

*Condensed Interim Financial Statements of*

**C.A. BANCORP INC.**

*As at and for the three and six months ended June 30, 2013  
(Unaudited)*

Note: The accompanying interim financial statements have not been reviewed by an auditor. The Company's external auditors will be auditing the Company's annual financial statements in accordance with Canadian generally accepted auditing standards.

**C.A. BANCORP INC.**

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**June 30, 2013**

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**C.A. BANCORP INC.**  
**Condensed Interim Balance Sheets**

As at		June 30	December 31
In thousands of Canadian dollars	Note	2013	2012
			(Audited)
<b>ASSETS</b>			
Cash and cash equivalents	3	\$ 21,242	\$ 25,126
Marketable securities	4	4,935	-
Accounts receivable and other assets		96	199
Investments in private entities	5	15,227	16,619
		<b>\$ 41,500</b>	<b>\$ 41,944</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		\$ 179	\$ 310
Deferred revenue		107	214
Accrued liquidation costs	6	-	312
		<b>286</b>	<b>836</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	35,333	35,333
Contributed surplus		16,107	16,107
Deficit		(10,226)	(10,333)
		<b>41,214</b>	<b>41,107</b>
		<b>\$ 41,500</b>	<b>\$ 41,943</b>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

*Robert Wolf*

..... Director

*J. Roy Pottle*

..... Director

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

**C.A. BANCORP INC.**

**Condensed Interim Statements of Operations and Comprehensive Earnings**

In thousands of Canadian dollars except per share amounts	Note	Three months ended June 30		Six months ended June 30	
		2013	2012	2013	2012
<b>REVENUE</b>					
Interest and investment income		\$ 409	\$ 431	\$ 797	\$ 859
Fee income		54	-	108	-
		<b>463</b>	<b>431</b>	<b>905</b>	<b>859</b>
<b>NET RESULTS OF INVESTMENTS</b>					
Realized gain on sale of marketable securities	4	107	-	131	-
Change in unrealized gain on marketable securities	4	124	-	196	-
Change in unrealized gain on investments in private entities	5	-	1,588	-	1,637
Realized (loss) on sale of investments in private entities	5	-	(318)	-	(318)
		<b>231</b>	<b>1,270</b>	<b>327</b>	<b>1,319</b>
<b>EXPENSES</b>					
Audit, legal and other corporate		66	365	100	453
General and administration		37	223	104	435
Employee & consulting - management services		50	79	137	165
Interest		-	1	-	1
Directors fees		32	-	162	-
Costs of abandoned Realization Strategy and change of control	6	56	-	622	-
		<b>241</b>	<b>668</b>	<b>1,125</b>	<b>1,054</b>
<b>EARNINGS BEFORE INCOME TAXES</b>		<b>453</b>	<b>1,033</b>	<b>107</b>	<b>1,124</b>
<b>PROVISION FOR INCOME TAXES</b>					
Current tax provision		-	-	-	-
		-	-	-	-
<b>NET EARNINGS AND COMPREHENSIVE EARNINGS</b>		<b>\$ 453</b>	<b>\$ 1,033</b>	<b>\$ 107</b>	<b>\$ 1,124</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)</b>					
Basic		12,269	12,269	12,269	12,269
Diluted		12,269	12,269	12,269	12,269
<b>NET EARNINGS PER SHARE</b>					
Basic		\$ 0.04	\$ 0.08	\$ 0.01	\$ 0.09
Diluted		\$ 0.04	\$ 0.08	\$ 0.01	\$ 0.09

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

## C.A. BANCORP INC.

### Condensed Interim Statements of Changes in Shareholders' Equity

In thousands of Canadian dollars	Note	Six months ended June 30	
		2013	2012
Share Capital			
Balance - beginning of period		\$ 35,333	\$ 35,333
Changes during the period		-	-
Balance - end of period	8	35,333	35,333
Contributed Surplus			
Balance - beginning of period		16,107	16,107
Changes during the period		-	-
Balance - end of period		16,107	16,107
Deficit			
Balance - beginning of period		(10,333)	(11,502)
Net earnings and comprehensive earnings		107	1,124
Balance - end of period		(10,226)	(10,378)
Total Shareholders' Equity		\$ 41,214	\$ 41,062

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

**C.A. BANCORP INC.**  
**Condensed Interim Statements of Cash Flows**

<b>In thousands of Canadian dollars</b>	<b>Note</b>	<b>Six months ended June 30</b>	
		<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings and comprehensive earnings		\$ 107	\$ 1,124
Adjustments to determine net cash flows from (used in) operating activities:			
Non-cash interest income on loans receivable		-	(10)
Non-cash interest income on investments in private entities	5, 7(c)	(515)	(413)
Change in unrealized gain on investments in private entities		-	(1,637)
Change in unrealized gain on marketable securities		(196)	-
Realized gain on sale of marketable securities		(131)	-
Realized loss on investments in private entities		-	318
Non-cash fee income		(108)	-
		<b>(843)</b>	<b>(618)</b>
Decrease (Increase) in accounts receivable and other assets		103	(219)
Decrease in prepaid expenses and other assets		-	29
Decrease in accounts payable, accrued liabilities and accrued liquidation costs		(444)	(45)
Cash flows used in operating activities		<b>(1,184)</b>	<b>(853)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loans repaid		-	1,049
Sale and maturity of investments in private entities	5, 7(c)	1,907	907
Purchase of marketable securities		(5,441)	-
Proceeds from sale of marketable securities		834	-
Cash flows (used in) from investing activities		<b>(2,700)</b>	<b>1,956</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,884)</b>	<b>1,103</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>		<b>25,126</b>	<b>13,234</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		<b>\$ 21,242</b>	<b>\$ 14,337</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Income taxes paid		\$ -	\$ -
Interest paid		\$ -	\$ -

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

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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### 1. ORGANIZATION<sup>12</sup>

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

The Company’s common shares trade on the Toronto Stock Exchange (“TSX”) under the symbol “BKP”.

The Company’s Board of Directors (the “Board”) announced in June, 2010 that it had determined that it was in the best interests of the Company for shareholders to have the opportunity to choose between two options, specifically: (i) acceptance of a take-over bid; or (ii) maintenance of their interests in the Company with the implementation of a realization strategy under which the Company would seek to monetize its existing assets, distribute any realized cash to shareholders and ultimately dissolve the Company (the “Realization Strategy”). The take-over bid expired in August 2010 and the Company began to implement the Realization Strategy.

The Company disposed of a number of its assets and as it advanced its Realization Strategy with respect to its last remaining equity investee during the fourth quarter of 2010, the Company began applying Accounting Guideline 18 – Investment Companies (“AcG-18”) effective October 1, 2010. In accordance with AcG-18, the Company accounted for all of its investments at fair value.

In connection with the advancement of the Company’s Realization Strategy, the Company adopted the liquidation basis of accounting effective October 1, 2010. The liquidation basis of accounting was considered appropriate as, among other things, liquidation of the Company was considered probable. Under the liquidation basis of accounting an accrual was made for the costs to be incurred during liquidation to arrive at the net realizable value of the Company’s assets and liabilities.

Commencing March 8, 2013 and upon a change of control of the Company, the Realization Strategy was abandoned and it began seeking new investment opportunities. The Company discontinued the liquidation basis of accounting on such date and continues applying AcG-18.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These unaudited condensed interim financial statements (“Interim Financial Statements”) have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) as adopted by the Canadian Institute of Chartered Accountants (“CICA”) under Part V of the CICA Handbook, and by applying AcG-18. The liquidation basis of accounting was discontinued on March 8, 2013.

The disclosures in these Interim Financial Statements do not include all of the requirements under GAAP for annual financial statements. These Interim Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2012.

In accordance with AcG-18, the Company accounts for all of its investments at fair value. The use of liquidation accounting (until March 7, 2013) required significant estimates and judgements to record the Company’s financial position at its estimated net realizable value and its liabilities at estimated settlement amounts. These estimates were subject to change based on the timing of the potential realization of assets and changes to valuations of assets.

Canadian GAAP for publicly accountable enterprises is being replaced with International Financial Reporting Standards (“IFRS”). For companies applying AcG-18, the Canadian Accounting Standards Board (“ASB”) announced a two year deferral for the implementation of IFRS. As the Company is an investment company

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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

applying AcG-18, the Company sought and received exemptive relief from the securities regulators which permits the Company to defer the adoption of IFRS until January 1, 2014.

The preparation of these Interim Financial Statements in accordance with Canadian 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, investments in private entities, the impairment of assets, loan provisions, calculation of taxes, earnings per share and other estimates. Actual results may differ from these estimates.

These Interim Financial Statements are based on accounting principles consistent with those used and described in the audited financial statements for the year ended December 31, 2012, except for the following accounting policies which were adopted effective March 8, 2013:

#### (a) Financial Instruments

Financial assets are classified based on management's intentions 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 on the Balance sheets, except for loans and 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 which are measured at cost. The Company does not have any equity instruments whose fair value cannot be reliably measured.

Held-for-trading financial assets include financial assets purchased for sale in the near term and financial assets designated as held-for-trading under the fair value option and are reported at fair value. Realized and unrealized gains and losses on financial assets are recorded as net results of investments. Dividend and interest income accruing on financial assets is recorded in interest and investment income.

Available-for-sale financial assets are measured at fair value with the difference in fair value and its amortized cost recognized in other comprehensive income. Purchase premiums and discounts are amortized over the life of the available-for-sale financial asset and are recognized in interest and investment income using the effective interest method. At each reporting date, and more frequently when conditions warrant, the Company evaluates its available-for-sale financial assets with unrealized losses to determine whether these are other-than-temporary. This determination is based on consideration of several factors including: i) the length of time and extent to which the fair value has been less than its amortized cost; ii) the severity of the impairment; iii) the cause of the impairment and the financial condition and near-term prospects of the issuer; and iv) the Company's intent and ability to hold the financial asset until its fair value recovers. If the Company's assessment indicates that the impairment in value is other-than-temporary, or the Company does not have the intent and ability to hold the financial asset until its fair value recovers, the financial asset is written down to its current fair value, and a loss is recognized on the statements of operations.

Held-to-maturity investments are debt securities where the Company has the intention and the ability to hold the investment until its maturity date. These investments are carried at amortized cost using the effective interest method. Interest income and amortization of premiums and discounts are recorded in interest and investment income. Held-to-maturity investments and loans and receivables are assessed for impairment.



# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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

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.

#### (b) Loans and other receivables

Loans and receivables are recorded at amortized cost using the effective interest method. Management has determined that the amortized cost approximates the fair value. Loans are subject to periodic impairment review and are classified as impaired when there is no longer reasonable assurance of full and timely collection of principal and interest.

#### (c) Publicly traded investments

Publicly traded investments, which include marketable securities, are designated as held-for-trading and are carried at fair value. The closing prices are used in determining the fair value of individual investments held. 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".

#### (d) Investments in private entities

The Company is an investment company, as defined in the CICA Accounting Guideline 18 - "Investment Companies". In accordance with this Accounting Guideline, investments are measured at their fair value. Management considers adjustments to this assessment of fair value when circumstances justify a different valuation.

##### *Private entities*

Investments in securities where no quoted market values are available are generally valued at the cost of acquisition on the basis that such cost is a reasonable estimate of fair value. Such investments are subsequently revalued using accepted industry valuation techniques such as a substantial arm's length transaction, earnings multiples of comparable publicly traded companies and discounted cash flow analysis. Any sale, size or other liquidity restrictions on the investment is considered by Management in its determination of fair value. In all cases, Management reserves the right to adjust downward the estimated fair values which may be otherwise indicated by an arm's length transaction where, in Management's opinion, the transaction may have been executed at a value which Management would be unable to realize at that time. Due to the inherent uncertainty of valuation, Management's estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

#### (e) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities, all of which are carried at amortized cost. Management has determined that the amortized cost approximates fair value.

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

### 3. CASH AND CASH EQUIVALENTS

At June 30, 2013, the company held \$21,242 (December 31, 2012 - \$25,126) in cash at a Canadian chartered bank.

### 4. MARKETABLE SECURITIES

The company held one position (December 31, 2012 – no positions) in its marketable securities portfolio as at June 30, 2013 - fair value \$4,935 (December 31, 2012 – fair value \$Nil).

### 5. INVESTMENTS IN PRIVATE ENTITIES

<i>Financial Instrument</i>	Maturity Date	June 30, 2013			December 31, 2012		
		Face / Contractual Value	Cost	Fair Value	Face / Contractual Value	Cost	Fair Value
<b>Blue Ant Media Inc.</b>							
<i>Common Shares</i>	n/a	-	-	-	-	1,907	1,907
		-	-	-	-	1,907	1,907
<b>Salbro Bottle Group</b>							
<i>Debenture</i>	August 22, 2019	2,300	2,300	2,300	2,300	2,300	2,300
<i>Accrued Interest on Debenture</i>	August 22, 2019	248	248	248	101	101	101
<i>Common Share Warrants</i>	n/a	-	580	10	-	580	10
		2,548	3,128	2,558	2,401	2,981	2,411
<b>Digital Payment Technologies Corp.</b>							
<i>Promissory Note</i>	December 31, 2013	250	250	250	250	250	250
<i>Debenture</i>	December 31, 2013	6,000	6,000	6,000	6,000	6,000	6,000
<i>Accrued Interest on Debenture</i>	December 31, 2013	2,399	2,399	2,399	2,032	2,032	2,032
<i>Amount Receivable</i>		250	250	250	250	250	250
<i>Preferred Share Warrants</i>	n/a	-	969	969	-	969	969
<i>Common Share Warrants</i>	n/a	-	195	2,800	-	195	2,800
		8,899	10,063	12,668	8,532	9,696	12,301
<b>Total</b>		<b>\$ 11,447</b>	<b>\$ 13,191</b>	<b>\$ 15,227</b>	<b>\$ 10,933</b>	<b>\$ 14,584</b>	<b>\$ 16,619</b>

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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### 5. INVESTMENTS IN PRIVATE ENTITIES (continued)

#### a) High Fidelity HDTV Inc.

High Fidelity HDTV Inc. (“High Fidelity”) creates specialty television channels in digital high-definition format and distributes its programming through major cable and satellite companies.

In July, 2007, the Company invested \$2,750 in High Fidelity alongside \$1,250 from the Sentry Select Total Strategy Fund (“Total Strategy Fund”). For its \$2,750 the Company was issued a debenture, common shares, common share warrants, and an option to purchase more common shares from High Fidelity. In March, 2009, the Company purchased Total Strategy Fund’s \$1,250 investment in High Fidelity at cost plus accrued interest owing. At the time, the additional \$1,250 brought the Company’s total cash investment in High Fidelity to \$4,000.

In August, 2009, the Company invested an additional \$1,500 in High Fidelity by way of a convertible debenture. High Fidelity used the proceeds to repay \$1,500 of the existing debenture. Concurrent with these transactions, the equity option was eliminated and the Company’s equity interest in High Fidelity increased from 10% to 13% by way of common share warrants. The convertible debenture was convertible into 6% of High Fidelity’s common shares.

In April 2010, High Fidelity fully repaid the principal amount outstanding together with all interest owed under the original debenture issued to the Company in 2007.

In December, 2011, the Company, along with the other shareholders of High Fidelity, agreed to sell all of the shares in High Fidelity to Blue Ant Media Inc. (“Blue Ant”).

Blue Ant purchased 29.9% of the shares of High Fidelity in December, 2011 (the “First Closing”) and agreed to acquire the remaining 70.1% of the shares of High Fidelity in August 2012 (the “Second Closing”).

Immediately prior to the First Closing, the Company (i) converted its debenture into common shares of High Fidelity; and (ii) exercised its warrants for common shares of High Fidelity. At the First Closing, the Company received \$4,848 in cash and recognized a realized gain of \$4,239 in 2011.

In August, 2012, the Second Closing was completed and the Company received \$9,459 in cash, \$1,907 in Blue Ant common shares and recognized a realized gain of \$9,939 in 2012.

In aggregate, for the sale of its common share interests in High Fidelity, the Company received \$14,307 in cash and \$1,907 in Blue Ant common shares.

#### b) Investment in Blue Ant

Blue Ant is a privately held Canadian media company that creates and distributes content in lifestyle, travel, documentary, music and entertainment categories.

At the Second Closing, the Company received \$1,907 in Blue Ant common shares as partial consideration for the sale of its common shares of High Fidelity to Blue Ant. The Second Closing occurred in escrow effective March 1, 2013 with the conditions to escrow being satisfied and \$1,907 cash consideration released on March 28, 2013 from the sale to a third party of the Company’s interest in the Blue Ant common shares.

#### c) Salbro Bottle Group

Salbro Bottle Group (“Salbro”) is a manufacturer and distributor of packaging components, specializing in glass and plastic bottles.

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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### 5. INVESTMENTS IN PRIVATE ENTITIES (continued)

In February, 2008, the Company invested \$3,600 in Salbro. The Company was issued (a) a debenture from Salbro paying 12% cash interest and (b) common share warrants providing the Company with a 12.5% equity interest on a fully diluted basis.

In March 2009, the Company purchased an additional \$400 investment from Total Strategy Fund at par plus accrued interest. The Company's total invested capital in Salbro increased to \$4,000.

In August, 2012, Salbro completed a refinancing resulting in a principal repayment to the Company of \$1,700. As of June 30, 2013, \$2,300 in principal remains owing by Salbro to the Company. As part of the refinancing, the Company agreed to certain amendments to the Salbro debenture, including an extension of the maturity date and modifications of certain of the terms of Salbro's obligations to the Company.

The Company has performed an analysis that is focused on Salbro's ability to repay and repurchase (either as a going concern refinancing or on a liquidation basis) the Company's investment (the debentures and the common share warrants). Different assumptions were used to derive a range of valuations used to arrive at an estimate. As a result of the Company's application of AcG-18, the debentures are reflected at fair value.

#### **d) Digital Payment Technologies Corp.**

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

In 2008 & 2009 the Company invested in a \$6,000 debenture paying 12% interest, preferred share warrants and common share warrants representing a 35% equity interest in DPT on a fully diluted basis.

In September, 2011, the Company completed a follow-on investment in DPT. A promissory note was issued to the Company in the principal amount of \$650. The promissory note was secured and matured in September, 2012. In connection with the financing, C.A. Bancorp extended the maturity date of the debenture from October 2011 to September 2012 to mature concurrently with the promissory note. Certain other amendments to the terms of the debenture were also made including but not limited to the interest payment terms.

In October, 2012, DPT completed a refinancing resulting in a payment to the Company of approximately \$591 in principal and interest owing under the promissory note. Subsequent to the refinancing, \$250 remained outstanding under the promissory note. As a condition of the refinancing, the Company agreed to extend the maturity date of the promissory note and debenture to December 31, 2013.

The Company estimates the enterprise value of DPT by (i) performing an analysis of discounted cash flows; and (ii) applying an enterprise value/revenue multiple and an enterprise value/EBITDA multiple to an average of trailing and forecasted revenue and EBITDA figures, respectively. Where the Company uses publicly available comparables or precedent transactions to derive an appropriate range of multiples it will use to apply, the multiples chosen are typically below the average comparables surveyed to recognize the Company's minority equity position and the fact that DPT is a private company. As a result of the Company's application of AcG-18, the debenture is reflected at fair value.

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

### 6. LIQUIDATION AND REALIZATION STRATEGY COSTS

Under the liquidation basis of accounting, the Company was required to make significant estimates and exercise judgment in determining accrued liquidation costs. The Company reviewed contractual commitments such as lease and employee termination costs, and professional fees to determine the estimated costs to be directly incurred as a result of the liquidation. The Company did not accrue the ongoing operating costs that were anticipated to be incurred through the liquidation period such as payroll and related expenses, and other general and administration costs.

With the abandonment of the Realization Strategy on March 7, 2013 the unexpended accrued liquidation costs were reversed and brought back into income. As a result, liquidation costs and costs attributable to the March 7, 2013 change of control and abandonment of the Realization Strategy in the amount of \$622 have been charged to income in the six months ended June 30, 2013.

### 7. FINANCIAL INSTRUMENTS

#### a) Financial instruments – carrying values and fair values

As at June 30, 2013 and December 31, 2012, the carrying value of all of the Company's investments, cash and cash equivalents and marketable securities was at fair value.

#### b) Fair value measurement

The Company uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. The extent of the Company's use of unadjusted quoted market prices (Level 1), models using observable market information as inputs (Level 2) and models using unobservable market information (Level 3) in its valuation of assets and liabilities carried at fair value are as follows:

Asset	As at June 30, 2013				Assets at fair value
	Fair value measurements using:				
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 21,242	\$ -	\$ -	\$ 21,242	
Marketable securities	4,935	-	-	4,935	
Investments in private entities	-	-	14,977	14,977	

Asset	As at December 31, 2012				Assets at fair value
	Fair value measurements using:				
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 25,126	\$ -	\$ -	\$ 25,126	
Investments in private entities	-	-	16,369	16,369	

There were no transfers between levels during the six months ended June 30, 2013 or the year ended December 31, 2012.

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

### 7. FINANCIAL INSTRUMENTS (continued)

#### c) Changes in fair value measurement for instruments categorized in Level 3

The following table presents the changes in fair value measurements for instruments included in Level 3 of the fair value hierarchy.

June 30, 2013							
Asset	Fair value December 31, 2012	Total unrealized gains included in earnings	Investments in Private Entities and Loans Receivable	Settlement of investments in Private Entities and Loans Receivable	Fair value June 30, 2013	Changes in unrealized gains included in earnings for assets for the period ended June 30, 2013 for positions still held	
Investments in private entities	\$ 16,369	\$ 515	\$ -	\$ (1,907)	\$ 14,977	\$ 515	
June 30, 2012							
Asset	Fair value December 31, 2011	Total unrealized gains included in earnings	Investments in Private Entities and Loans Receivable	Settlement of investments in Private Entities and Loans Receivable	Fair value June 30, 2012	Changes in unrealized gains included in earnings for assets for the period ended June 30, 2012 for positions still held	
Investments in private entities	\$ 27,822	\$ 1,637	\$ 423	\$ (2,274)	\$ 27,608	\$ 1,637	

The change in unrealized gains on investments in private entities is included in interest and investment income and in net results of investments on the statements of operations and comprehensive earnings. Management has assessed and determined that using possible alternative assumptions will not result in significantly different fair values.

### 8. SHARE CAPITAL

#### a) 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.

#### b) Issued and Outstanding

At June 30, 2013 12,269 common shares were issued and outstanding (December 31, 2012 – 12,269).

### 9. TRANSACTIONS WITH RELATED PARTIES

#### *Polar Administrative Services Agreement*

In November, 2012 the Company entered into an Administrative Services Agreement with Polar Capital Management Inc. (“Polar”), whereby Polar agreed to provide the Company with investment management, financial and administrative services until the completion of the Realization Strategy. A former Chief Executive Officer of the Company (i) became an employee of Polar, (ii) was appointed as the Company’s Chief Financial Officer, and (iii) on March 7, 2013 resigned as Chief Financial Officer of the Company. The Polar Administrative Services Agreement was terminated effective March 31, 2013.

# C.A. BANCORP INC.

## Notes to the Financial Statements

June 30, 2013

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

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### 9. TRANSACTIONS WITH RELATED PARTIES (continued)

#### *Consulting and Advisory Services Agreement*

In November 2012 the Company entered into a Consulting and Advisory Services Agreement with Polar and DPT whereby DPT retained the Company to provide certain consulting and advisory services and the Company engaged Polar to provide the Company with such consulting and advisory services, both for \$50 per quarter. The initial term of this agreement ends on December 31, 2013 unless earlier terminated in accordance with its terms.

#### *Management Agreement with CDJ Global Catalyst LLC*

In March 2013 the Company agreed with CDJ that CDJ is to provide the Company with management and administration services. The fees payable for such services are to be in an amount and form as is to be agreed between CDJ and the Company, each acting reasonably. The agreement is for a one year term and thereafter will automatically renew for additional one year terms unless terminated. The agreement can be terminated on 180 days prior written notice by either party subject to payment to CDJ, in certain circumstances, of a termination fee based on a reasonable estimate of the management fee that would have been payable for the 6 months following termination. For the three months ended June 30, 2013, the fee charged to the Company was \$20.

### 10. COMPARATIVE NUMBERS

Certain of the comparative numbers have been reclassified to conform to the current period's presentation.