

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) dated November 5, 2008 presents material information and an analysis of the consolidated results and financial condition of C.A. Bancorp Inc. (C.A. Bancorp or the Company) 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). This MD&A should be read in conjunction with the unaudited consolidated financial statements of the Company for the quarter and nine months ended September 30, 2008.

All amounts 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 GAAP.

The MD&A is presented in the following sections:

- I. Company Overview**
- II. Financial Highlights**
- III. Private Investments and Managed Funds/Entities**
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This MD&A contains forward looking statements, which are qualified by reference to, and should be read together with the section entitled "Caution Regarding Forward-Looking Information" on page 32.

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### I. COMPANY OVERVIEW

The following provides an overview of the Company and its subsidiaries as well as information on their administration.

#### *Company Description*

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 public and private companies, with an emphasis on the industrials, real estate, infrastructure and financial services sectors. The Company has approximately \$595 million in gross assets invested (\$182 million on balance sheet) and under management (\$413 million).

C.A. Bancorp's revenues from its Direct Investment and Asset Management activities include dividends, interest, commissions and capital gains, as well as management and performance fees on managed funds and entities. The Company consolidates the accounts of its subsidiary AgriFinancial Canada Corp. In addition, the Company consolidated the accounts of C.A. Bancorp Canadian Realty Finance Corporation (CRFC) for the period from February 22, 2008 to September 12, 2008 (when the Company held 100% of CRFC's Class A Shares). These diversified revenue streams have been designed to minimize volatility, reduce risk and maximize return on shareholders' equity.

The Company's common shares trade on the Toronto Stock Exchange (TSX) under the symbol **BKP**.

For a more comprehensive overview of the Company and its operations, please refer to the Company's Annual Information Form dated as at March 28, 2008 and filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

#### *Subsidiaries and Other Entities*

The Company, through its wholly-owned subsidiary C.A. Realty Management Inc. (Realty Management), provides strategic, advisory, asset management and administrative services to Charter Real Estate Investment Trust (Charter REIT) and receives an ongoing management fee of 0.30% per annum on the adjusted book value of Charter REIT's assets and a one-time acquisition fee of 0.50% of the property cost of all real property acquired by Charter REIT. The following summary is qualified in its entirety by the terms of the management agreement between Realty Management and Charter REIT, a copy of can be obtained under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Charter REIT is listed on the TSX Venture Exchange under the symbol **CRH.UN**. See "Private Investments and Managed Funds/Entities – Charter REIT" in Section III below.

The Company's wholly-owned subsidiary C.A. Bancorp Realty Finance Inc. (Realty Finance), provides commercial mortgage brokerage services to a variety of real estate borrowers in Canada. Realty Finance earns commissions in return for providing these services.

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The Company's majority-owned subsidiary, C.A. Bancorp Financial Corp. (Financial Corp.), owns 100% of AgriFinancial Canada Corp. C.A. Bancorp and Sentry Select Total Strategy Fund (Total Strategy Fund) are the sole shareholders of Financial Corp., with C.A. Bancorp holding approximately 90.5% and Total Strategy Fund holding approximately 9.5% of Financial Corp.'s issued and outstanding shares. The Company is the manager of Total Strategy Fund. See "Pending Sale of AgriFinancial Canada Corp." in Section IV below and "Private Investments and Managed Funds/Entities – AgriFinancial Canada Corp." in Section III below.

The Company's wholly-owned subsidiary C.A. Bancorp Telecom Inc. (Telecom Inc.) has invested in Windward Telecom Limited. See "Private Investments and Managed Funds/Entities – Windward Telecom Inc." in Section III below.

The Company's wholly-owned subsidiary C.A. Bancorp Ltd. (CAB Ltd.), has a Limited Market Dealer registration as well as an Investment Counsel and Portfolio Management registration with the Ontario Securities Commission.

C.A. Bancorp Canadian Realty Finance Corporation (CRFC), a special purpose mutual fund corporation, has been created to provide the Company and holders of CRFC's publicly traded Preferred Shares, Series 1 (TSX: **RF.PR.A**), Class A Shares (TSX: **RF.A**) and Warrants to purchase Preferred Shares, Series 1 (TSX: **RF.WT**) with exposure to the investment performance of an actively managed portfolio of secured loans and mortgages in the Canadian commercial real estate sector on a tax efficient basis. CAB Ltd. is the manager of CRFC. The Company is a promoter of CRFC.

The Company, through its wholly-owned subsidiary C.A.B. Barlow Holdings Corp. (Barlow Holdings), owns 85% of the issued and outstanding shares of Barlow Capital Management Inc. (Barlow). See "Private Investments and Managed Funds/Entities – Barlow Capital Management Inc." in Section III below.

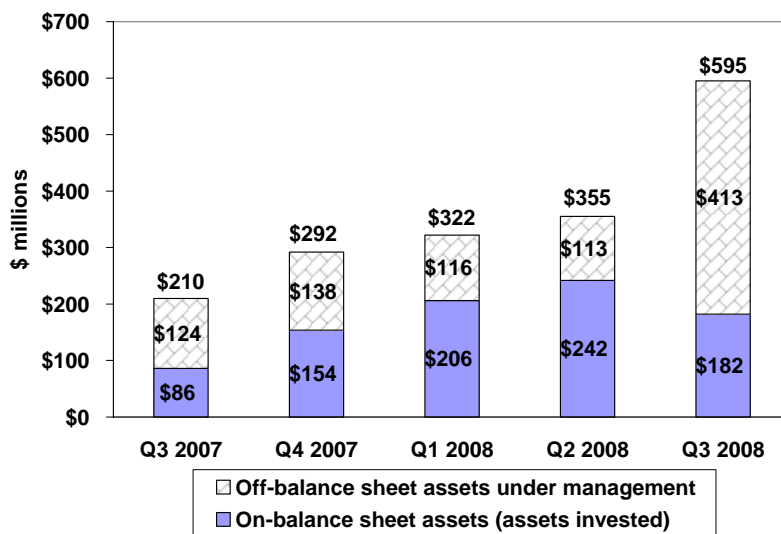
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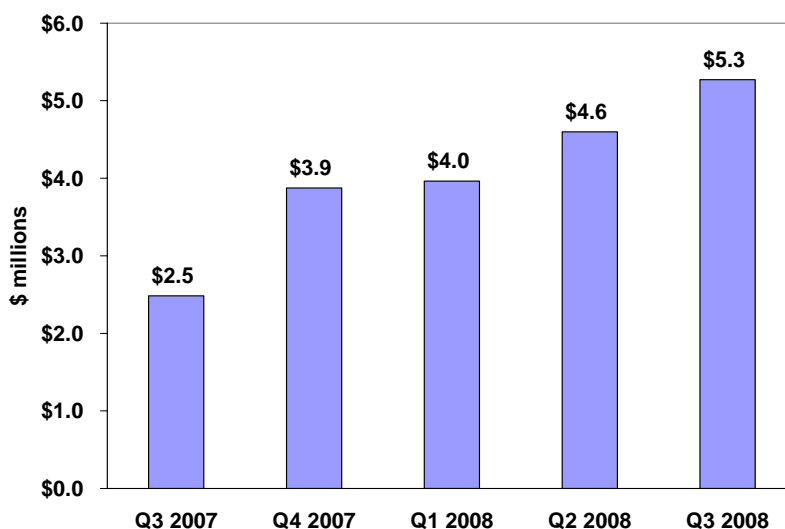
### II. FINANCIAL HIGHLIGHTS

This following is a summary of (a) the Company's unaudited interim consolidated financial statements for the quarter and nine months ended September 30, 2008 compared to the same period ended September 30, 2007 and (b) the Company's financial position as at September 30, 2008 compared to quarter end as at June 30, 2008.

#### *Assets Invested and Under Management*<sup>1,2</sup>



#### *Quarterly Revenues*<sup>3</sup>



<sup>1</sup> Defined by the Company's management as total on-balance sheet assets (assets invested) and off-balance sheet assets under management where the Company earns a fee.

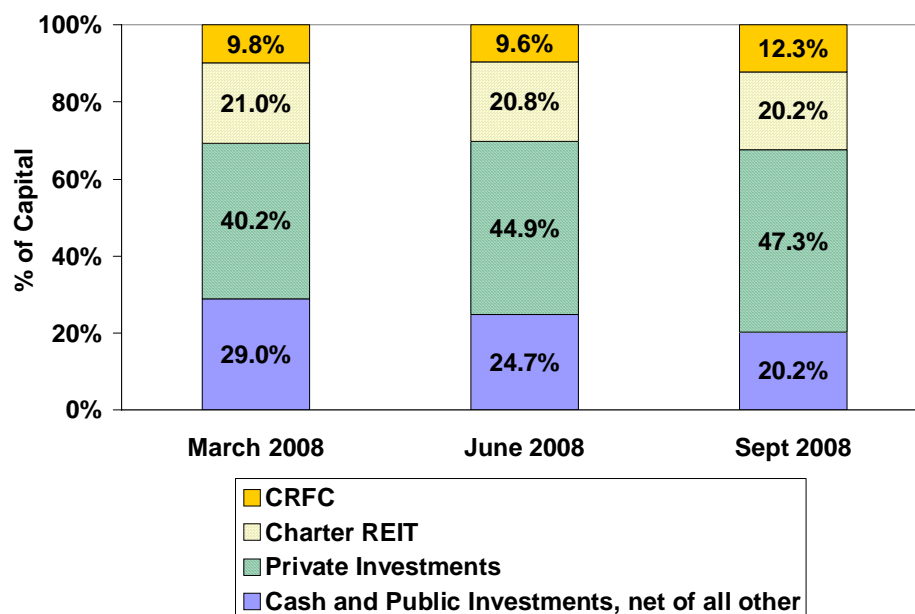
<sup>2</sup> On-balance sheet assets decreased by approximately \$60 million primarily due to the de-consolidation of CRFC. These assets are now included in off-balance sheet assets under management.

<sup>3</sup> Increases in the Company's revenues typically lag behind growth in assets under management by one to two quarters.

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### *Allocation of the Company's Invested Capital (Unconsolidated)*



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### Summary of Financial Results

Results from Operations	Quarter ended September 30			Nine months ended September 30		
	2008	2007	Inc./Dec.) <sup>4</sup>	2008	2007	Inc./Dec.)
Total revenues	\$ 5,270	\$ 2,484	\$ 2,786	\$ 13,825	\$ 5,494	\$ 8,331
Net results of investments <sup>5</sup>	(1,705)	(1,623)	(82)	(6,607)	(13)	(6,594)
Expenses, taxes and non-controlling interest	3,811	1,946	1,865	10,710	5,100	5,610
Net income (loss)	(246)	(1,085)	839	(3,492)	381	(3,873)
Net cash flow from operations <sup>6</sup>	4,733	(65)	4,798	14,967	528	14,439
Per Common Share	2008	2007	Inc./Dec.)	2008	2007	Inc./Dec.)
Earnings per share (EPS) – basic	\$ (0.01)	\$ (0.04)	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.14)
Earnings per share (EPS) – diluted	\$ (0.01)	\$ (0.04)	\$ 0.03	\$ (0.12)	\$ 0.02	\$ (0.14)

Financial Position at Q3 vs. Prior Q2	Q3 2008	Q2 2008	Inc./Dec.)
Cash and cash equivalents	6,340	\$ 12,594	\$ (6,254)
Total assets <sup>7</sup>	182,308	242,212	(59,904)
Total shareholders' equity	77,706	78,360	(654)
Number of common shares outstanding	27,541	27,891	(350)
Per Common Share	Q3 2008	Q2 2008	Inc./Dec.)
Net book value per share <sup>8</sup>	2.82	2.81	0.01
Closing market price per share	1.20	1.55	(0.35)
Market price discount to net book value	(57%)	(45%)	(12%)

<sup>4</sup> "Inc." refers to "Increase". "Dec." refers to "Decrease".

<sup>5</sup> Includes unrealized and realized gains/losses on publicly traded investments as well as equity participation in Charter REIT, CRFC and other corporate investments.

<sup>6</sup> From the Company's consolidated statement of cash flows.

<sup>7</sup> Total assets decreased by approximately \$60 million primarily due to the de-consolidation of CRFC.

<sup>8</sup> Non-GAAP measure calculated as Shareholders' Equity under GAAP divided by number of common shares outstanding at period-end.

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### III. PRIVATE INVESTMENTS AND MANAGED FUNDS/ENTITIES

The following is an overview of the Company's investments in private investments and managed funds/entities. The Company targets an internal rate of return (IRR) of between 15% and 25% on its invested capital for private investments and sponsor capital with a view to a doubling of invested capital over the expected investment holding period. The range of targeted IRR is case specific and dependent on the nature and risk profile of each investment.

#### *Private Investments*

Sector	Industry	Company and Investment Overview
Financial Services	Agriculture	<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>C.A. Bancorp's Investment:</b> \$9.5 million (alongside \$1.0 million from Total Strategy Fund) to acquire the \$90 million businesses of Agrifinance and AgriCard held in its wholly-owned subsidiary AgriFinancial Canada Corp.</p> <p><b>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>Transaction Date:</b> October 2007</p> <p><b>Investment Update:</b> On September 11, 2008, the Company announced that it has entered into a share purchase agreement with Western Financial Group Inc. (TSX: WES) ("WFG") pursuant to which WFG or an affiliate will acquire AgriFinancial Canada (the Transaction). The Transaction remains subject to certain conditions, including without limitation, receipt of consents and regulatory approvals, discharge of AgriFinancial's existing credit facilities, completion of certain transaction documents, and other customary closing conditions for a transaction of this nature. It is expected that the Transaction will close during the fourth quarter of 2008.</p>
Financial Services	Investment Management	<p><b>Barlow Capital Management Inc.</b> (Barlow) is a fee-for-service boutique investment counselor and portfolio manager with exclusive focus on providing endowment style investment management services to high net worth Canadian investors. Barlow has approximately \$160 million in assets under management and advisement.</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> Platform investment in a niche asset manager that has developed tailored money management services to meet the complex demands of sophisticated high net worth clients.</p> <p><b>Transaction Date:</b> July 2008</p>

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Sector	Industry	Company and Investment Overview
		<p><b>Investment Update:</b> Barlow's management team have completed substantially all of the transition activities related to the transaction in July 2008, and are now focusing their efforts on asset retention, new asset growth and managing the portfolio through the recent public market decline. The management team has used the recent market decline in all of their marketing activities highlighting the ongoing need for investors to diversify portfolios away from pure equities and bonds and to include private equity, real estate and other asset classes.</p> <p>Recently, Barlow and its partners (C.A. Bancorp being one of them) hosted a conference for investment advisors educating them on the benefits of asset allocation, portfolio diversification, managing volatility; absolute returns etc. that was favorably received by attendees. Follow-up marketing is proceeding with market attendees and it should yield some positive new relationships for Barlow, as well as C.A. Bancorp.</p>
Infrastructure	Equipment Manufacturing and Construction	<p><b>Birmingham Foundation Solutions</b> (Birmingham) builds customized pile driving equipment for sale or lease in 49 countries around the world, and provides foundation construction services for large infrastructure projects.</p> <p><b>C.A. Bancorp's Investment:</b> \$9.2 million (alongside \$0.8 million from Total Strategy Fund) in the form of convertible and non-convertible straight preferred shares with an 8% coupon. The convertible preferred shares can be converted into 33% to 45% of Birmingham's common shares (based on Birmingham's financial performance) on a fully diluted basis.</p> <p><b>Rationale:</b> Growth capital investment in a company with strong growth potential providing specialized equipment and services to the infrastructure and real estate sectors.</p> <p><b>Transaction Date:</b> November 2007</p> <p><b>Investment Update:</b> Both divisions at Birmingham; <i>Construction</i> and <i>Manufacturing</i> continue to enjoy strong backlogs as we look forward to 2009. The management team is on track to meet or exceed its financial targets for FY2008. Both divisions within Birmingham are active across a diversified set of sectors including projects for the Athabasca Oil Sands, government infrastructure, real estate, and energy sectors. This diversification should help to mitigate any risk from a slowing general economy.</p> <p>Birmingham's outlook on the infrastructure sector continues to remain favorable. Numerous government bodies have indicated the willingness to allocate new spending to the renewal of public infrastructure. Birmingham has a long history of competing for and successfully completing infrastructure projects of this nature.</p>
Infrastructure	Telecommunications	<p><b>Windward Telecom Inc.</b> (Windward) is a telecommunications company providing Caribbean markets with long distance phone and data infrastructure services.</p> <p><b>C.A. Bancorp's Investment:</b> Total of U.S. \$700,000 comprised of (i) U.S.\$200,000 in common shares representing a 10% interest in Windward which yields an annual management fee of 6% and (ii) U.S.\$500,000 in convertible, redeemable, retractable preferred shares paying a 13% annual dividend, with the preferred shares being convertible into 25% of Windward's common shares upon the occurrence of certain events. The Company has the opportunity to invest up to an additional \$4 million in Windward at its sole discretion.</p>

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Sector	Industry	Company and Investment Overview
		<p><b>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>Transaction Date:</b> February 2008</p> <p><b>Investment Update:</b> On May 13, 2008, Windward Telecom launched its international communications network and began to carry its first commercial telephone traffic through the Eastern Caribbean. Quality metrics and utilization through the first five months of operations have been above initial forecasts, although it has faced stronger than anticipated competitive reactions from incumbent telecom companies. Notwithstanding, Windward is expected to meet its 2008 financial targets.</p> <p>The Telecommunications Authority of Trinidad and Tobago has recently tabled technical regulations, which if enacted later this year or early in 2009, will facilitate Windward's entry into Trinidad-originated long distance traffic.</p> <p>The Trinidad Offshore Fiber Electronics (TOFFE) project, a sub-sea fibre optic system designed to connect up to 30 offshore oil and gas platforms continues to move forward with Windward conducting various levels of negotiation with the major oil companies, government agencies, and other telecommunication providers operating in the region.</p>
Infrastructure	Telecommunications	<p><b>Everus Communications Inc.</b> (Everus) is the largest wireless broadband internet service provider to rural communities in Southwestern Ontario.</p> <p><b>C.A. Bancorp Investment:</b> \$5.0 million investment and commitment to invest. Structured as a two year secured debenture with a 15% coupon per annum, plus nominal cost warrants convertible into 22% to 47% of Everus' common shares (based on Everus' financial performance) on a fully diluted basis.</p> <p><b>Rationale:</b> Growth capital investment in a company with a strong backlog of new customers and a highly scalable business model capable of serving new customers at a low incremental cost.</p> <p><b>Transaction Date:</b> September 2008 (\$2.5 million in Q2, \$1.2 million in Q3, 0.3 in October, with the remaining \$1.0 million commitment yet to fund)</p> <p><b>Investment Update:</b> The Everus transaction closed on June 25, 2008. C.A. Bancorp has worked with management to ensure their organization appropriately fits their customer acquisition levels. The demand for rural broadband services remains strong as the company continues to roll out its growth plans. Everus' outlook on the rural broadband sector is favorable. Both the Ontario and Federal governments have announced intentions to subsidize the development of rural broadband services. To date, Everus has successfully won two previously announced government-supported rural broadband projects and is in a favorable position to compete for further projects.</p>
Industrials	Media	<p><b>High Fidelity HDTV Inc.</b> (High Fidelity) creates specialty television channels in digital high-definition format and distributes its programming through major cable and satellite companies such as Bell ExpressVu, SaskTel, Canadian Cable Systems Alliance and Aurora Cable.</p> <p><b>C.A. Bancorp's Investment:</b> \$2.75 million investment (alongside \$1.25 million from Total Strategy Fund) in the form of a debenture that provides an annual cash yield of 10%, with nominal cost warrants for 10-25% of the equity of High Fidelity (based on High Fidelity's financial performance) and an option to purchase an additional 5% of equity of High Fidelity.</p>

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Sector	Industry	Company and Investment Overview
		<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 a strong and experienced management team.</p> <p><b>Transaction Date:</b> July 2007</p> <p><b>Investment Update:</b> High Fidelity continues to build its subscriber base at the anticipated rate and is expected to meet or exceed its FY 2008 financial targets. Subscribers are continued to be added at forecasted rates. High Fidelity continues to pursue additional cable and satellite platforms to distribute its channels through, with a successful launch on the Eastlink network in Q3.</p> <p>Moving forward, management's outlook remains positive. It continues to seek expansion of High Fidelity's subscriber base both through organic growth on its existing carriers, as well as the addition of new carriers.</p>
Industrials	Packaging	<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> \$3.6 million growth capital investment (alongside \$0.4 million from Total Strategy Fund) structured as a secured debenture with a 12% per annum coupon, in addition to 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>Transaction Date:</b> February 2008</p> <p><b>Investment Update:</b> Salbro's management has been executing on its strategic plan to deliver performance that will meet its FY 2008 targets. Salbro's backlog has remained at a consistent level throughout 2008 and should remain steady into 2009. Salbro produces for many private-label products that are not as leveraged to the economy as some premium, labeled brands. In Q3, the management team has launched a new web portal to sell directly to customers. In addition, Salbro is also undertaking further vertical integration of its manufacturing processes to reduce dependence on outside suppliers as well as reduce the volatility of its transportation costs.</p> <p>Moving forward, management's outlook is one of cautious optimism for the immediate future. The reduced US/Canadian exchange rate has placed Salbro in a much more competitive position to sell into the US and is seeking opportunities to expand sales in several geographies. Further, Salbro is seeking to improve and demonstrate its product sustainability value to its customers in terms of environmental metrics.</p>
Industrials	Parking Solutions	<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> \$3.0 million investment and conditional commitment, at the Company's sole discretion, for an additional \$3.0 million investment. Structured as a three year secured debenture with a 12% coupon per annum, plus nominal cost warrants convertible into 12.5% to 35% of DPT's common shares (based on the size of C.A. Bancorp's total investment and DPT's financial performance) on a fully diluted basis.</p>

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Sector	Industry	Company and Investment Overview
		<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 operating companies.</p> <p><b>Transaction Date:</b> November 2008 (subsequent to Q3)</p>
Real Estate	Multi-Residential	<p><b>Kingswood Estates</b> (formerly Kingswood Apartment Complex) consists of eight garden-style apartment buildings containing 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 major highways.</p> <p><b>C.A. Bancorp's Investment:</b> \$6.0 million, to acquire an 80% limited partnership interest in a partnership that acquired the Kingswood Estates property.</p> <p><b>Rationale:</b> Acquisition of a property that offers significant upside potential through superior management, property improvements and unit upgrades.</p> <p><b>Transaction Date:</b> January 2008</p> <p><b>Investment Update:</b> Property improvements, unit upgrades, and increases to rental income is continuing to proceed as planned (approximately 25% of the units to date). The manager is looking at the opportunity to convert the units to condominium residences which should provide an increase in value.</p>

### Managed Funds/Entities

Sector	Industry	Fund/Entity
Financial Services	Commercial Real Estate	<p><b>C.A. Bancorp Canadian Realty Finance Corporation</b> (CRFC) 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 has issued 1,540,000 Preferred Shares, Series I 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 3,650,000 subordinate Class A Shares for aggregate gross proceeds of \$36.5 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.</p> <p><b>C.A. Bancorp Investment:</b> \$9.85 million in subordinate Class A shares and 200,000 warrants.</p> <p><b>Rationale:</b> C.A. Bancorp generates a superior return on capital from CRFC achieved through recurring management fees on all the assets in the entity as well as tax-efficient distributions received on the Class A Shares.</p> <p><b>Ticker Symbols:</b> Preferred Shares, Series I (<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>
Diversified	Diversified	<p><b>Sentry Select Total Strategy Fund</b> (Total Strategy Fund) is a publicly held long/short and private equity fund which is winding down its operations and plans to be liquidated by the end of 2008.</p>

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Sector	Industry	Fund/Entity
		<p><b>Assets under Management:</b> Approximately \$3.5 million following redemptions in February 2008 and special distribution paid in August 2008 (Originally raised net assets of \$51.3 million). See “Unitholder Redemption of Sentry Select Total Strategy Fund” in Section IV. The Company expects Total Strategy Fund to be liquidated and terminated shortly after the AgriFinancial Transaction is completed (expectation is December 2008).</p> <p><b>Ticker Symbol:</b> <a href="#">TSF.UN</a> on the TSX.</p>
Real Estate	Retail Properties	<p><b>Charter Real Estate Investment Trust</b> (Charter REIT) is focused on acquiring a portfolio of retail and mixed-use retail community and neighborhood 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>Assets under Management:</b> Charter REIT’s portfolio includes ten retail properties located in Ontario and Quebec totaling approximately \$146 million in real estate assets.</p> <p><b>C.A. Bancorp’s Investment:</b> \$18.6 million or 33% of the issued and outstanding units of Charter REIT carried on the Company’s balance sheet at \$15.8 million and with an estimated fair value of \$9.1 million based on the closing bid price on September 30, 2008.</p> <p><b>Rationale:</b> C.A. Bancorp generates recurring asset management fees, acquisition fees, monthly distributions and the long-term potential for investment capital appreciation.</p> <p><b>Ticker Symbol:</b> <a href="#">CRH.UN</a> on the TSX Venture Exchange.</p>

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### IV. SIGNIFICANT EVENTS

The following is a discussion of the Company's significant events for the first nine months ended September 30, 2008, updated for subsequent events to the date hereof.

#### *First Quarter of 2008*

#### **Investment in Kingswood Estates (formerly Kingswood Apartment Complex)**

In January 2008, C.A. Bancorp closed its investment in a newly formed limited partnership (Real Estate LP) that acquired a 360-unit apartment complex in Kitchener, Ontario (Kingswood Estates) for an aggregate purchase price of \$23 million, before closing costs. C.A. Bancorp holds an 80% interest in the Real Estate LP with Centurion Apartment Properties Limited Partnership (Centurion LP) who acts as both the general partner and a limited partner of Kingswood Estates, holding 10% and the remaining 10% being held by a third party investor.

The Kingswood Estates property consists of a freehold interest in eight garden-style apartment buildings on 16 acres of land, with an average of 45 units per building, located on Kingsway Drive in Kitchener, Ontario. The property is strategically located in the south-end of Kitchener with excellent access to Highway 401, Highway 8, and the Conestoga Parkway. The apartment buildings are comprised of one and two bedroom units and are currently over 96% leased.

C.A. Bancorp invested \$6.0 million to acquire the 80% limited partnership interest in Real Estate LP, with the residual \$1.5 million equity interest being invested by Centurion L.P. and a third party investor. The balance of the \$23 million purchase price was financed by the assumption of two existing mortgages on the Kingswood Estates. These mortgages are non-recourse to C.A. Bancorp and have interest rates that are below current market rates.

#### **Investment in Windward Telecom Limited**

In February 2008, C.A. Bancorp, through its wholly owned subsidiary, C.A. Bancorp Telecom Inc., closed a U.S. \$700,000 investment in Windward Telecom Limited (Windward). C.A. Bancorp pre-funded U.S. \$200,000 of this investment in November 2007 to cover certain equipment expenditures required by Windward. C.A. Bancorp has taken a significant minority position in Windward and has representation on Windward's Board of Directors.

Windward is a low-cost wholesale provider of telecommunications services utilizing dedicated high capacity fiber optic cable, providing customers with high volume voice and data services to and from the Republic of Trinidad and Tobago. Windward's network includes leased dedicated capacity on submarine fiber optic cable, as well as ownership of related hardware and software located in Florida and Trinidad. As a wholesale service provider, Windward seeks to provide services to call originators and terminators such as Teleglobe, British Telecom and Sprint and to those in the Republic of Trinidad and Tobago including the local Trinidad based landline and mobile telephone companies.

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C.A. Bancorp's investment is structured as U.S.\$200,000 in common shares representing a 10% interest in Windward which yields an annual management fee of 6%, and U.S.\$500,000 in convertible, redeemable, retractable preferred shares that pays a 13% annual dividend, with the preferred shares convertible into 25% of Windward's common shares under certain conditions.

### **Investment in Salbro Bottling Group**

In February 2008, C.A. Bancorp made a \$3.6 million growth capital investment alongside a \$0.4 million investment by Total Strategy Fund in the Salbro Bottling Group (Salbro), a group of privately held companies based in Toronto, Ontario, which serves the packaging industry. Salbro is utilizing the proceeds of this investment to capitalize on a series of opportunities through expansion of its in-house manufacturing and design capabilities as well as several other growth initiatives.

Salbro is an established designer, manufacturer, and distributor of packaging components, specializing in glass and plastic bottles. Serving a broad set of sectors, Salbro products form part of the packaging for many household brand name products.

C.A. Bancorp's investment is structured as a secured debenture with a 12% per annum coupon, payable monthly in addition to nominal cost warrants providing it with a base 12.5% equity interest, with increases in this interest subject to Salbro's financial performance and contractual minimum rates of return.

### **Initial Public Offering of C.A. Bancorp Canadian Realty Finance Corporation (TSX: RF.PRA)**

In February 2008, C.A. Bancorp closed the C.A. Bancorp Canadian Realty Finance Corporation (CRFC) initial public offering (IPO) issuing 1,540,000 Preferred Shares, Series 1 (Preferred Shares) for aggregate gross proceeds, including the over-allotment, of \$38.5 million. The Preferred Shares trade on the TSX under the symbol **RF.PRA** and yield tax-efficient fixed cash distributions of \$1.69 or 6.75% per annum for a fixed-term of 10 years.

CRFC was created by C.A. Bancorp to provide CRFC investors with exposure to the investment performance of an actively managed portfolio of secured loans and mortgages in the Canadian commercial real estate sector on a tax-efficient basis.

Upon closing of CRFC's IPO and including the over-allotment, C.A. Bancorp subscribed for \$7.85 million worth of Class A shares. C.A. Bancorp is the manager of CRFC and earns annual management fees.

### **Unitholder Redemption of Sentry Select Total Strategy Fund**

In late February 2008, the Company announced that 71% of the units of the Total Strategy Fund (TSX: TSF.UN) had been submitted for redemption, pursuant to Total Strategy Fund's annual redemption feature. The net assets of the Total Strategy Fund were approximately \$16 million immediately following such redemption.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

### *Second Quarter of 2008*

#### **Shareholders Approve Mandatory Market Purchase Plan**

At the Company's Annual and Special Meeting held on April 25, 2008, shareholders approved an amendment to the Company's articles of incorporation to add a mandatory market purchase plan (MMPP).

The MMPP allows the Company to repurchase and cancel up to 5% of the Company's common shares outstanding over a 12 month period up to a maximum of 1.25% of the Company's common shares outstanding each quarter.

#### **Unitholder Vote of Sentry Select Total Strategy Fund**

On May 20, 2008, a special meeting (the Meeting) of Total Strategy Fund unitholders was held to consider and vote on certain matters relating to the future of Total Strategy Fund. At the Meeting, the unitholders of Total Strategy Fund did not approve the proposed amendments to Total Strategy Fund's trust agreement by the required two-thirds majority but did approve a resolution authorizing the termination of Total Strategy Fund.

The Company instructed Sentry Select Capital Corp. (Sentry Select), as investment manager (Investment Manager), to sell and convert to cash, to the extent possible and in an orderly manner, the property of the fund in an attempt to complete the conversion to cash by the termination date. Total Strategy Fund substantially completed the liquidation of its public portfolio in the second quarter and paid a special distribution of \$7.00 per unit on August 15, 2008 to unitholders of record on July 31, 2008. The remainder of the public portfolio has been liquidated and the proceeds will be distributed to unitholders in a final payment to be completed shortly after the liquidation of the private investment portfolio.

#### **Investment in Everus Communications Inc.**

In June 2008, C.A. Bancorp closed a \$5 million growth capital investment and commitment to invest in Everus Communications Inc. (Everus), a wireless broadband internet service provider to rural communities in Southwestern Ontario. Everus is using the proceeds of C.A. Bancorp's investment to capitalize on its strong backlog of new customers (secured by long-term contracts) by expanding its network infrastructure and customer service capabilities.

Based in Kitchener Ontario, Everus uses WiMAX technology to provide affordable, accessible and efficient broadband internet access connections and related services to both residential and business customers who are not currently served by conventional infrastructure (cable or telephone) at speeds and service quality comparable to the incumbent telecommunications providers.

C.A. Bancorp's investment is structured as a secured two-year debenture that earns a 15% annual coupon (8% cash and 7% paid-in-kind "PIK"), in addition to nominal cost warrants convertible into 22% to 47% of Everus' common shares (based on Everus' financial performance) on a fully diluted basis.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

\$3.7 million of C.A. Bancorp's \$5.0 million investment was funded as at September 30, 2008 an additional \$0.3 million was funded in October with the remainder yet to be funded.

### *Third Quarter of 2008*

#### **Acquisition of Barlow Capital Management Inc.**

In July 2008, C.A. Bancorp, through a newly created subsidiary, Barlow Holdings, completed a \$2.9 million transaction to acquire 85% of the issued and outstanding shares of Barlow Capital Management Inc. (Barlow). Barlow's senior management team owns the remaining 15% of the Barlow shares.

Barlow is a fee-for-service boutique investment counselor and portfolio manager with exclusive focus on providing endowment style investment management services to high net worth Canadian investors and families. At closing, Barlow had approximately \$160 million in assets under management and advisement.

Barlow operates two distinct asset management platforms, private client and pooled portfolios. Both platforms utilize a multi-asset class, multi-manager approach that brings together the best elements of traditional and alternative investment management philosophies into a single strategy with the objective of providing superior risk adjusted returns. In addition to conventional investment allocations such as cash, bonds and equities, Barlow clients will have significant investment exposure to alternative assets such as private equity, real estate and hedge funds.

C.A. Bancorp acquired 80% of Barlow's shares for a total purchase price (including transaction costs) of approximately \$2.4 million and invested an additional \$0.5 million in working capital to finance management's growth plan.

#### **Intention to Make Normal Course Issuer Bid**

In August 2008, the Company announced that it intended to purchase up to 2,380,853 of the common shares of the Corporation for cancellation by way of a normal course issuer bid (NCIB) through the facilities of the TSX. The 2,830,853 common shares represent approximately 10% of the public float of the Company at the time. The purchases were able to commence on August 18, 2008 and will terminate on August 17, 2009 or such earlier date as the Company may complete its purchase or provide notice of termination. Any such purchases are made by the Company at the prevailing market price at the time of such purchases in accordance with the requirements of the TSX. The Company is not able to make purchases of common shares at greater than book value. Purchases of common shares at less than book value per share should have the effect of increasing the book value per shares. All purchased shares will be cancelled. Under the terms of the NCIB, the Company will not purchase in any trading day more than 6,299 shares, being 25% of the average daily trading volume of the shares.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

### **Public Offering of C.A. Bancorp Canadian Realty Finance Corporation (TSX: RF.A and TSX: RF.WT)**

In September 2008, C.A. Bancorp closed a C.A. Bancorp Canadian Realty Finance Corporation (CRFC) public offering issuing 2,900,000 Units for aggregate gross proceeds, including the over-allotment, of \$29.0 million. Each Unit consisted of one Class A Share and one warrant (Warrant) to purchase a Series 1, Preferred Share at a subscription price of \$23.75 at any time until September 30, 2011. The Units traded on the TSX for the first 30 days after closing. Subsequently, the Class A Shares and the Warrants trade separately on the TSX under the symbols RF.A and RF.WT, respectively. The Class A Shares yield tax-efficient cash distributions of 7.6% (indicative yield which may change over time) per annum based on the original issue price of \$10.00 per Unit.

CRFC was created to provide CRFC shareholders with exposure to the investment performance of an actively managed portfolio of secured loans and mortgages in the Canadian commercial real estate sector on a tax-efficient basis.

C.A. Bancorp had already subscribed for 766,000 Class A shares of CRFC at \$10.19 per share in February 2008 when the shares were not listed on a public exchange and subscribed for an additional 200,000 Class A Shares as well as 200,000 Warrants by subscribing for 200,000 Units under September public offering. In aggregate C.A. Bancorp holds approximately 966,000 Class A Shares and 200,000 Warrants at a total investment cost of \$9.85 million.

C.A. Bancorp Ltd. is the manager of CRFC and earns management fees on the total assets in CRFC. C.A. Bancorp Ltd. pays Sentry Select a fee for certain administration services in relation to CRFC equal to 0.30% of the total assets in CRFC.

### **Pending Sale of AgriFinancial Canada Corp.**

In September 2008, C.A. Bancorp and Total Strategy Fund announced that they had entered into a share purchase agreement with Western Financial Group Inc. (TSX: WES) (WFG) pursuant to which WFG or an affiliate would acquire AgriFinancial Canada Corp. The transaction remains subject to certain conditions, including without limitation, receipt of consents and regulatory approvals, discharge of AgriFinancial's existing credit facilities, completion of certain transaction documents and other customary closing conditions for a transaction of this nature. It is expected that the transaction will close in December 2008.

It is currently anticipated that upon successful completion of the transaction, C.A. Bancorp and Total Strategy Fund will receive net cash consideration of approximately \$20.5 million with C.A. Bancorp receiving approximately \$18.5 million of those proceeds. C.A. Bancorp's total return on invested capital before taxes is expected to be approximately \$9.0 million.

### **Liquidation and Winding-Up of Sentry Select Total Strategy Fund**

The Company made an offer to purchase the private investments held by Total Strategy Fund. The Investment Manager retained an independent valuator to prepare a fairness opinion in respect of the offer.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

As C.A. Bancorp is the Manager of Total Strategy Fund, its offer is a non-arm's length transaction. Consequently, the Investment Manager for the Fund, retained an independent valuator to prepare and deliver a fairness opinion in respect of the offer. The independent valuator was of the opinion, based on its scope of review and subject to certain assumptions, restrictions, limitations and qualifications that the offer was fair, from a financial point of view, to the unitholders of the Fund. The offer was also presented to the Independent Review Committee ("IRC") of the Fund for recommendation as it was determined to be a conflict of interest matter pursuant to National Instrument 81-107 under applicable securities laws. The IRC provided a positive recommendation in respect of the offer. In addition, Sentry Select, in its capacity as Investment Manager, also deemed the offer to be fair, from a financial point of view, to the unitholders of the Fund. The legal documentation to execute the sale of the private company investments, in accordance with the offer, is currently being negotiated with closings expected to occur in the near term. The sale of AgriFinancial Canada Corp. is expected to close during the 4th quarter of 2008. Consequently, C.A. Bancorp currently expects that the Fund will complete its liquidation and termination activities by the end of 2008.

The Fund intends to issue a final distribution immediately prior to winding-up the fund in an amount equal to the remaining net assets in the fund. Additional information regarding the termination of Total Strategy Fund can be found on the Company and Total Strategy Fund's profiles on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Subsequent to the Third Quarter of 2008*

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

In November 2008, C.A. Bancorp completed a \$3 million investment and conditional commitment for an additional \$3 million investment in Digital Payment Technologies Corp. ("Digital" or "DPT"), a privately held company based in Vancouver, British Columbia. DPT is a leader in electronic parking systems, specializing in the design, manufacture, and distribution of multi-space pay station hardware, software, and related online management solutions. DPT provides its customers with reliable, flexible, easy-to-use systems that increase revenues, lower costs and dramatically increase management control of parking assets.

The proceeds of C.A. Bancorp's investment will provide DPT with the working capital to capitalize on Digital's backlog of new business and the market demand for new parking system installations while enhancing DPT's ability to meet customer delivery expectations.

C.A. Bancorp's investment is structured as a secured three-year debenture that pays a 12% annual coupon (6% cash and 6% paid-in-kind), in addition to nominal cost warrants convertible into 12.5% to 35% of DPT's common shares (based on the size of C.A. Bancorp's total investment and DPT's financial performance) on a fully diluted basis.

#### **Liquidation of the Public Investments Portfolio**

The Company has been gradually liquidating its public portfolio from the peak of approximately \$37.5 million reached in the third quarter of 2007 to \$15 million as at September 30, 2008. As a result of the historic volatility in the equity markets and the drop in prices the Company has expe-

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)

dated the liquidation and has committed to liquidating the remainder of the public portfolio within the next two quarters (with the exception of any investment which would be identified in future to be strategic in nature). Since September 30, 2008 the Company has sold down the public portfolio to a remaining balance of \$6.3 million (before consideration of any margin facilities drawn against the portfolio).

Based on the market close of November 3, 2008 the Company has realized approximately \$3 million in pre-tax net realized losses since September 30, 2008 and approximately \$0.7 million of unrealized net gains since September 30, 2008. These figures do not account for any distributions which may have been received.

### V. RESULTS OF OPERATIONS FOR THIRD QUARTER 2008

The following is an analysis of the Company's results of operations for the third quarter of 2008 based on a GAAP basis of presentation and should be read in conjunction with the unaudited interim consolidated financial statements for the quarter ended September 30, 2008 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, Telecom Inc., Barlow Holdings, its majority-ownership in Financial Corp. and CRFC for the period of February 22, 2008 to September 12, 2008 (when the Company held 100% of CRFC's Class A Shares).

All intercompany transactions and balances have been eliminated in these consolidated statements in accordance with GAAP.

#### Revenues

	Quarter ended September 30			Nine months ended September 30		
	2008	2007	Inc./Dec.	2008	2007	Inc./Dec.
Interest and investment income	\$ 4,742	\$ 1,406	\$ 3,336	\$ 12,616	\$ 2,801	\$ 9,815
Asset management fees	458	192	266	870	548	322
Other fees and commissions	70	389	(319)	339	454	(115)
Revenues from rental properties	-	497	(497)	-	1,691	(1,691)
<b>Total</b>	<b>\$ 5,270</b>	<b>\$ 2,484</b>	<b>\$ 2,786</b>	<b>\$ 13,825</b>	<b>\$ 5,494</b>	<b>\$ 8,331</b>

Consolidated revenues grew by \$2.8 million for the quarter ended September 30, 2008 (nine months - \$8.3 million) compared to the same period in 2007. The increase in revenue was primarily driven by the acquisition of AgriFinancial, additional investment income from the Company's public portfolio and private investments and an increase in asset management fees from Charter REIT as a result of the growth in Charter REIT's portfolio of real estate assets.

**MANAGEMENT'S DISCUSSION AND ANALYSIS***(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)****Net Results of Investments***

	Quarter ended September 30			Nine months ended September 30		
	2008	2007	Inc./Dec.)	2008	2007	Inc./Dec.)
Realized (loss) gain on sale of publicly traded investments	\$ (299)	\$ 318	\$ (617)	\$ (2,268)	\$ 1,441	\$ (3,709)
Change in unrealized gain (loss) on publicly traded investments	(1,322)	(2,531)	1,209	(4,088)	(2,490)	(1,598)
Change in unrealized gain on private investments, held for trading	62	-	62	171	-	171
Unrealized foreign exchange gain	36	-	36	39	-	39
Equity participation in other corporate entities	(7)	(2)	(5)	(22)	(8)	(14)
Equity participation in C.A. Bancorp Canadian Realty Finance Corporation	7	-	7	7	-	7
Equity participation in Charter REIT	(182)	(329)	147	(446)	(329)	(117)
Gain on dilution of investment in Charter REIT	-	921	(921)	-	1,373	(1,373)
<b>Total</b>	<b>\$ (1,705)</b>	<b>\$ (1,623)</b>	<b>\$ (82)</b>	<b>\$ (6,607)</b>	<b>\$ (13)</b>	<b>\$ (6,594)</b>

Consolidated net results of investments resulted in a loss of \$1.7 million (nine months – loss of \$6.6 million) for the quarter compared to a loss of \$1.6 million (nine months – nil) for the third quarter ended 2007. The quarterly loss was primarily driven by unrealized losses of \$1.3 million (nine months – loss of \$4.1 million) in the Company's public portfolio. The approximate size of the Company's public portfolio ranged from \$15 to \$20 million during the quarter. A number of the smaller capitalization income trust names the Company holds are "toehold" or "event/catalyst" positions (up to 5% of the shares or units of a small capitalization corporation and income trust, in support of a C.A. Bancorp strategy to effect a material change in the direction of the entity, including the possibility of a merger, going-private transaction or a material change in the entity's strategy necessitating a change in the board of directors).

The overall weakness in the capital markets that continued throughout the quarter affected the public portfolio with many of the smaller-capitalization and less liquid names being impacted in particular. The Company also holds positions in larger cap high yield investments that are perceived to be lower volatility investments that continue to produce steady income. In the near-term, as the Company requires capital for future investments it intends to raise cash by selling those parts of its public portfolio that are not strategic in nature.

**MANAGEMENT'S DISCUSSION AND ANALYSIS***(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)****Expenses, Income Tax and Non-Controlling Interests***

	Quarter ended June 30			Six months ended June 30		
	2008	2007	Inc./Dec.)	2008	2007	Inc./Dec.)
General and administration	\$1,848	\$ 557	\$ 1,291	\$ 4,869	\$ 1,632	\$ 3,237
Interest expense	1,377	314	1,063	3,908	929	2,979
Management fees	303	315	(12)	934	593	341
Corporate and transaction costs	244	238	6	702	1,217	(515)
Stock based compensation	122	655	(533)	454	958	(504)
Investment management fees	43	86	(43)	193	252	(59)
Depreciation and amortization	75	227	(152)	205	760	(555)
Rental property operating costs	-	139	(139)	-	487	(487)
Provision for credit losses	123	-	123	378	-	378
(Recovery) provision for income taxes	(360)	(348)	(12)	(1,001)	(749)	(252)
Non-controlling interests	36	(237)	273	68	(979)	1,047
<b>Total</b>	<b>\$ 3,811</b>	<b>\$ 1,946</b>	<b>\$ 1,865</b>	<b>\$ 10,710</b>	<b>\$ 5,100</b>	<b>\$ 5,610</b>

The Company's consolidated expenses, taxes and non-controlling interests increased \$1.9 million for the quarter ended September 30, 2008 (nine months - \$5.6 million) compared to the same period of 2007. The increase in expenses was primarily driven by the acquisition of AgriFinancial in the form of general, administration and interest expenses. The Company recorded a recovery for income taxes as it had non-capital losses. The Company believes that it is more than likely that the future tax asset related to these non-capital losses will be realized.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)

### VI. SUMMARY OF QUARTERLY RESULTS

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

	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	<b>5,270</b>	4,593	3,962	3,873	2,484	2,088	921	306
Net results of investments	<b>(1,705)</b>	(1,723)	(3,179)	(1,193)	(1,623)	1,173	437	(242)
Expenses	<b>(4,135)</b>	(4,226)	(3,282)	(2,931)	(2,531)	(2,957)	(1,338)	(983)
Non-controlling interest	<b>(36)</b>	(10)	(22)	(15)	237	499	243	-
Net tax recovery (provision)	<b>360</b>	220	421	(99)	348	(139)	540	-
Net income (loss)	<b>(246)</b>	(1,146)	(2,100)	(365)	(1,085)	664	803	(919)
Weighted avg. # of shares								
Basic	<b>28,141</b>	28,164	28,471	28,808	28,957	14,493	14,163	2,306
Diluted	<b>28,141</b>	28,164	28,471	28,808	28,957	14,692	14,537	2,306
EPS – basic	<b>(0.01)</b>	(0.04)	(0.07)	(0.01)	(0.04)	0.05	0.06	(0.40)
EPS – diluted	<b>(0.01)</b>	(0.04)	(0.07)	(0.01)	(0.04)	0.05	0.06	(0.40)
Net book value	<b>77,706</b>	78,360	80,008	82,516	83,433	82,960	38,147	37,034
Common shares outstanding	<b>27,541</b>	27,891	28,338	28,683	28,988	28,674	14,174	14,136
Net book value per share	<b>2.82</b>	2.81	2.82	2.88	2.88	2.89	2.69	2.62
Total assets	<b>182,308</b>	242,212	206,258	154,348	85,671	121,489	75,115	38,015
Total AIUM <sup>9</sup>	<b>595,000</b>	355,000	322,000	292,000	210,000	179,000	131,000	92,000

Revenue increased over the previous eight quarters due to an increase in investment and interest income and asset management fees as a result of the Company increasing its on-balance sheet assets and assets under management. Net results of investments varies 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). Expenses have increased over the previous eight quarters in-line with revenue growth. In the second quarter 2007, the Company incurred a one-time expense as a result of moving its common share listing from the TSX Venture Exchange to the TSX.

<sup>9</sup> Total Assets Invested (On-Balance Sheet) and Under Management (Off-Balance sheet where the Company earns a fee).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)

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

The following is an analysis of the liquidity and capital resources of the Company and should be read in conjunction with the unaudited interim consolidated financial statements for the quarter ended September 30, 2008 and the corresponding notes thereto.

#### *Liquidity*

After consolidating AgriFinancial and CRFC, the Company had approximately \$6.3 million in cash and cash equivalents. The Company's cash equivalents include overnight deposits with Royal Bank of Canada.

The Company believes it has sufficient capital to support its current pipeline of potential new investments. Beyond its cash and cash equivalents, the Company has the ability to raise further capital by either selling some of its public portfolio (total public portfolio of \$15 million as at September 30, 2008) or by using the margin facilities available to it by borrowing against the public portfolio. The Company has also begun looking into obtaining short to medium-term operating facilities with lenders to allow it greater financial flexibility. The Company has not yet put any such facilities in place to date.

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 (either equity or debt), as well as through private equity placements, and/or 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 (similar to the credit facility in place for AgriFinancial).

#### *Capital Resources*

The Company has no long-term debt, capital lease obligations or other long-term obligations at the parent-company level.

#### Analysis of the Company's Financial Position by Subsidiary

Third Quarter Ended September 30	AgriFinancial <sup>10</sup>	All Other C.A. Bancorp Entities <sup>11</sup>	Consolidated Total as Reported
Cash and publicly traded investments	\$ 989	\$ 5,351	\$ 6,340
All other assets	98,150	77,818	175,968
Total debt	(84,852)	(11,491)	(96,343)
All other liabilities	(3,963)	(4,296)	(8,259)
Shareholders' equity	\$ 10,324	\$ 67,382	\$ 77,706

<sup>10</sup> Includes the following legal entities: Financial Corp., AgriFinancial and AgriFinancial Leasing Inc.

<sup>11</sup> Includes the following legal entities: C.A. Bancorp Inc., Realty Management, Realty Finance, CAB Ltd., C.A.B. Barlow Holdings Corp. and Telecom Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)

The Company has the following contractual obligations. The credit facilities are related to AgriFinancial, are secured by a financial support agreement with Financial Corp. and are non-recourse to the Company. The Company has agreed to subscribe for, or arrange subscriptions for, additional Class A shares of CRFC on a quarterly basis if the face value of the outstanding Preferred Shares exceeds the tangible net book value of the Class A shares by a ratio of greater than nine to one. As at September 30, 2008 the ratio was approximately 1.2 to 1.

	Payment Due Period		Total
	Less than 1 year	1-3 years	
Credit facilities	\$ 84,852	\$ -	\$ 84,852
Note payable	346	1,038	1,384
Operating leases	95	190	285
<b>Total</b>	<b>\$ 85,293</b>	<b>\$ 1,228</b>	<b>\$ 86,521</b>

### Share Capital and Options Outstanding

As at September 30, 2008, a total of 27.5 million (September 30, 2007 – 29.0 million) common shares were outstanding with the Company reporting a net book value of \$77.7 million (September 30, 2007 – \$83.4 million). As at November 1, 2008, a total of 27.4 million common shares were outstanding.

As at November 1, 2008, 900,100 common shares had been repurchased and cancelled through the Company's normal course issuer bid (NCIB) at an average price of \$1.86 per common share including commission. Notice of the Company's intention to make a NCIB is available from the Company upon request.

As at November 1, 2008, 769,800 common shares had been repurchased and cancelled through the Company's MMPP at an average price of \$1.46 per common share including commission. The Company's shareholders approved an amendment of the Company's articles of incorporation to add a MMPP feature at the Company's Annual and Special Meeting held on April 25, 2008.

The Company had incentive stock options to purchase common shares outstanding as at September 30, 2008. The table that follows summarizes those options. No stock options were "in the money", otherwise stated, none had a positive intrinsic value.

	Weighted Average		
	Number	Exercise Price	"In the Money"
Optioned shares outstanding	1.9 million	\$3.22	Nil
Optioned shares vested	0.9 million	\$3.17	Nil

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

### ***Off-Balance Sheet Arrangements***

The Company currently has no off-balance sheet arrangements.

## **VIII. COMPANY OUTLOOK**

The Company continues to manage its investment portfolio and is actively looking at new private investment opportunities in both private and public companies.

The Company's management team is meeting regularly with the management teams in its portfolio of existing private investments. Each investment has specific growth objectives to execute and the Company is working with its portfolio companies' management teams to ensure growth plans and other business initiatives are being executed and that risks are mitigated to increase the likelihood that each investment increases in value throughout its life.

The Company is working on a number of new investment opportunities (in early stages) that it believes will result in new investments over the next twelve months. These investments are expected to have similar characteristics to those of the Company's existing portfolio of private investments, namely: (i) companies with positive and growing cash flow businesses in favourable industries and led by strong management teams, (ii) growth initiatives management can execute, (iii) structured investments with favourable terms for the Company, and (iv) contracted exit strategy to increase likelihood of liquidity. As the Company increases the size of its private investment portfolio, it will reduce the overall size and exposure of its Public Portfolio to a limited number of strategic investments and thus reduce the overall volatility of the Company's earnings.

The Company is actively running its managed funds and entities.

The Company provided an investment update for CRFC via a news release on October 17, 2008. As at the date of the news release, CRFC had funded or committed approximately \$50 million (of approximately \$72 million of total investable capital) in real estate mortgages and loans yielding approximately 11.9% and the portfolio is in good standing as of the date hereof. The Company continues to be focused on its marketing and investor relations activities.

Management continues to believe there is embedded value in the Company today that is not reflected in the current common share price on the TSX. Management has increased its efforts to raise awareness and communicate the C.A. Bancorp growth story in order to expand its shareholder base and have the value of the Company recognized by the market. C.A. Bancorp is registered in the Standard & Poor's Market Access Program which will allow the Company to market the C.A. Bancorp stock to brokers in up to 38 states in the United States.

The Company began limited marketing activities in a select number of Northeast United States in the second and third quarter of 2008 and hopes to gain market traction across an expanded investor base. However, due to the magnified market turmoil and downturn that occurred in the equity markets in September and October 2008 the Company is revisiting any marketing initiatives in the short-term that could result in incremental expenses to the Company.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

### IX. TRANSACTIONS WITH RELATED PARTIES

#### *Administration and Management Agreements*

Pursuant to an amended and restated management agreement (the "Management Agreement"), Sentry Select manages the Company's alternative asset and merchant banking businesses, 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 Company's 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 annum 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 Management 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 Company's 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.

Effective as of July 1, 2006 and pursuant to an amended and restated administration agreement (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 is \$40. The Administration Agreement will immediately terminate upon the termination for any reason of the Management Agreement.

On November 4, 2008, the Company announced that it will reimburse Sentry Select for the salaries of certain Sentry Select employees who provide full time services to C.A. Bancorp under the terms of the Management and Administration Agreements. As approved by the independent members of C.A. Bancorp's board of directors ("Independent Directors"), this change became effective on November 1, 2008.

As a result of this reimbursement, C.A. Bancorp's payments to Sentry Select pursuant to the Administration Agreement and related Management Agreement between the parties (collectively the "Agreements") increased from approximately \$1.9 million to \$3.0 million per annum. As a result of the reimbursement, it is expected that C.A. Bancorp's annual pre-tax earnings will be reduced by approximately \$1.1 million, based on current data.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

The decision to reimburse employee salaries was made after C.A. Bancorp received a notice (the "Notice") from Sentry Select under the terms of the Administration Agreement. The Administration Agreement provides Sentry Select with the right to request reimbursement for the salaries of certain employees providing services to C.A. Bancorp.

Prior to this time, Sentry Select had been paying the salaries of all C.A. Bancorp employees directly since their respective dates of hire. Since C.A. Bancorp's inception in 2005, Sentry Select has deemed it desirable to provide management and other services to help foster its development. This arrangement was instrumental in attracting and securing senior management for C.A. Bancorp throughout its start-up phase, while providing stability from which to raise a base of meaningful capital and generate operating revenue.

Most recently, C.A. Bancorp has grown to a size where it has more employees than the Administration Agreement had envisioned when it was entered into in 2006. Sentry Select will continue to provide the services of four senior management personnel to C.A. Bancorp on a full-time basis including C.A. Bancorp's President; Chief Financial Officer; Chief Compliance Officer and Managing Director, Private Investments. Sentry Select will also provide other services and staffing to C.A. Bancorp under the Agreements. Up to now, the costs incurred by Sentry Select in providing employees and other services under the Agreements have exceeded the fees generated for Sentry Select.

As required by the terms of the Administration Agreement, the Independent Directors considered C.A. Bancorp's options in response to the Notice. Following such consideration and with advice from independent legal counsel, Macleod Dixon LLP, it was determined that C.A. Bancorp was obligated to reimburse the salaries as identified by the Notice if it wished to continue to have access to them. The Independent Directors, in the course of their review, concluded that the services provided by these employees are essential to C.A. Bancorp based on recommendations made by C.A. Bancorp management. Sentry Select is a portfolio manager and mutual fund dealer engaged in the business of promoting and managing investment funds in Canada. The agreements between the Company and Sentry Select also provide C.A. Bancorp with access to the expertise and experience of Sentry Select's portfolio managers, portfolio advisors 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. The Company, through its wholly-owned subsidiary C.A. Realty Management Inc. (Realty Management), provides strategic, advisory, asset management and administrative services to Charter Real Estate Investment Trust (Charter REIT) and receives an ongoing management fee of 0.30% per annum on the adjusted book value of Charter REIT's assets and a one-time acquisition fee of 0.50% of the property cost of all real property acquired by Charter REIT.

Under the terms of a management agreement between Realty Management and Charter REIT, the Company is obligated to provide certain services and personnel to Charter REIT. The salaries of such individuals have, to date, been borne by Sentry Select. However under the terms of the Administration Agreement between Sentry Select and C.A. Bancorp, Sentry Select has the right to request reimbursement for the salaries of such individuals which could amount to an additional \$0.9 million of expenses for the Company per annum.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

Copies of the Administration and Management Agreements are available under the Company's SEDAR profile on [www.sedar.com](http://www.sedar.com).

### **X. CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

Commencing January 1, 2007 the Company adopted the CICA Handbook Sections 3855 Financial Instruments and 1530 Comprehensive Income. These Sections are now mandatory for publicly accountable entities.

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 at 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" are 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 impairment occurs, in which case, recognition into net income occurs.

These new financial reporting standards directly impact the Company's carrying of portfolio investments as many of the Company's current holdings are valued at fair value on the balance sheet with the offset to either net income or other comprehensive income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

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

## XI. 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 acquisition 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 this 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 tend to favor local firms.

For general factors affecting the Company see the section entitled “Risk Factors” included on pages 21 to 25 of the Annual Information Form dated as at March 28, 2008 and filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## XII. RISK MANAGEMENT

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

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.

Private equity securities 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.

### *Liquidity risk*

The Company has made investments in private entities which do not typically have an active market. 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 ex-

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

pected in the first year of making the investment. The Company seeks to obtain regular cash flow from its investments through coupon payments and/or management fees.

The Company invests in public securities in an active market which can typically be readily disposed of. 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.

### ***Interest rate sensitivity and risk management***

The Company is exposed to interest rate risk as the Company and its subsidiaries borrow funds (liabilities) at both fixed and floating rates.

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.

Based on the current portfolio of commercial real estate mortgages and loans and the AgriFinancial portfolios, the Company estimates that a 50 basis point decrease in the Bank of Canada overnight rate will increase net income before taxes by approximately \$300. Conversely, a 50 basis point increase in the Bank of Canada overnight rate will decrease net income before taxes by approximately \$300.

### ***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 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 (RBC) of \$2.6 million as at September 30, 2008. As at September 30, 2008, the AgriFinancial loans and leases portfolio is diversified across 2,748 retail accounts (averaging \$17) and 16 industrial accounts (averaging \$21). The largest account outstanding equals \$550. The AgriFinancial credit card portfolio is spread across 26,973 cards issued with the average outstanding balance of \$2. The largest outstanding balance equals \$75.

Credit risk related to AgriFinancial refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and in the case of Agrifinance products, obtaining

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

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

sufficient collateral, along with appropriate minimum equity positions by the client. For the Agri-Card product, bureau updates and score reviews are performed on all accounts on a regular basis with appropriate action taken to monitor, suspend, or close accounts that are not meeting minimum required criteria. Overall, 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 representing several geographical locations across Canada.

Leases, loans, and line of credit products are approved by qualified credit personnel, each with an appropriate credit approval limit. All submissions are entered into standardized scoring and assessment programs to compare against policy and risk standards so that consistent recommendations are given for the approver to consider. As requests for credit increase in size, approvals are referred up to more experienced personnel, with approvals at the highest level being approved by a credit committee. Risk based pricing based on credit and collateral quality, among other factors, is also employed at time of approval or during the term if the applicable product allows for it. For AgriFinancial leases and loans, there is always the option to seek recourse terms from the originating vendor, subject to appropriate experience and financial strength, for submissions where there may be concerns with credit, collateral, or terms.

For general factors affecting the Company see the section entitled "Risk Factors" included on pages 21 to 25 of the Annual Information Form dated as at March 28, 2008 and filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **XIII. INTERNAL CONTROLS OVER FINANCIAL REPORTING**

As of September 30, 2008, 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 quarter ended September 30, 2008 is appropriately recorded, processed, summarized and reported and communicated to management as appropriate to allow for timely decisions regarding required disclosure. 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 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 most recent interim period that have materially affected or would be reasonably likely to materially affect the Company's internal control over financial reporting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(All amounts in Canadian thousands of dollars except per share amounts or unless otherwise indicated)*

### XIV. CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A and other public announcements by the Company 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. 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, or variations of words and phrases that certain actions, events or anticipated outcomes "may", "would" or "might" be taken, occur or be achieved. 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): 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 the net book value (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; shifts in target exit dates and IRR for private investments; effectiveness of the NCIB and mandatory market purchase plan in enhancing liquidity of common shares and reduce the spread between net book value and market price of the common shares on the TSX, 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 annual information form, is on SEDAR at [www.sedar.com](http://www.sedar.com).