intends to increase its efforts on other possible acquisitions in this sector, as well as other sectors that are of interest.

The foregoing are included as examples of, and are not intended to be representative of, the investments of the Company in private and public entities generally. This is not a forecast of a projection and should not be construed to be an indication of the future performance of the Company.

In July 2007 (after the June 30th reporting period) the Company reported a \$2.75 Million private equity investment in High Fidelity HDTV. The Company made its investment alongside the \$1.25 Million investment made by the Sentry Select Total Strategy Fund for which it is the Manager of.

High Fidelity launched its first two all-HD channels, Oasis HD and Treasure HD, in March of 2006. That was followed by the launch of two more channels, Rush HD and Equator HD, in September of the same year. High Fidelity has eight additional channel licence approvals from the CRTC, two more channel licence applications working their way through the regulatory process, a thriving television production subsidiary and ambitious expansion plans.

The Company believes that the addition of this private investment in High Fidelity to the Company's and Total Strategy's portfolio represents an exciting opportunity. The Company sees public demand for greater high definition Canadian content growing and cable and satellite providers continuing to expand their high definition offerings.

Direct Investments

The Company held publicly traded securities valued at approximately \$30.9 Million on a fair value basis (December 31, 2006 – \$4.2 million) as of June 30 2007. All of the investments trade on either the TSX or TSXV. The table below is a listing of security by type and sector (the term "equity" is broadly defined as including, but not limited to, common shares in corporations and units in income trusts or similar entities).

The Company has made an accounting determination that its financial assets are "held for trading" and those assets are acquired for the purpose of trading or as part of a trading portfolio. These assets are measured at fair value on the balance sheet with unrealized gains or losses recognized in net income in the current period (see section "Important Changes to Financial Reporting of Direct Investments). "Long" or asset positions in publicly traded securities are valued at the last "bid" price at period end for the purposes of calculating fair value under GAAP.

Under the transitional rules for applying the new financial instruments accounting standards an adjustment to the carrying value of direct (trading) investments was required on January 1, 2007. The impact of this adjustment was to increase the carrying value of the Company's investments at year end by \$93,548. This transitional adjustment was not recognized into income for 2007 but instead taken into opening retained earnings.

Public Traded Direct Investments as at June 30, 2007

<i>Industry Grouping</i>		Fair	Unrealized
<i>Product</i>	Cost	Value	Gain (Loss)
<i>Industrials</i>			
Equities	\$ 12,571,455	\$ 12,489,578	\$ (81,877)
	12,571,455	12,489,578	(81,877)
<i>Financial Services</i>			
Equities	5,460,969	5,024,776	(436,193)
	5,460,969	5,024,776	(436,193)
<i>Energy & Commodities</i>			
Equities	2,203,396	1,897,062	(306,334)
Investments Trusts (a)	774,864	642,398	(132,466)
	2,978,260	2,539,460	(438,800)
<i>Infrastructure</i>			
Equities (b)	3,412,269	3,416,298	4,029
	3,412,269	3,416,298	4,029
<i>Diversified & Other</i>			
Equities	5,729,299	6,275,178	545,879
Investments Trusts	1,084,998	1,186,760	101,762
	6,814,297	7,461,938	647,641
Total	\$ 31,237,250	\$ 30,932,050	\$ (305,200)

Public Investments as at December 31, 2006

in Canadian dollars

Industry Grouping	Cost	Carrying Value	Unrealized Gain / (Loss)
Publicly Traded Investments			
Industrials			
Equities	\$ 1,457,353	\$ 1,457,353	\$ -
	1,457,353	1,457,353	-
Financial Services			
Equities	872,997	807,505	(65,492)
	872,997	807,505	(65,492)
Energy & Commodities			
Equities	595,995	356,887	(239,108)
Investments Trusts	707,321	580,196	(127,125)
	1,303,316	937,083	(366,233)
Infrastructure			
Equities	133,514	133,514	-
	133,514	133,514	-
Diversified & Other			
Equities	380,992	379,913	(1,079)
Investments Trusts	428,509	422,009	(6,500)
	809,501	801,922	(7,579)
Total, December 31, 2006	\$ 4,576,681	\$ 4,137,377	\$ (439,304)
Fair value adjustment on Jan 1, 2007	-	93,548	93,548
Total carrying value adj. to fair value	\$ 4,576,681	\$ 4,230,925	\$ (345,756)

Investments in Capital Pool Companies ("CPCs")

During the period from the third quarter of 2006 through to the end of the first quarter of 2007, the Company made investments in three CPCs that are all considered to be related entities to the Company by virtue of similar ownership. The Company currently accounts for two of these investments (being the investments in Global and Universal) using the "equity method" which is a result of management's assertion that the Company has significant influence over each of these investments. The equity method results in the Company accounting for its pro-rated share (based on its percentage ownership and period of ownership) of the CPCs net income or loss, adjusted for any cash returns on investment.

As at December 31, 2006, the Company accounted for its investment in Charter using the "equity method". Given that, at the end of the second quarter of 2007, C.A. Bancorp owned 52.4% of Charter's issued and outstanding common shares, Charter's financial results are no longer accounted for using the "equity method" and have been consolidated with the Company's results.

Capital Pool Company Investments as at June 30, 2007	Percent Ownership	Cost	Cumulative Adjustments	Carrying Value
Universal Infrastructure Corp.	27.1%	95,000	(15,875)	79,125
Global Alternative Investments Inc.	27.1%	95,000	(15,872)	79,128
Total Cost and Carrying Value		\$ 190,000	\$ (31,747)	\$ 158,253

Capital Pool Company Investments as at December 31, 2006	Percent Ownership	Cost	Cumulative Adjustments	Carrying Value
Charter Realty Holdings Ltd.	41.7%	\$ 500,000	\$ (11,320)	\$ 488,680
Universal Infrastructure Corp.	27.1%	95,000	(12,987)	82,013
Global Alternative Investments Inc.	27.1%	95,000	(12,667)	82,333
Total Cost and Carrying Value		\$ 690,000	\$ (36,974)	\$ 653,026

Management believes that the carrying value of its investments in Charter, Universal and Global do not fully reflect the value of these investments in the GAAP financial statements as demonstrated by the table that follows.

Net Book Value (Adjusted) for Fair Value of Corporate Investments			
<i>in millions</i>			
June 30, 2007			
	NBV	# of Shares O/S	NBV/share
Net Book Value (GAAP)	\$ 83.0	28.7	\$ 2.89
Add: Fair Value of Charter, Universal and Global	6.5		
Deduct: Carrying Value (GAAP) of: Charter, Universal and Global <Note (1)>	(3.7)		
Deduct: Tax effect of unrealized capital gain on corporate investments <(Note (2))>	(0.5)	<u>2.3</u>	
Net Book Value (Adjusted) for Fair Value of Corporate Investments	\$ 85.3	28.7	\$ 2.97
Notes:			
(1) Using the closing bid prices as at June 30, 2007			
(2) Calculated as the net book value of the assets less liabilities and non-controlling interest of Charter consolidated by the Company.			

Investment in Charter

See "Overview – Investment in Charter and Charter REIT" for a description of C.A. Bancorp's investments in Charter.

Investments in Universal and Global

The Company invested \$95,000 in each of Universal and Global as founders' capital (950,000 common shares were purchased at \$0.10 per common share). Universal and Global each raised \$300,000 in an initial public offering by issuing 1.5 million common shares at \$0.20 per share in December 2006. As a result of these transactions, C.A. Bancorp held a 27.1% interest in the outstanding common shares of each of Universal and Global as at June 30, 2007. Universal and Global currently have no material business activities to date and continue to look for qualifying transactions.

SUMMARY OF QUARTERLY RESULTS (GAAP BASIS)

The following is a summary of the Consolidated Entity's results for the last quarterly period and the Company's results for the eight previous quarterly periods:

	Q1-2007	Q2-2007		
Total revenues	920,735	2,088,417		
Net gain on investments	441,151	1,174,720		
Expenses	(1,342,490)	(2,959,645)		
Non-controlling interest	243,425	498,848		
Tax recovery (provision)	539,729	(138,785)		
Net income	802,550	663,555		
Net loss per share-basic	0.06	0.05		
Net loss per share –diluted	0.06	0.05		

	Q1-2006	Q2-2006	Q3-2006	Q4-2006
Total revenues	24,794	25,472	74,636	307,347
Gain (loss) on investments	-	(34,924)	(161,664)	(242,716)
Expenses	(122,877)	(281,671)	(341,153)	(983,448)
Non-controlling interest	-	-	-	-
Tax recovery (provision)	-	-	-	-
Net income (loss)	(98,083)	(291,123)	(428,181)	(918,817)
Net loss per share-basic	(0.11)	(0.26)	(0.36)	(0.15)
Net loss per share –diluted	(0.11)	(0.26)	(0.36)	(0.15)

	Q1-2005	Q2-2005	Q3-2005	Q4-2005
Total revenues	320	293	326	1,650
Gain (loss) on investments	-	-	-	-
Expenses	(1,220)	(359)	(249)	(86,206)
Non-controlling interest	-	-	-	-
Tax recovery (provision)	-	-	-	-
Net income (loss)	(900)	(66)	77	(84,556)
Net loss per share-basic	0.00	0.00	0.00	(0.24)
Net loss per share –diluted	0.00	0.00	0.00	(0.24)

Q1 is defined as the three-months ended March 31st
Q2 is defined as the three-months ended June 30th
Q3 is defined as the three-months ended September 30th
Q4 is defined as the three-months ended December 31st

TRANSACTIONS WITH RELATED PARTIES

Administration and Management Agreements

On January 26, 2006, Sentry Select and the Company entered into an Original Administration Agreement that was effective retroactively to January 1, 2006. Pursuant to the Original Administration Agreement Sentry Select provided staffing including the services of the Company's President, accounting and administration, compliance, marketing, and office space for a fixed fee of \$35,000 per month plus applicable taxes.

On May 18, 2006 (and subsequently amended on a retroactive basis on September 25, 2006), as a result of the expansion of the scope and nature of the Company's business, the Company entered into a management agreement with Sentry Select (the "Management Agreement") and amended the Original Administration Agreement (the new agreement hereby referred to as the "Administration Agreement"), each effective as of July 1, 2006.

Effective as of July 1, 2006 and pursuant to the Administration Agreement, Sentry Select has provided certain management and administrative services to the Company, including the provision of office space, equipment and all management and investment staff, and all accounting, clerical, secretarial, corporate and administrative services as has been necessary to perform its obligations. The monthly fee paid to Sentry Select for the provision of such services increased from \$35,000 to \$40,000 on July 1, 2006. The Administration Agreement will immediately terminate upon the termination for any reason of the Management Agreement.

Pursuant to the Management Agreement, among other things, Sentry Select will manage the Company's merchant banking business, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments. For the provision of its services pursuant to the Management Agreement, the Company pays Sentry Select a quarterly fee (the "Management Fee") of 1/4 of 1.50% of the net asset value (i.e. the total net asset value less the Company's liabilities) calculated as at the close of business on the last business day of each calendar quarter. In addition to the Management Fee, Sentry Select is entitled to be paid a performance bonus (the "Performance Bonus") equal to 20% of the amount by which the annual net pre-tax profit of the Company (i.e. the non-consolidated net income of the Company before income taxes and such Performance Bonus) calculated as at December 31 in each year exceeds a threshold of an 8% per year return earned on the Company's net asset value (determined in accordance with the Management Agreement). The initial term of the Management Agreement commenced on July 1, 2006 and expires on December 31, 2011. The Management Agreement will renew automatically for successive five-year terms following the initial term, provided that there has been no breach or material default of the terms of the agreement by Sentry Select, subject to termination on any expiry date upon not less than 180 days prior written notice from the Company or Sentry Select to the other. In the event that the Company terminates the Management Agreement, Sentry Select is entitled to receive from the Company an amount equal to five times 1.5% of the net asset value calculated as at the close of business on the last business day of the term of the Management Agreement and five times the Performance Bonus paid in respect of the calendar year immediately preceding the date of termination of the Management Agreement. Either party upon the occurrence of certain events may also terminate the Management Agreement.

Copies of the Administration Agreement and Management Agreement are available on www.SEDAR.com under Material Contracts.

IMPORTANT CHANGES TO FINANCIAL REPORTING OF PORTFOLIO INVESTMENTS

Beginning on January 1, 2007 the Company adopted the CICA Handbook Sections 3855 *Financial Instruments* and 1530 *Comprehensive Income*. These Sections are mandatory for publicly accountable entities whose annual periods begin on or after October 1, 2006.

These accounting standards establish guidance for reporting comprehensive income. Presentation of comprehensive income and its components in a separate financial statement is required. The statement of comprehensive income includes net income plus other comprehensive income ("OCI"). Amounts recognized in OCI eventually must be reclassified to the income statement (in accordance with other CICA Handbook Sections). These reclassification adjustments, including the income tax expense or benefit, would normally be disclosed separately.

An example of an item that may be included in OCI for the Company would be changes in the fair value of available-for-sale financial assets (discussed below).

OCI will either be presented immediately below net income on the income statement; in a separate statement that begins with net income; or in a statement of changes in equity.

The new financial instruments framework, which includes the aforementioned standards, requires all financial assets and financial liabilities to be classified by characteristic and/or management intent. The classification of financial assets and liabilities determines how they are accounted for on an ongoing basis. All financial assets are classified in one of four categories: (i) held for trading; (ii) held to maturity; (iii) loans and receivables; or (iv) available for sale.

"Held for trading" financial assets are those acquired for the purpose of trading or as part of a trading portfolio. These assets will be measured at fair value on the balance sheet with gains or losses recognized in net income in the current period.

"Held to maturity" financial assets are those with fixed payments and maturity that the Company has the intent and ability to hold to maturity. "Loans and receivables" are financial assets, which are not debt securities, resulting from a delivery of assets in exchange for a promise to pay. Both "held to maturity" and "loans and receivables" will be carried at amortized cost on the balance sheet.

"Available for sale" financial assets are those that are not classified as "held for trading", "held to maturity" or "loans and receivables". Such financial assets are recognized on the balance sheet at fair value with unrealized gains or losses recognized in other comprehensive income until the assets are disposed or until an impairment occurs in which case recognition into net income occurs.

These new financial reporting standards will directly impact the Company's carrying of portfolio investments as many of the Company's current holdings will be valued at fair value on the balance sheet with the offset to either net income or other comprehensive income. This is a departure from the Company's policy up until December 31, 2006 where unrealized losses were recognized in the current period whereas gains were only recognized when realized.

Marketable securities that are deemed to be "trading" would be carried at fair value with gains or losses (both realized and unrealized) to be recognized in the calculation of net income for the period in question.

The Company's recognition of securities as "held for trading" is expected to make net income more volatile going forward.

CORPORATE STRATEGY

C.A. Bancorp's business model is based on two types of revenue generating investment activities:

- (i) Direct investing, to generate capital gains realized from the sale of investments and interest payments, management fees, syndication fees and dividends paid by portfolio companies; and
- (ii) Fund management, to generate management fees and performance bonuses paid by private equity funds and structured products managed and/or sponsored by C.A. Bancorp.

C.A. Bancorp's direct investing activities will be focused on private equity investments in the small to mid-market private and public markets with emphasis on:

- Industrials (manufacturing, distribution and service sectors),
- Real Estate (specialized, industrial, retail, commercial, hospitality, healthcare and retail properties),
- Infrastructure (power generation, transportation and utilities), and
- Financial Services (asset managers and investment counselors).

C.A. Bancorp's management team and Sentry Select have strategic relationships across these industry segments, having successfully completed investments in a variety of these industries. It is expected that C.A. Bancorp's dedicated management team will enable it to acquire, develop and manage a portfolio of diverse investments.

As part of its direct investing activities, C.A. Bancorp may make "private investments in public entities" or "PIPES", and catalyst/activist investments. PIPES typically involve negotiated, illiquid investments in public companies to fund expansions, acquisitions or restructuring events. Catalyst/activist investing involves making a significant minority investment in what is perceived to be an under valued public entity, with a view to working with the entity's board and management team to effect change and create value.

C.A. Bancorp's investments may be made to finance acquisitions, expansions, restructurings, refinancings, privatization and management buy-outs. C.A. Bancorp will seek to invest \$500,000 to \$20 million of its own capital in each transaction. Although the Company cannot provide any assurances in respect of future performance, C.A. Bancorp will pursue investments that are expected to offer a minimum return of 1.5 times invested capital, with a typical range of 1.5 to 3.0 times invested capital (representing approximately 15% to 30% annual returns depending upon the length of time that the investment is held). In order to finance its direct investing activities, C.A. Bancorp intends to raise capital as required.

As part of its fund management activities, C.A. Bancorp intends to manage and/or sponsor private equity funds for institutional and high net worth investors. It is anticipated that C.A. Bancorp will make investments through or in conjunction with such funds. The Company may establish investment vehicles to complete specific acquisitions or to carry out a specific mandate to seek out investment opportunities.

C.A. Bancorp also intends to manage and/or sponsor structured products, which may be offered in conjunction with Sentry Select, designed to provide investors with exposure to investments that are not generally available through traditional public markets.

The private equity funds and structured products managed and/or sponsored by C.A. Bancorp will generally follow the same investment strategy and investment process as C.A. Bancorp's direct investing activities.

This combination of direct investing and fund management is designed to leverage: (i) the combined private and public equity investment expertise of C.A. Bancorp and Sentry Select; (ii) deal flow arising from management's extensive experience and business relationships; and (iii) management's experience in structuring and completing investments.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Company Factors

Future financial performance will be influenced by the Company's ability to raise additional funds and the successful evaluation and acquisitions of potential businesses as well as the Company's ability to build and successfully manage its assets under management.

Non-Company factors

The Canadian mid market private equity space has been relatively undercapitalized in recent years and this is due to the significant change in the market participants. During the previous five years the main bank sponsored private equity groups that have been active in the space have either exited the business or significantly scaled back their investment activities. In addition Canada has its own unique regulatory, tax and capital market environment. These unique characteristics favor local firms.

RISK MANAGEMENT

The Company is looking for opportunities as outlined in "Corporate Strategy" above. The merchant banking business is affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

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

Private equity securities are less liquid than public securities as there is no readily available market for an investment to sell. There is a possibility that when the 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.

For general risk factors affecting the Company see the section "Risk Factors" included in the Annual Information Form dated May 24, 2007 on the Company's SEDAR profile at www.SEDAR.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As of June 30, 2007 the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that the disclosure controls and procedures were appropriately designed to provide reasonable assurance that material information relating to the Company and its consolidated subsidiary entities for the three months and six months ended June 30, 2007. In addition, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Company's internal controls over financial reporting. The internal controls were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. They have concluded that the design of the internal controls over financial reporting were adequate and effective to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner. There have been no changes in the Company's internal controls during the first six months of 2007 that have materially affected or would be likely to materially affect the Company's internal control over financial reporting.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A and other public announcements by the Company may contain 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. 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. Factors which could cause actual results to differ materially from those set forth in the forward-looking statements include (but are not limited to): 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 and Sentry Select; 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 net asset value; risks affecting the Company's investments; risks affecting the Company's investments in capital pool companies; 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; the potential loss of investment in common shares; the Company's additional financing requirements; the management of the growth of the Company; 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. 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.