

Consolidated Financial Statements of

C.A. BANCORP INC.

December 31, 2008

C.A. BANCORP INC.

Table of Contents

December 31, 2008

	<u>Page</u>
Consolidated Balance Sheets	1
Consolidated Statements of Operations and Comprehensive (Loss) Income	2
Consolidated Statements of Deficit and Accumulated Other Comprehensive Income	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5-36

Auditors' Report

To the Shareholders of
C.A. Bancorp Inc.

We have audited the consolidated balance sheets of C.A. Bancorp Inc. (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive (loss) income, deficit and accumulated other comprehensive income and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style. The text is positioned above a light yellow rectangular highlight.

Chartered Accountants
Licensed Public Accountants
March 6, 2009

C.A. BANCORP INC.
Consolidated Balance Sheets

As at December 31 (in \$ thousands)

	<i>Note</i>	2008	2007
ASSETS			
Cash and cash equivalents	<i>3</i>	\$ 1,245	\$ 946
Accounts receivable		1,132	2,503
Cash held as collateral	<i>4</i>	700	-
Assets from discontinued operations (AgriFinancial)	<i>5</i>	85,664	80,181
Mortgages and loans receivable	<i>6</i>	104	8,027
Publicly traded investments	<i>7</i>	2,024	30,881
Investments in private entities	<i>8</i>	30,253	12,697
Investment in Charter REIT	<i>9</i>	8,948	17,421
Investment in C.A. Bancorp Canadian Realty Finance Corporation	<i>10</i>	9,293	-
Other corporate investments		378	151
Future income taxes	<i>17</i>	2,745	1,196
Intangible assets	<i>10, 11</i>	2,922	-
Goodwill	<i>11</i>	1,823	-
Deferred costs, prepaid expenses and other assets		357	345
Capital assets		190	-
		\$ 147,778	\$ 154,348
LIABILITIES			
Accounts payable and accrued liabilities		\$ 721	\$ 1,293
Due to broker	<i>12</i>	2,600	-
Note payable to C.A. Bancorp Canadian Realty Finance Corporation	<i>10</i>	2,578	-
Liabilities from discontinued operations (AgriFinancial)	<i>5</i>	75,094	70,539
		80,993	71,832
NON-CONTROLLING INTERESTS			
	<i>11</i>	66	-
SHAREHOLDERS' EQUITY			
Share capital	<i>16</i>	78,747	82,603
Contributed surplus	<i>16</i>	4,408	1,990
Deficit		(16,436)	(2,077)
		66,719	82,516
		\$ 147,778	\$ 154,348

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

"John F. Driscoll"

..... Director

"Paul Haggis"

..... Director

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.

Consolidated Statements of Operations and Comprehensive (Loss) Income

For the year ended December 31 (in \$ thousands except per share amounts)

	<i>Note</i>	2008	2007
REVENUE			
Interest and investment income		\$ 6,098	\$ 4,093
Asset management fees		1,433	731
Other fees and commissions		527	723
Revenues from rental properties		-	1,691
		8,058	7,238
NET RESULTS OF INVESTMENTS			
Realized (loss) gain on sale of publicly traded investments		(7,974)	1,022
Change in unrealized loss on publicly traded investments	7	(1,621)	(3,259)
Change in unrealized (loss) gain on investments in private entities held for trading	8	(1,127)	90
Unrealized foreign exchange gain, investments in private entities	8	151	-
Unrealized gain (loss) on common share portfolio		(10,556)	-
Unrealized MTM on forward contract		10,556	-
Equity participation in other corporate entities		(18)	(13)
Equity participation in C.A. Bancorp Canadian Realty Finance Corporation	10	(118)	-
Equity participation in Charter REIT	9	(522)	(418)
Impairment loss in Charter REIT	9	(6,624)	-
Gain on dilution of investment in Charter REIT	9	-	1,373
		(17,853)	(1,205)
EXPENSES			
General and administration	14	2,455	1,968
Interest expense		1,842	941
Management fees	14	1,240	947
Corporate and transaction costs		736	1,295
Investment management fee	13	257	353
Stock based compensation	15	530	1,167
Depreciation and amortization		21	760
Rental property operating costs		-	487
		7,081	7,918
NET LOSS BEFORE INCOME TAXES		(16,876)	(1,885)
(RECOVERY) PROVISION FOR INCOME TAXES			
Current tax provision	17	128	415
Future tax recovery	17	(1,526)	(1,196)
		(1,398)	(781)
NET LOSS FROM CONTINUING OPERATIONS BEFORE NON-CONTROLLING INTERESTS		(15,478)	(1,104)
NON-CONTROLLING INTERESTS	11	(14)	(979)
NET LOSS FROM CONTINUING OPERATIONS		(15,464)	(125)
NET EARNINGS FROM DISCONTINUED OPERATIONS	5	1,105	142
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) EARNINGS		\$ (14,359)	\$ 17
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)			
Basic		27,923	21,486
Diluted		27,923	21,532
NET (LOSS) EARNINGS PER SHARE - BASIC			
Continuing operations		\$ (0.55)	\$ (0.01)
Discontinued operations		0.04	0.01
Net loss		\$ (0.51)	\$ 0.00
NET (LOSS) EARNINGS PER SHARE - DILUTED			
Continuing operations		\$ (0.55)	\$ (0.01)
Discontinued operations		0.04	0.01
Net loss		\$ (0.51)	\$ 0.00

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Deficit and Accumulated Other
Comprehensive Income

For the year ended December 31

(thousands of Canadian dollars except per share amounts)

	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2006	\$ (2,094)	\$ -	\$ (2,094)
Net earnings for the year	17	-	17
Balance, December 31, 2007	\$ (2,077)	\$ -	\$ (2,077)
Net loss for the year	(14,359)	-	(14,359)
Balance, December 31, 2008	\$ (16,436)	\$ -	\$ (16,436)

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.
Consolidated Statements of Cash Flows

For the year ended December 31 (in \$ thousands)	<i>Note</i>	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES IN CONTINUING OPERATIONS			
Net loss (earnings)		\$ (14,359)	\$ 17
Less: Earnings from discontinued operations, net of tax		1,105	142
Net loss from continuing operations		(15,464)	(125)
Adjusted for non-cash items:			
Future tax recovery		(1,526)	(1,196)
Change in unrealized loss on publicly traded investments	7	1,621	3,259
Non-controlling interest	11	(14)	(979)
Stock based compensation	15	530	1,167
Impairment loss in Charter REIT	9	6,624	-
Non-cash gain in Charter REIT	9	-	(1,373)
Equity participation in Charter REIT	9	522	418
Other Charter REIT related items		-	1,538
Equity participation in C.A. Bancorp Canadian Realty Finance Corporation		118	-
Realized loss (gain) on publicly traded investments		7,974	(1,022)
Equity participation in other corporate entities		18	13
Depreciation and amortization		21	760
Non-cash interest income on private investments		(751)	(136)
Change in unrealized gain on private investments		1,127	(90)
Unrealized foreign exchange gain		(151)	-
		649	2,234
Changes in non-cash operating working capital:			
Increase in current liabilities		2,028	311
Decrease (Increase) in receivables, net of effect of acquisition of Barlow		1,349	(2,288)
Increase in deferred costs, prepaid expenses and other assets		(12)	(240)
Cash flows from operating activities in continuing operations		4,014	17
CASH FLOWS FROM INVESTING ACTIVITIES IN CONTINUING OPERATIONS			
Mortgages and loans issued		(4,845)	(9,027)
Mortgages and loans repaid		12,767	1,000
Financing fees received		113	-
Purchase of publicly traded investments		(8,381)	(44,645)
Sale proceeds of publicly traded investments		27,805	15,758
Investments in private entities		(17,780)	(12,471)
Cash held as collateral	4	(700)	-
Acquisition of Barlow Capital Management Inc.		(2,070)	-
Investments in C.A. Bancorp Canadian Realty Finance Corporation		(9,850)	(9,500)
Note payable to C.A. Bancorp Canadian Realty Finance Corporation		(2,676)	-
Class A Share Distributions received from C.A. Bancorp Canadian Realty Finance Corporation		184	-
Loan from C.A. Bancorp Canadian Realty Finance Corporation		2,578	-
Distributions received from Charter REIT	9	1,532	756
Investment in Charter REIT	9	(204)	(18,099)
Investment in corporate entities		(244)	-
Purchase of capital assets		(42)	-
Other		(12)	(1)
Cash flows from investing activities in continuing operations		(1,825)	(76,229)
CASH FLOWS FROM FINANCING ACTIVITIES IN CONTINUING OPERATIONS			
Common shares issued	16	(1,969)	49,203
Common shares repurchased	16	-	(898)
Issue costs	16	-	(4,185)
Warrants exercised		-	133
Cash from non-controlling interest		80	-
Cash flows from financing activities in continuing operations		(1,889)	44,253
Cash flows from (used in) all continuing operations		300	(31,959)
Cash flows from discontinued operating activities		1,401	1,113
Cash flows from discontinued investing activities		4,166	(67,158)
Cash flows from discontinued financing activities		(7,506)	68,436
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,639)	(29,568)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		3,337	32,905
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 1,698	\$ 3,337
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash and cash equivalents from continuing operations	3	\$ 1,245	\$ 946
Cash and cash equivalents from discontinued operations		453	2,391
		\$ 1,698	\$ 3,337
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Income taxes paid		\$ 760	\$ -
Interest paid		\$ 231	\$ 963

The accompanying notes are an integral part of these consolidated financial statements.

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(in thousands of dollars except per share amounts or unless otherwise stated)

1. ORGANIZATION

C.A. Bancorp Inc. (“C.A. Bancorp” or the “Company”) is a publicly traded Canadian merchant bank and alternative manager that provides investors with access to a range of a private equity and other alternative asset class opportunities.

The Company trades on the Toronto Stock Exchange (the “TSX”) under the symbol “BKP”.

The Company’s two significant financings to date including a public offering from treasury of \$38.8 million in gross proceeds which closed in November 2006 and a public offering from treasury of \$48.8 million in gross proceeds which closed in June 2007.

The Company’s wholly owned subsidiary C.A. Bancorp Ltd. is licensed as an Investment Counsel and Portfolio Manager (“ICPM”) and a Limited Market Dealer (“LMD”) with the Ontario Securities Commission. The Company’s wholly-owned subsidiary C.A. Bancorp Realty Finance Inc. is registered as a Mortgage Broker (License Number 10819) with the Financial Services Commission of Ontario (“FSCO”).

The Company’s wholly-owned subsidiary C.A. Realty Management Inc. has a management agreement with Charter Real Estate Investment Trust (“Charter” or “Charter REIT”) which is publicly traded entity on the TSX Venture Exchange under the symbol “CRH.UN”. The Company owns approximately 33% of Charter’s issued and outstanding units.

C.A. Bancorp Ltd. has a management agreement with and the Company holds a 27% interest in the Class A Shares of C.A. Bancorp Canadian Realty Finance Corporation (“CRFC”) which is publicly traded on the TSX (the Class A Shares trade under the symbol “RF.A”, the Preferred Shares traded under the symbol “RF.PR.A” and the Warrants trade under the symbol “RF.WT”).

The Company is the manager of the Sentry Select Total Strategy Fund (“Total Strategy Fund”) which is a publicly listed fund on the TSX under the symbol “TSF.UN”. The Company owned approximately 10% of the Total Strategy Fund’s units at year end See note 20(d). Total Strategy Fund is currently being terminated.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

(a) Comparative figures

Financial information has been restated for previous periods to reflect the discontinued operations from the sale of our investment in AgriFinancial Canada Corp. The results of this business and the assets and liabilities are shown in discontinued operations (see note 4).

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(b) Principles of consolidation

C.A. Bancorp's financial statements as at December 31, 2008 include the accounts of its subsidiaries (with ownership percentages in parentheses):

- C.A. Bancorp Ltd. (100%)
- C.A. Realty Management Inc. (100%)
- C.A. Bancorp Realty Finance Inc. (100%)
- C.A. Bancorp Telecom Inc. (100%)
- C.A.B. Barlow Holdings Corp (85%)

The Company's accounts also include the consolidated assets and liabilities of C.A. Bancorp Financial Corp. and wholly-owned subsidiaries of C.A. Bancorp Financial Corp.: AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. collectively "AgriFinancial". AgriFinancial has been classified as a discontinued operation (see Note 4). The Company's accounts also include C.A.B. Barlow Holdings Corp. which represents the Company's 85% interest in Barlow Capital Management Inc. ("Barlow Capital").

In addition, the Company proportionately consolidates the accounts of International Infrastructure L.P. a joint-venture with Sentry Select Capital Corp. The Company proportionately consolidated cash of \$98 on the balance sheet and recorded a realized loss on publicly traded investments of (\$162) as well as investment income of \$14, and expenses of \$4.

On September 12, 2008, CRFC issued additional Class A equity shares to the public which resulted in a decrease in the Company's ownership of Class A shares from 100% to 27%. Accordingly, the Company's investment in CRFC is accounted for using the equity basis from September 12, 2008 (see Note 9) onwards.

The Company's consolidated financial statements for the year ended December 31, 2007 include revenue and expense accounts of Charter Real Estate Investment Trust ("Charter REIT") for the period of February 23, 2007 to August 9, 2007, the period during which the Company had a controlling interest in Charter REIT (see Note 8).

All intercompany transactions and balances have been eliminated in these consolidated financial statements.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(c) Financial Instruments

Financial assets are classified as available-for-sale, held-to-maturity, held-for-trading or as loans and receivables. All financial assets are required to be carried at fair value in the consolidated balance sheets, except for loans, receivables and held-to-maturity investments which are carried at amortized cost using the effective interest rate method and except for equity instruments whose fair value cannot be reliably measured. All financial liabilities must be classified as either held-for-trading or other financial liabilities. Financial liabilities that are held-for-trading are required to be carried at fair value, whereas all other financial liabilities are carried at amortized cost using the effective interest rate method. Subsequent measurement and changes in fair value of financial instruments will depend on their initial classification as follows: held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value (when fair value is reliably measured) recorded in other comprehensive income until the instrument is derecognized or impaired. In cases where fair value is not reliably measured the carrying value will continue to be used subject to impairment tests. Comprehensive income consists of net income and other comprehensive income. Major components of other comprehensive income may include unrealized gains and losses on financial assets classified as available-for-sale and changes in fair value of the effective portion of cash flow hedging instruments. For the years ended December 31, 2008 and 2007, comprehensive loss is the same as net loss.

(d) Loans, and other receivables

Loans and receivables are measured at amortized cost using the effective interest method.

(e) Publicly traded investments

Publicly traded investments are classified as held-for-trading.

Publicly traded investments are carried at fair value. The closing bid prices are used in determining the fair value of individual investments.

The Company records security purchases and sales on a trade date basis. Purchases or sales that have not settled at period end are recorded as "Due from/to broker".

(f) Investments in private entities

Investments in debentures are classified as held-to-maturity and are initially valued at estimated fair value and thereafter carried at amortized cost with interest recognized using the effective interest method.

Equity investments are classified as held-for-trading or available-for-sale depending on whether fair values are reliably measurable. Where fair values are reliably measurable, equity investments will be classified as held-for-trading and initially valued at fair value. Subsequently, carrying values will be adjusted to fair value. Where fair values are not reliably measurable, equity investments will be classified as available-for-sale and initially valued at estimated fair value and thereafter carried at cost.

Options to purchase equity investments are classified as held for trading and are carried at fair value.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(g) *Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities, notes payable and secured debt are classified as other liabilities, all of which are carried at amortized cost.

(h) *Revenue recognition*

(i) *Interest and investment income*

Interest income is recognized on an accrual basis as it is earned. Investment income is recorded on the ex-dividend/ex-distribution date.

(ii) *Loan origination fees*

Loan origination fees are considered to be adjustments to loan yield and are recognized over the expected life of the loan using the effective interest method.

(iii) *Asset management fees*

Asset management fees recorded as revenue are based upon the average net asset value of the Total Strategy Fund and are recognized on an accrual basis.

(iv) *Other commission and fees*

Deal fees or work fees are recognized when the engagement services have been fully completed and management is assured of their realization.

Mortgage broker commissions are recognized when management is assured of their realization. Any commissions paid to employees as a result of commissions generated for the Company are included in general and administration expense.

(i) *Deferred costs*

Deferred costs include expenses related to start-up private equity investments and funds. These costs are recovered from the investees or funds upon closing or in the case where the Company believes they are no longer recoverable expenses.

(j) *Capital assets*

Depreciation and amortization of capital assets is provided on a straight-line basis as follows:

Furniture, equipment and terminals	-	3 to 5 years
Leasehold improvements	-	term of lease
Computer equipment, software and tools	-	3 to 10 years
Vehicles	-	5 years

Impairment is tested on an annual basis.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(k) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired, and is tested for impairment annually or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

(l) Intangible assets

Intangible assets with an indefinite life are accounted for at cost and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. When the carrying amount exceeds the fair value, an impairment loss is recognized in the statement of earnings in an amount equal to the excess.

Other intangible assets are accounted for at cost and are amortized over their estimated useful life using the straight-line method. The intangible asset set up for management contracts with CRFC is amortized over a period of 7 years.

(m) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with maturities of three months or less from the date of their acquisition. Short-term investments are carried at cost plus accrued interest, which approximates market value.

(n) Investments in capital pool companies

Investments in capital pool companies are accounted for using the equity method as the Company is deemed to exercise significant influence over its investments. The Company is deemed to exercise significant influence over these investments as it holds more than 20% of outstanding shares and management of the Company sits on the board of directors.

(o) Incentive stock options

The Company has an incentive stock option plan as described in Note 13. The Company follows the fair value method of accounting for the expense associated with the plan, whereby an estimate of the fair value of the stock options granted is measured and recorded as an expense over the vesting period or at the date of grant if options vest immediately, with the related offset recorded as shareholders' equity. The effect of actual forfeitures of previously granted options is recognized as they occur. Any consideration paid to the Company with respect to the exercise of stock options is credited to share capital. For the purpose of accounting for incentive stock options, directors, officers and direct employees of the Company are considered employees and other parties are considered non-employees.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(p) Income taxes

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the financial statements. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax basis. Future income tax assets and liabilities are determined for each temporary difference and unused losses, as applicable, at substantively enacted tax rates expected to be in effect when the assets are realized or the liabilities are settled. A valuation allowance is established to reduce future income tax assets to the amount that is more likely than not to be realized.

(q) Earnings (loss) per share

Basic income (loss) per share is calculated using the weighted average number of shares outstanding for the period. The treasury stock method is used to determine diluted income (loss) per share.

(r) Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used in the valuation of loans and leases receivable, valuation of intangible assets and goodwill, allocation of purchase price to intangible assets and goodwill, valuation of private equity investments, impairment of assets, loan provisions, useful life for amortization, and the calculation of the fair value of stock options. Actual results could differ from these estimates.

(s) Series 1, Preferred Shares

Issue costs related to the preferred shares, Series 1 (the "Preferred Shares") of C.A. Bancorp Canadian Realty Finance Corporation were deferred and amortized over their life using the effective interest method. This amortization has been recorded as an interest expense for the period that the Company consolidated the income and expense accounts of CRFC from February 22, 2008 to September 12, 2008.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(t) Charter REIT related accounting policies (during consolidation period in 2007)

The Company used the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases was accounted for on a straight-line basis over the terms of the respective leases.

Revenues from rental properties also included realty tax and operating cost recoveries, and other incidental income which were recognized on an accrual basis.

The Company allocated the purchase price for income producing properties as follows:

i. Land

Land was recorded at its estimated fair value.

ii. Buildings

Buildings were recorded at either depreciated replacement cost based on estimates of prevailing construction costs for buildings of a similar class and age or a “dark value” appraisal, which is an income based valuation approach and gives the hypothetical value of the building as if the property were completely vacant at the date of acquisition.

iii. Loan and commitment fees

Loan and commitment fees were deferred and were amortized into income using the effective interest method.

(u) Future accounting changes

Goodwill and Intangibles

In February 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and Development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The new sections establish standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of these standards are not expected to have a significant impact on the Company’s financial position or results of operations.

(v) Variable interest entity

Where the Company is considered the primary beneficiary of a variable interest entity (“VIE”) under CICA’s Accounting Guideline (“AcG-15”), the Company has consolidated the accounts of such VIE with the portion related to other beneficiaries reflected as non-controlling interests.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

(w) Changes in Accounting Policies and Recent Pronouncements

Effective January 1, 2008, the Company adopted the following accounting standards issued by the CICA:

- i. Section 3862 “Financial Instruments – Disclosures” requires extensive disclosures about the significance of financial instruments for an entity’s financial position and results of operation as well as quantitative and qualitative disclosures on the nature and extent of risks arising from financial instruments. Section 3863 “Financial Instruments – Presentations” replaces Section 3861. The required disclosures are contained in Notes 3, 5, 6, 7 and 18.
- ii. Section 1535 “Capital Disclosures” requires qualitative and quantitative disclosures about the Company’s management of capital and its compliance with any externally imposed capital requirements. The required disclosures are contained in Note 19.

In February 2008, the CICA issued Section 3064 “Goodwill and Intangible Assets” replacing Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. The changes will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Corporation is currently evaluating the impact of the adoption of these changes on its consolidated financial statements. The Corporation does not expect the adoption of this new Section will have a material impact on its consolidated financial statements.

In January 2009, the CICA adopted Sections 1582, “Business Combinations”, 1601, “Consolidated Financial Statements”, and 1602, “Non-Controlling Interests” which superseded current Sections, 1581, “Business Combinations” and 1600 “Consolidated Financial Statements”. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new Sections were created to converge Canadian GAAP and IFRS. The Corporation is currently evaluating the impact of the adoption on these changes on its consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

As at December 31, 2008, the Company held \$1,245 (December 31, 2007 - \$946) in cash and cash equivalents including an overnight term deposit at Royal Bank of Canada of \$1,185 and cash equivalents of a Government of Canada Treasury bill, yielding 1.12%, and maturing on January 22, 2009 in the amount of \$60.

4. CASH HELD AS COLLATERAL

Funds held in trust consist of a \$700 deposit held in trust with the Credit Union Central of Canada in relation to the sale of AgriFinancial. It earned interest at 0.25 % per annum and was repaid in full on January 30, 2009.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

5. DISCONTINUED OPERATIONS - SALE OF AGRIFINANCIAL CANADA

In October 2007 the Company invested \$9,500 and the Total Strategy Fund invested \$1,000 of equity capital in C.A. Bancorp Financial Corp. which became the holding entity for the Company's purchase (the "AgriFinancial Acquisition") of the AgriFinancial business lines: Agrifinance and AgriCard. The purchase was effected through two other newly created corporations, AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. and was financed with \$10,500 of equity capital provided by the Company and the Total Strategy Fund and approximately \$77,800 of debt financing (total assets purchased were approximately \$90,000 and the assumption of \$1,700 of liabilities).

The AgriFinancial Acquisition closed on October 12, 2007 and the Company consolidated the accounts of C.A. Bancorp Financial Corp., AgriFinancial Canada Corp. and AgriFinancial Leasing Inc. from that day onwards until the fourth quarter of 2008. Total Strategy Fund's interests in AgriFinancial were accounted for as non-controlling interests up until the fourth quarter of 2008.

In September 2008 the Company and Total Strategy Fund entered into an agreement to sell all of the outstanding shares of C.A. Bancorp Financial Corp. to a third party for net consideration of approximately \$20,500 (\$18,500 to C.A. Bancorp and \$2,000 to Total Strategy Fund). The deal was subject to regulatory approvals and closed on January 30, 2009.

For financial reporting purposes in the fourth quarter of 2008 the operations of AgriFinancial have been deemed to be "discontinued" and have been accounted for in that manner. Assets and liabilities, while still consolidated, are aggregated and shown in two separate lines on the balance sheet which are discrete from the rest of the balance sheet captions. On the statement of operations the discontinued operations of AgriFinancial are shown net so that revenues, expenses, taxes and non-controlling interests in relation to the AgriFinancial business are reflected on one-line and distinguished from the rest of the Company's continuing operations.

All of 2008 and 2007 have been reclassified to reflect the change in status of AgriFinancial from a continuing operation to a discontinued operation. However this reclassification has not resulted in any change to the total assets, total liabilities, or net income (loss) reported for either 2007 or 2008.

The following table summarizes the statements of operations for the discontinued operations (note that only the net earnings from discontinued operations are reflected on the statement of operations):

	For the year ended December 31,	
	2008	2007
Revenues from discontinued operations	\$ 10,037	\$ 2,128
Expenses from discontinued operations	(8,125)	(1,839)
Pre-tax earnings before non-controlling interest	1,912	289
Income tax expense	(717)	(132)
Non-controlling interest	(90)	(15)
Net earnings from discontinued operations	\$ 1,105	\$ 142

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

6. MORTGAGES AND LOAN RECEIVABLE

Composition of mortgages and loan receivable

	December 31, 2008		December 31, 2007	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Mortgages and loans receivable are comprised of the following:				
Related party loan	\$ 104	\$ 104	\$ -	\$ -
Commercial real estate mortgages	-	-	8,027	8,027
	\$ 104	\$ 104	\$ 8,027	\$ 8,027

The related party loan receivable is due from a management employee of Barlow Capital and is repayable over 3 years and is at a market rate of interest.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

7. PUBLICLY TRADED INVESTMENTS

In accordance with the Company's accounting policies, a fair value (change in unrealized gain (loss)) adjustment of (\$1,621) was recognized in the statement of operations on the publicly traded investments for the year ended December 31, 2008 (year ended December 31, 2007 – change in unrealized loss taken to income of \$3,259) bringing the total balance sheet adjustment to an unrealized loss of (\$5,225) at December 31, 2008 (December 31, 2007 – unrealized loss adjustment of (\$3,604)).

Industry Grouping	December 31, 2008			December 31, 2007		
	Cost	Fair Value	Unrealized Loss	Cost	Fair Value	Unrealized Loss
Industrials	\$ 3,162	\$ 412	\$ (2,750)	\$ 14,307	\$ 12,874	\$ (1,433)
Diversified and Other	307	575	268	8,430	8,014	(416)
Financial Services	3,531	987	(2,544)	6,862	5,567	(1,295)
Infrastructure	179	37	(142)	2,639	2,518	(121)
Energy and Commodities	70	13	(57)	2,247	1,908	(339)
Total	\$ 7,249	\$ 2,024	\$ (5,225)	\$ 34,485	\$ 30,881	\$ (3,604)

The Company held 161,100 units in the Total Strategy Fund as at December 31, 2008 carried at \$575 which represents approximately 10% of the total issued and outstanding units of the Total Strategy Fund. The Company is the Manager of the Total Strategy Fund.

The Company had eight positions in its publicly traded investments portfolio as at December 31, 2008 carried at a fair value of \$2,024. The largest position in the portfolio was \$600. The average investment size in the portfolio was \$300 and the median investment size was \$300.

A 10% price move on the average investment in the portfolio would result in a pre-tax gain or loss on the statement of operations of \$30 and on the portfolio's largest position of \$60.

A 10% move on the entire portfolio would result in a pre-tax gain or loss of \$200.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

8. INVESTMENTS IN PRIVATE ENTITIES

Issuer <i>Financial Instrument</i>	Classification Held to/for	Maturity Date	December 31, 2008				December 31, 2007			
			Face/ Contractual Value	Cost	Carrying Value	Unrealized Gain (Loss)	Face/ Contractual Value	Cost	Carrying Value	Unrealized Gain (Loss)
High Fidelity HDTV										
<i>Debenture</i>	MATURITY	Jul-11	\$ 2,750	\$ 2,464	\$ 2,464	\$ -	\$ 2,750	\$ 2,313	\$ 2,313	\$ -
<i>PIK Interest</i>	MATURITY	Jul-11	209	209	209	-	68	68	68	-
<i>Common Shares</i>	TRADING	n/a	-	4	5	1	-	4	5	1
<i>Warrants</i>	TRADING	n/a	-	451	644	193	-	451	543	92
<i>Equity Option</i>	TRADING	n/a	-	50	40	(10)	-	50	47	(3)
			2,959	3,178	3,363	185	2,818	2,886	2,976	90
Birmingham Foundation Solutions										
<i>Preferred Shares</i>	TRADING	n/a	8,280	8,280	8,280	-	8,280	8,280	8,280	-
<i>Common Shares</i>	TRADING	n/a	-	920	920	-	-	920	920	-
			8,280	9,200	9,200	-	8,280	9,200	9,200	-
Windward Telecom Limited										
<i>Preferred Shares</i>	TRADING	n/a	-	509	609	100	-	-	-	-
<i>Common Shares</i>	TRADING	n/a	-	201	244	43	-	201	201	-
<i>Promissory Note</i>	MATURITY	Demand	87	78	87	8	-	-	-	-
			87	788	940	151	-	201	201	-
Kingswood Estates										
<i>Equity</i>	TRADING	n/a	-	6,000	6,000	-	-	320	320	-
			-	6,000	6,000	-	-	320	320	-
Salbro Bottle Group										
<i>Debenture</i>	MATURITY	Feb-11	3,600	3,152	3,152	-	3,600	-	-	-
<i>Warrants</i>	TRADING	n/a	-	533	506	(26)	-	-	-	-
			3,600	3,684	3,658	(26)	3,600	-	-	-
Everus Communications										
<i>Debenture</i>	MATURITY	Dec-10	4,413	3,919	2,901	(1,017)	-	-	-	-
<i>PIK Interest</i>	MATURITY	Dec-10	238	238	238	-	-	-	-	-
<i>Warrants</i>	TRADING	n/a	-	583	431	(152)	-	-	-	-
			4,651	4,740	3,570	(1,170)	-	-	-	-
Digital Payment Technologies										
<i>Debenture</i>	MATURITY	Oct-11	3,500	2,819	2,819	-	-	-	-	-
<i>PIK Interest</i>	MATURITY	Oct-11	22	22	22	-	-	-	-	-
<i>Warrants</i>	TRADING	n/a	-	708	681	(27)	-	-	-	-
			3,522	3,549	3,522	(27)	-	-	-	-
Total			\$ 23,099	\$ 31,139	\$ 30,253	\$ (886)	\$ 14,698	\$ 12,607	\$ 12,697	\$ 90

The change in unrealized gain (loss) representing the difference between cost and carrying value of the above investments of (\$976) in the period is comprised of two components: the change in unrealized loss on investments held-for-trading of \$(1,127) and the unrealized currency gain of \$151 on a U.S. denominated investment.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

8. INVESTMENTS IN PRIVATE ENTITIES (continued)

(a) High Fidelity HDTV Inc.

The original fair value allocation of the debenture component of the investment was calculated based on the present value of the cash flows expected on the debenture at a discount rate of 18%.

The original fair value allocation of the equity component of the investment was calculated based on the present value of the estimated enterprise value in 2011 years assuming a discount rate of 45%. The enterprise value was estimated based on current earnings and growth in subscribers.

In order to value the common shares and warrants the Company has assumed a modestly lower forecasted enterprise value in 2011 but is using the same overall discount rate to discount the enterprise value. The lower forecasted enterprise value assumes the same earnings before interest, taxes, depreciation and amortization ("EBITDA") figures as in our original investment thesis but a lessened enterprise value to EBITDA assumption to reflect current valuation compression in the overall capital markets.

(b) Bermingham Foundation Solutions

In November of 2007 the Company made a \$9,200 cash investment in Bermingham Foundation Solutions ("Bermingham") in return for a combination of common and preferred shares. The preferred shares which have a face value of \$8,280 earn a dividend of 8.89% per annum which is payable quarterly and convert into common shares upon the sale of Bermingham.

The Bermingham investments are classified as held-for-trading.

(c) Windward Telecom Limited

On February 21, 2008, the Company, through its wholly subsidiary, C.A. Bancorp Telecom Inc., completed a U.S. \$700 equity investment in total in Windward Telecom Limited ("Windward"). Of this, U.S. \$200 of the investment was funded in 2007.

The Company's investment is structured as U.S. \$200 in common shares representing a 10% interest in Windward which yields an annual management fee of 5% and a U.S. \$500 in convertible, redeemable, retractable preferred shares paying a 13% annual dividend, with the preferred shares being convertible into 25% of Windward's common shares under certain conditions.

(d) Kingswood Estates

On January 23, 2008, the Company completed its \$6,000 investment in a newly formed limited partnership (the "Real Estate LP") that acquired a 360-unit apartment complex in Kitchener, Ontario (the "Kingswood Estates") for an aggregate purchase price of \$23,000. The Company invested \$6 million for an 80% limited partnership interest in the Real Estate LP, with the residual \$1,500 equity interest invested by Centurion Apartment Properties Limited Partnership and a third party investor. The Real Estate LP financed the remaining \$15.5 million of the \$23 million Kingswood Estates purchase price through financing provided by the assumption of three existing mortgages.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

8. INVESTMENTS IN PRIVATE ENTITIES (continued)

(e) Salbro Bottle Group

On February 29, 2008, the Company funded \$3,600 in the privately held Salbro Bottle Group of companies by way of debt and equity. The Company's investment is structured as a secured debenture with a 12% coupon and nominal cost warrants providing the Company with a base 12.5% equity interest.

The initial \$3,600 cash investment was allocated to the securities received based on the estimated fair value of each security. The debenture was originally fair valued using a discounted cash flow analysis with an effective discount rate of 18% and classified as held-to-maturity.

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

There was no material change to the valuation of warrants in Salbro. The slight reduction was a function of using modestly lower exit multiples at the time of expected maturity.

(f) Everus Communications Inc.

On June 24, 2008, the Company funded \$2,500 in the privately held Everus Communications Inc. ("Everus") by way of debenture and warrants providing an equity interest. Subsequent to the initial advance, the Company funded an additional \$1,900 in Everus by December 31, 2008 (again by way of a debenture and warrants).

The Company's investment is structured as a secured debenture with a 15% coupon and nominal cost warrants providing the Company with a minimum 22% equity interest in Everus.

The aggregate \$4,500 investment was allocated to the securities received based on the estimated fair value of each security at the time of closing. The debenture is classified as held-to-maturity and was allocated a fair value of \$2,149 at inception using a present value (discount cash flow) analysis with an effective discount rate of 24% on the original \$2,500 advance.

The equity is classified as held-for-trading and was fair valued using a 47% per annum discount rate on the projected enterprise value in two and a half years. The projected enterprise value was based on Everus' forecasted EBITDA.

Due to a slower than anticipated growth rate at Everus since the time the investment was made and the fact that not all interest payments on the debenture are current, the Company has decided that the risk profile of the investment has increased and has taken an other than temporary impairment and a fair value adjustment of \$1,017 and \$152 on the debenture and warrants (equity) respectively.

The Company used a 38% discount rate on the debenture (including payment-in-kind interest and all other debt obligations owed by Everus to the Company) to arrive at the year-end valuation. The write-down on the debenture is considered an unrealized loss and is reflected in the net results of investments on the statements of operations.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

8. INVESTMENTS IN PRIVATE ENTITIES (continued)

(g) *Digital Payments Technologies Corp.*

On October 31, 2008, the Company funded a \$3,000 investment in Digital Payment Technologies Corp. (“Digital”), a privately held company based in Vancouver, by way of a debenture and warrants providing an equity interest. On November 26, 2008, the Company funded an additional \$500 in Digital by way of a debenture and warrants providing an equity interest.

The \$3,500 investment was allocated to the securities received based on the estimated fair value of each security at the time of closing. The debenture was fair valued using a discounted cash flow analysis with an effective discount rate of 20% and is classified as held-to-maturity.

The equity is classified as held-for-trading and was fair valued using a 45% per annum discount rate on the projected enterprise value in five years. The projected enterprise value was based on Digital’s forecasted EBITDA.

Digital designs, manufactures, and distributes multi-space pay station hardware, software, and online management solutions for customers to manage their parking assets (e.g. parking lots).

9. INVESTMENT IN CHARTER REIT

In 2006 and 2007 the Company participated in three private placements and one public offering for Charter REIT securities for total capital invested of \$18,600.

The Company controlled Charter REIT between February 23, 2007 and August 9, 2007 during which time it owned over 50% of Charter REIT’s equity and consolidated the Charter REIT accounts for financial reporting purposes.

On June 21, 2007, Charter REIT completed another private placement which diluted the Company’s interest in Charter REIT from 57.1% to 52.4% the Company recorded a gain (non-cash) on dilution of Charter REIT on its consolidated statement of operations of \$452.

On August 9, 2007 Charter REIT completed a public offering which diluted the Company’s ownership in Charter from 52% to approximately 33%. As a result of the dilution the Company recorded a gain (non-cash) on its consolidated statement of earnings of \$921.

In accordance with the equity method of accounting for long-term investments a carrying value adjustment of \$418 was taken against earnings, for return of capital, based on the Company’s percentage ownership for the period from August 9, 2007 to December 31, 2007, and \$522 for the 2008 fiscal year.

Beginning March 2008 the Company elected to participate in Charter REIT’s distribution reinvestment plan (“DRIP”) on approximately 18% of the Charter REIT units it holds. As a result, the Company has received 121,627 units to date in lieu of cash. On the Company’s remaining 82% of Charter REIT units, the Company continues to receive cash distributions. Charter REIT is currently paying out distributions of \$0.01333 a unit per month or \$0.15996 a unit per year.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

9. INVESTMENT IN CHARTER REIT (continued)

The trading price of units in Charter REIT has declined from the time of its public offering in August of 2007 at \$3.45 a unit to a closing price of \$0.70 at December 31, 2008 (December 31, 2007 - \$2.75). The 52 week trading price range was \$0.45 to \$2.85 in 2008. The overall public REIT market in Canada has been under significant valuation pressure as investors have been concerned with the overall health of the economy and more specifically to the majority of REITs, the availability of term-debt financing. Before consideration of any adjustments the Company would be carrying its investment in Charter REIT at \$15,571 or \$2.61 a unit. The Company believes that given the market conditions for public REITs, the economy and the reduced availability of term debt financing and the publicly traded value of Charter REIT units the decline in carrying value of the Company's investment in Charter REIT to be other than temporary in nature. As a result, the Company has taken a write-down to the value of its investment in Charter REIT as follows:

	Number of Units	Carrying Value per Unit	Carrying Value
Before write-down as at December 31, 2008	5,965,453	\$2.61	\$15,572
Write-down as at December 31, 2008	-	(1.11)	(6,624)
As at December 31, 2008	5,965,453	\$1.50	\$8,948

The \$6,624 write-down has been taken as a charge to pre-tax earnings on the consolidated statements of operations. This write-down has been estimated based on the cash flows of the underlying properties in Charter REIT and the current capitalization rates.

The Company's investment in Charter REIT had an estimated fair value of \$4,176 (December 31, 2007 - \$15,778) as at December 31, 2008 based on the closing bid price of \$0.70 (December 31, 2007 - \$2.70).

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

10. C.A. BANCORP CANADIAN REALTY FINANCE CORPORATION

(a) CRFC Start-Up and Preferred Share Offering

In the first quarter of 2008, the Company as promoter closed an initial public offering of Preferred Shares (the "Preferred Share Offering") for a newly created mutual fund corporation, C.A. Bancorp Canadian Realty Finance Corporation ("CRFC"). CRFC is a single-purpose entity created to provide investors with exposure to a portfolio of commercial real estate loans and mortgages in Canada (the "Portfolio") which are held in a limited partnership (the "Partnership") managed by the Company through its wholly-owned subsidiary C.A. Bancorp Ltd. CRFC obtains economic exposure to the Portfolio through the simultaneous purchase of a basket of Canadian common shares (the "Basket") and the execution of an over-the-counter derivative contract (the "Forward Contract") with a subsidiary of a major Canadian Schedule I bank. The Forward Contract is designed to hedge CRFC's market risk to the Basket and to provide the return of the Portfolio net of any transaction and operating costs. The Basket consists of highly liquid non-dividend paying Canadian common shares which are typical of structured transactions of this type.

An aggregate of 1,540,000 Preferred Shares were issued by CRFC at \$25 each for total gross proceeds raised of \$38.5 million. The Preferred Shares have a ten year term and pay fixed tax-efficient quarterly distributions to investors of \$0.4219 or 6.75% per annum. The Company initially purchased 766,160 Class A Shares of CRFC at \$10.25 per share for a total cost of \$7.85 million. The Class A Shares rank subordinate to the Preferred Shares and had no fixed distribution schedule until the fourth quarter of 2008.

Upon closing of the CRFC Preferred Share Offering the entire portfolio of commercial real estate loans held by the Company totaling \$12,700 (December 31, 2007 - \$8,000) was sold to the Partnership at carrying value which equaled fair value.

(b) Commitment

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 9 to 1. As at December 31, 2008, the ratio was approximately 1.2 to 1.

(c) Unit Offering

The Company and CRFC filed a short-form prospectus for CRFC dated August 27, 2008 offering stapled units ("Units") at a price of \$10.00 per Unit (the "Unit Offering"). Each Unit consisted of one Class A Share and one warrant ("Warrant") to purchase one Series 1, Preferred Share (the "Preferred Shares"). The issuance of Class A Shares under the Unit Offering came from CRFC's treasury. Each Warrant entitles the holder to purchase one Preferred Share at a subscription price of \$23.75 at any time on or before 4:00 p.m. (Toronto time) on September 30, 2011.

The Company agreed to pay for all issue costs related to the Unit Offering over a period of seven years.

The Company has issued a note payable in the amount of \$2,676 to CRFC in connection with the Unit Offering to repay CRFC for the expenses of the Unit Offering over seven years, plus interest equal to 6% per annum. A corresponding amount has been included in intangible assets representing asset management contracts. The amount outstanding on this note as at December 31, 2008 is \$2,578 of which \$391 is payable within the next year in quarterly equal installments plus accrued interest. The amount of interest accrued at December 31, 2008 is \$nil.

The Company purchased 200,000 Units under the Unit Offering which provided it with an additional 200,000 Class A Shares and 200,000 Warrants. Including the Company's purchase a total of 2,900,000 Units were sold under the Unit Offering. The offering closed on September 12, 2008.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

10. C.A. BANCORP CANADIAN REALTY FINANCE CORPORATION (continued)

The following is a continuity of CRFC's Class A Shares in 2008:

	Held by C.A. Bancorp	% of total	Held by Other Public Investors	% of total	Total Class A Shares
Preferred Share Offering (February 20, 2008)	766,160	100.0%	-	-	766,160
Unit Offering (September 20, 2008)	200,000	6.9%	2,700,000	93.1%	2,900,000
Repurchased and Cancelled under MMPP and NCIB	-	-	(66,100)	100.0%	(66,100)
Balance as at December 31, 2008	966,160	26.8%	2,633,900	73.2%	3,600,060

(d) Fair Value

The Company's investment in CRFC had a fair value of \$5,894 as at December 31, 2008 based on the closing bid price of \$6.10.

(e) Equity Accounting for Investment

The Company consolidated the financial statements of CRFC upto September 12, 2008 as it held 100% of the Class A shares to that date. Subsequent to the unit offering the Company's ownership decreased to 26.8% and the Company is accounting for this investment under the equity method as it exercises significant influence over CRFC.

In accordance with the equity method of accounting for investments a carrying value adjustment of \$(118) was taken against earnings based on the Company's percentage ownership for the period from September 12, 2008 to December 31, 2008 for which the Company was deemed to have significant influence over CRFC.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

11. ACQUISITION OF BARLOW CAPITAL MANAGEMENT INC.

On July 30, 2008, the Company announced the acquisition of 85% of the shares of Barlow Capital Management Inc. (“Barlow” or “Barlow Capital”) through a newly created wholly-owned subsidiary C.A.B. Barlow Holdings Corp. for \$2,600 (excluding closing costs). The Company paid \$2,088 to acquire 80% of Barlow and \$500 to acquire an additional 5%. Closing costs of \$302 were paid. Barlow’s senior management team owns the remaining 15% of the outstanding shares.

Barlow is a fee-for-service boutique investment counsellor and portfolio manager with an exclusive focus on providing endowment style investment management services to high net worth Canadian investors.

The financial statements of Barlow have been consolidated in these financial statements for the period from July 30, 2008 to December 31, 2008.

Of the \$2,390 paid to acquire the initial 80% of the shares of Barlow (including closing costs), \$321 was to purchase identifiable net assets (see table below) \$246 (December 31, 2007 – nil) was recorded as intangible assets consisting of customer relationships and the remaining \$1,823 (December 31, 2007 – nil) was allocated to goodwill.

In addition \$65 (December 31, 2007) of non-controlling interests are reflected in the consolidated financial statements to account for Barlow management’s interests in Barlow Capital.

Assets

Cash	\$	604
Future Income tax asset		15
Accounts receivable, deferred costs, prepaid expenses and other assets		254
Capital Assets		169
		<u>\$ 1,042</u>

Liabilities

Accounts payable	\$	595
Deferred income		46
Redeemable preferred shares		459
		<u>1,100</u>

Conversion of preferred shares to equity		(459)
		<u>\$ 641</u>

Net identifiable assets acquired		<u>\$ 401</u>
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Company's 80 % ownership		<u>321</u>
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12. DUE TO BROKER

As at December 31, 2008, the Company had \$2,600 in due to broker which represents a margin loan secured by the Company’s publicly traded investments and Class A Shares in CRFC..

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(in thousands of dollars except per share amounts or unless otherwise stated)

13. ASSET AND INVESTMENT MANAGEMENT FEES

The Company earns management fees on the Total Strategy Fund and pays Sentry Select, as the investment manager, a portion of its management fees received in the form of investment management fees. Fees of \$202 (2007 - \$618) were recognized as income on account of Total Strategy Fund for 2008 and investment management fees of \$114 (2007 - \$353) were expensed.

The Company earns management fees on CRFC and pays Sentry Select, as the investment manager, a portion of its management fees received in the form of investment management fees. Fees of \$576 (2007 – nil) were recognized as income on account of CRFC and investment management fees of \$143 (2007 – nil) were expensed.

The Company also recognized \$396 (2007 - \$113) in asset management fees from Charter REIT for the year end December 31, 2008.

14. ADMINISTRATION AND MANAGEMENT AGREEMENTS WITH SENTRY SELECT

The Company is a party to a management and an administration agreement (“Management Agreement” and “Administration Agreement” respectively) with Sentry Select Capital Corp. Sentry Select Capital Corp. is privately held and controlled by the Chairman and Chief Executive Officer of C.A. Bancorp.

(a) Administration Agreement

Under the terms of the Administration Agreement the Company pays Sentry Select a monthly fee of \$40 plus applicable taxes in exchange for the provision of administrative services including accounting and recordkeeping, regulatory reporting and compliance, investor relations, office space, equipment and certain administrative and management personnel, and other administrative and office services.

For the year ended December 31, 2008, \$480 (2007 - \$480) was charged to the Company in respect of the Administration Agreement. As of December 31, 2008, \$nil (2007 – \$nil) was due to Sentry Select in respect of such fees.

(b) Management Agreement

The Management Agreement engages Sentry Select to provide investment management services in respect of the Company’s merchant banking business and other investing activities, including searching for, evaluating and screening investment opportunities and conducting due diligence with respect to potential investments, for a quarterly fee of ¼ of 1.50% (reduced to 1.10% subsequent to year-end – effective February 1, 2009) (the “Management Fee”), plus applicable taxes, based on the Company’s closing consolidated net book value from the previous quarter (subject to certain adjustments in accordance with the Management Agreement). For the year ended December 31, 2008, the Company incurred \$1,191 (2007 – \$972) in Management Fees to Sentry Select.

Sentry Select may also be entitled to a performance bonus (“Performance Bonus”) equal to 20% of the amount by which the annual consolidated pre-tax, pre-Management Fee and pre-Performance Bonus net income of the Company, as at December 31 in each year, exceeds the Yearly Bonus Threshold (as defined in the Management Agreement and subject to Clawback Payments and Cumulative Bonus Thresholds also as defined in the Management Agreement) for such year. The Yearly Bonus Threshold is an amount equal to a return of 8% per annum based on the Company’s consolidated net book value. No Performance Bonus has been incurred to date.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

14. ADMINISTRATION & MANAGEMENT AGREEMENTS WITH SENTRY SELECT (continued)

(c) Reimbursable Employees

Up until November 2008 Sentry Select had provided management personnel, at Sentry Select's cost, in excess of that which was required under the Management and Administration Agreements. Under the terms of the Administration Agreements, Sentry Select had the option to ask C.A. Bancorp for reimbursement of the additional management personnel by way of formal notice which was given to C.A. Bancorp (the "Notice"). C.A. Bancorp was served with a formal notice on November 1, 2008. C.A. Bancorp's operating expenses increased by an estimate of \$1,100 per annum as a result of the Notice. Since the Notice of effective from November 1, 2008, onwards only \$144 in expenses were incurred (reflected in general and administration expenses on the consolidated statements of operations) for 2008.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

15. STOCK BASED COMPENSATION

The Company has a stock option plan (the "Plan") for the benefit of directors, officers and employees ("Employees") and consultants and service providers ("Non-Employees") of the Company. Pursuant to the Plan, the Board of Directors may allocate non-transferable options to purchase up to a maximum of 10% of the outstanding common shares of the Company. Options granted pursuant to the Plan are exercisable at a price not less than the market price of the Common Shares on the stock exchange on which such shares are traded less any applicable discounts permitted by the rules of such exchange. The maximum number of common shares which may be reserved for issuance to any one person under the Plan is 5% of the common shares outstanding at the time of grant.

Pursuant to the Plan and approval by the Board of Directors on September 15, 2005, the Company granted, to directors, an aggregate of 21,500 options (of which 2,000 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$2.00 per share for a period of five years from the date of grant.

Pursuant to the Plan and approval by the Board of Directors on June 22, 2006, the Company granted, to certain employees and non-employees an aggregate of 78,000 (of which 18,000 have been forfeited) options to purchase common shares which may be exercised from issuance at a price of \$3.30 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant and the remaining two-thirds vesting equally on June 22, 2007 and June 22, 2008.

Pursuant to the Plan and approval by the Board of Directors on December 22, 2006, the Company granted, to certain employees and non-employees an aggregate of 765,500 options (of which 95,000 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$3.10 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on December 22, 2007 and December 22, 2008.

Pursuant to the Plan and approval by the Board of Directors on August 21, 2007, the Company granted, to certain employees and non-employees an aggregate of 1,275,000 options (of which 135,000 have been forfeited) to purchase common shares which may be exercised from issuance at a price of \$3.30 per share for a period of five years from the date of grant subject to vesting restrictions. One-third of the options vested on the date of grant with the remaining two-thirds vesting equally on August 21, 2008 and August 21, 2009.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

15. STOCK BASED COMPENSATION (continued)

For the year ended December 31, 2008, the Company recorded a total expense of \$531 (2007 - \$1167) in relation to the aforementioned C.A. Bancorp option grants. The fair values of the incentive stock option grants on the date of grant were estimated using a Black-Scholes option pricing model. In determining the fair value of options, management was required to make assumptions that could have a material impact on the valuation. For the purposes of assuming a dividend yield management assumed a rate of 0%. Other assumptions used on the dates of grant including the risk-free rate and the expected volatility are disclosed in the following table which summarizes information about the stock options outstanding as of December 31, 2008:

Optionee Type	# of Optioned Shares Outstanding	Exercisable	Expiry Date	Exercise Price	Risk- Free Rate	Volatility Assumption	(\$ 000s) Value at Grant
Sept. 15, 2005 Grant							
Employees	19,500	19,500	Sept. 15, 2010	\$ 2.00	3.82%	30%	\$ 13
	19,500	19,500					13
June 22, 2006 Grant							
Employees	45,000	45,000	June 22, 2011	\$ 3.30	4.45%	40%	62
Non-Employees	15,000	15,000	June 22, 2011	\$ 3.30	4.45%	40%	21
	60,000	60,000					83
Dec. 22, 2006 Grant							
Employees	565,500	565,500	Dec. 22, 2011	\$ 3.10	3.80%	38%	694
Non-Employees	105,000	105,000	Dec. 22, 2011	\$ 3.10	3.80%	38%	129
	670,500	670,500					823
August 21, 2007 Grant							
Employees	1,020,000	680,000	Aug. 21, 2012	\$ 3.30	4.50%	60%	1,271
Non-Employees	120,000	80,000	Aug. 21, 2012	\$ 3.30	4.50%	60%	149
	1,140,000	760,000					1,420
Total All Grants	1,890,000	1,510,000					\$ 2,339

The following table summarizes the Company's stock option activity for the years ended December 31:

	2008	Weighted Average Exercise Price	2007	Weighted Average Exercise Price
Number outstanding, beginning of year	2,055,000	\$ 3.22	863,000	\$ 3.09
Granted	-	-	1,275,000	3.30
Forfeited/cancelled	(165,000)	3.23	(83,000)	3.21
Number outstanding, end of year	1,890,000	\$ 3.22	2,055,000	\$ 3.22
Exercisable, end of the year	1,510,000	\$ 3.19	963,167	\$ 3.17

As at December 31, 2008, the weighted average contractual remaining life of the options was 3.35 (2007 – 4.36) years.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

16. SHAREHOLDERS' EQUITY

(a) *Share capital*

Authorized:

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Class A, Class B and Class C Preference Shares, issuable in series without nominal or par value.

On August 8, 2007, the Company announced its intention to purchase and cancel its common shares through a normal course issuer bid ("NCIB") made through the facilities of the Toronto Stock Exchange ("TSX"). The Company renewed the NCIB on August 18, 2008 and can purchase up to a maximum of 6,299 common shares in any trading day. Since the NCIB has been in effect, as at December 31, 2008, 900,100 shares have been repurchased and cancelled at an average price of \$1.86, of which 499,400 have been repurchased and cancelled in 2008 at an average price of \$1.56.

On April 25, 2008, the Company's shareholders passed a motion to implement a mandatory market purchase plan ("MMPP") pursuant to which, the Company will use its best efforts to purchase for cancellation its common shares if they are offered at a price less than 90% of the net book value per common share on the principal stock exchange on which they are traded, currently the TSX. The obligation is subject to a limit in any calendar quarter of 1.25% of the number of outstanding common shares at the beginning of each quarter. The obligation is also subject to certain conditions to ensure that the marketability of the common shares is not seriously impaired, the Company has adequate liquidity, the Company does not have to liquidate securities other than in an orderly manner, there is no material legal action instituted or threatened that materially adversely affects the Company and that there is no general suspension of trading of the Company's common shares. Since inception and as at December 31, 2008, 839,300 common shares have been repurchased and cancelled at an average price of \$1.42 under the MMPP. The MMPP expires as of the Company's next annual meeting schedule for April 14, 2009.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

16. SHAREHOLDERS' EQUITY (continued)

The following is a continuity of the share capital of the Company:

	(000s) Number of common shares	Share capital
	<u> </u>	<u> </u>
As at December 31, 2006	14,136	\$ 38,592
Common Shares issued (cancelled) during the year as a result of:		
Warrants exercised	38	146
Treasury offering	14,500	47,850
Treasury offering - over-allotment	410	1,353
Issue costs	-	(4,185)
Normal course issuer bid	(401)	(153)
As at December 31, 2007	28,683	\$ 82,603
Common Shares cancelled during the period as a result of:		
Normal course issuer bid	(499)	(1,439)
Mandatory market purchase program	(839)	(2,417)
As at December 31, 2008	27,345	\$ 78,747

(b) Contributed surplus

	Carrying Value
	<u> </u>
As at December 31, 2006	\$ 375
Net increase related to stock based compensation	1,119
Warrants cancelled or expired in 2007	241
Normal course issuer bid	255
As at December 31, 2007	\$ 1,990
Net increase related to:	
Stock based compensation	531
Normal course issuer bid	1,226
Mandatory market purchase plan	661
As at December 31, 2008	\$ 4,408

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

17. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's consolidated future income tax assets as at the year-end are as follows:

	<u>2008</u>	<u>2007</u>
Future income tax assets		
Non-capital loss carryforwards	\$ 515	\$ 83
Unrealized impairment on Charter REIT units	960	-
Deemed capital gain on conversion of Charter shares to Charter REIT units	435	435
Other Charter REIT carrying value adjustments	196	104
Net unrealized loss on investments	996	587
Net realized loss on investments	1,255	-
Cumulative eligible capital pool expenses	28	30
Return of capital distributions	-	(43)
Other	33	-
	<u>4,418</u>	<u>1,196</u>
Valuation allowance	<u>(1,673)</u>	<u>-</u>
Net future tax asset	<u>\$ 2,745</u>	<u>\$ 1,196</u>

As at December 31, 2008, the Company and its subsidiaries had non-capital losses available to be carried forward to offset income in future years of \$1,437. A valuation allowance against the benefit of these losses has been recognized in these consolidated financial statements but these losses are still available to offset future taxable income up to the date of their expiry. These losses expire as follows:

<u>Year</u>	
2028	<u>\$ 1,437</u>

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

17. INCOME TAXES (continued)

The recovery of income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rates to loss before income taxes as follows:

	<u>2008</u>	<u>2007</u>
Loss before income taxes and non-controlling interest	\$ (16,876)	\$ (1,885)
Combined federal and provincial income tax rate	33.5%	36.1%
Expected recovery for income taxes	(5,653)	(681)
Permanent differences	2,490	458
Future tax rate change	22	201
Prior year adjustments	65	-
Valuation allowance	1,673	-
Recognition of previously unrecognized tax losses	-	(759)
Other	5	-
Net tax recovery	\$ (1,398)	(781)
Current tax provision	\$ 128	415
Future tax recovery	(1,526)	(1,196)
Net tax recovery	\$ (1,398)	\$ (781)

C.A. BANCORP INC.

Notes to the Consolidated Financial Statements

December 31, 2008

(in thousands of dollars except per share amounts or unless otherwise stated)

18. RELATED PARTY TRANSACTIONS

Unless mentioned elsewhere in the notes to these consolidated financial statements the following are additional disclosures regarding related party transactions.

(a) *Reimbursement of expenses*

As at December 31, 2008, \$89 (December 31, 2007 - \$nil) was due to Sentry Select for reimbursement of third party expenses of the Company paid for by Sentry Select.

(b) *Charter REIT*

As at December 31, 2008, \$110 (December 31, 2007- \$156) in acquisition and management fees were due from Charter REIT.

(c) *C.A. Bancorp Canadian Realty Finance Corporation*

As at December 31, 2008, \$94 (December 31, 2007 - \$nil) was due from CRFC for reimbursement of third party expenses of CRFC paid for by the Company.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

19. SEGMENT DISCLOSURES

The Company has organized its reporting structure based on the following segments:

- (i) *Financial services* which includes agricultural lending, commercial real estate lending and commercial mortgage brokering.
- (ii) *Investing and asset management* which includes private and public entity "direct" investments (excluding real estate) and asset management activities (excluding real estate management or lending activities).
- (iii) *Real estate which includes real estate equity* (Charter REIT, Kingswood Estates) and real estate management (the management contract with Charter REIT).

	Twelve months ended December 31								
	Financial Services		Investing and Asset Management		Real Estate		Total		
	2008	2007	2008	2007	2008	2007	2008	2007	
Revenues	\$ 2,197	\$ 281	\$ 5,579	\$ 4,756	\$ 611	\$ 2,201	\$ 8,387	\$ 7,238	
Net results of investments	(118)	-	(17,213)	(2,160)	(522)	955	(17,853)	(1,205)	
Expenses	(2,099)	(129)	(4,818)	(3,466)	(493)	(4,323)	(7,410)	(7,918)	
Pre-tax net earnings (loss)	(20)	152	(16,452)	(870)	(404)	(1,167)	(16,876)	(1,885)	
Net (provision) recovery of income taxes	(8)	(5)	1,409	786	(3)	-	1,398	781	
Net earnings (loss) before NCI	(28)	147	(15,043)	(84)	(407)	(1,167)	(15,478)	(1,104)	
Non-controlling interests	-	-	14	-	-	979	14	979	
Net (loss) earnings from continuing operations	(28)	147	(15,029)	(84)	(407)	(188)	(15,464)	(125)	
Net earnings from discontinued operations	1,105	142	-	-	-	-	1,105	142	
Net earnings (loss)	\$ 1,077	\$ 289	\$ (15,029)	\$ (84)	\$ (407)	\$ (188)	\$ (14,359)	\$ 17	
Total assets:									
From continuing operations	\$ 9,312	\$ 8,242	\$ 37,822	\$ 47,789	\$ 14,980	\$ 18,136	\$ 62,114	\$ 74,167	
From discontinued operations	85,664	80,181	-	-	-	-	85,664	80,181	
Total assets	\$ 94,976	\$ 88,423	\$ 37,822	\$ 47,789	\$ 14,980	\$ 18,136	\$ 147,778	\$ 154,348	

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

20. RISK MANAGEMENT

Market risk

The Company is exposed to market risk on its portfolio of publicly traded investments.

The Company does not use any derivatives to hedge its market risk and has no intention to do this for the foreseeable future.

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

The Company invests in public securities in an active market which can 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 its subsidiaries may 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 vis-à-vis the costs of such hedging arrangements.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

20. RISK MANAGEMENT (continued)

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 creditworthy counterparties 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 \$1.2 million as at December 31, 2008. RBC has a senior debt rating of AA- from S&P.

Foreign Exchange Risk

The Company does not have any significant exposure to foreign exchange risk. Its investments in the private entity "Windward Telecom" are the only foreign based investments that the Company has. The revenues and expenses of the operating company are primarily in U.S. dollars. Given that approximately \$710 is invested in Windward a 1% change in foreign exchange rates would give rise to a gain or loss of \$7.

21. CAPITAL DISCLOSURES

The Company's objectives when managing capital are: (a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and (b) to provide an adequate return to shareholders by seeking returns on investments that are commensurate with the level of risk on the investments.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may buy back shares, issue new shares, sell assets or issue debt.

The Company views all shareholders' equity as capital. The Company is not subjected to any material externally imposed capital requirements.

C.A. BANCORP INC.
Notes to the Consolidated Financial Statements
December 31, 2008
(in thousands of dollars except per share amounts or unless otherwise stated)

22. SUBSEQUENT EVENTS

(a) Sale of AgriFinancial Canada Corp.

In September 2008 the Company announced that it had entered into a share purchase agreement with a third party pursuant to which the third party or an affiliate would acquire the shares of C.A. Bancorp Financial Corp. (the holding company for the AgriFinancial business. The transaction closed on January 30, 2009. The Company sold its interest with a net carrying value of \$10,600 on December 31, 2008 for \$18,500 resulting in a pre-tax capital gain of approximately \$7,900.

(b) Change to Ongoing Operating Expenses

Similar to the Notice provided under the Administration Agreement effective November 2008, Sentry Select provided an additional Notice to C.A. Bancorp in respect of three employees for which it had previously paid cash salaries, bonuses and benefits related to the operation of Charter REIT for which C.A. Bancorp has a management contract to operate. As a result from February 1, 2009 onwards C.A. Bancorp is expected to incur approximately \$600 per annum in additional operating expenses. See Note 12.

(c) Reduction in Management Fees

An amendment to the Management Agreement was made between Sentry Select and C.A. Bancorp pursuant to which the Management Fee was reduced from 1.50% to 1.10% of financial statement capital per year. See Note 12. Sentry Select had previously paid the 0.40% difference to investment dealers as a servicing fee which was terminated, along with the reduction in management fee, effective February 1, 2009.

(d) Repurchase of Investments in Private Entities from the Sentry Select Total Strategy Fund

In August of 2008 the Company made an offer, which was accepted, to the Total Strategy Fund to repurchase investments in three private entities for the cost to the Total Strategy Fund plus any accrued distribution at the time the repurchase took place. The Company completed the purchase of these investments, each of which were investments the Company already had existing positions in on March 6, 2009 for cash proceeds of \$2,568 as follows:

Issuer	Cost	Accrued and Unpaid Distributions	Total Purchase Price
High Fidelity HDTV	\$ 1,250	\$ 106	\$ 1,356
Birmingham Foundation Solutions	800	11	811
Salbro Bottling	400	1	401
	\$ 2,450	\$ 118	\$ 2,568