

URBANA CORPORATION

ANNUAL INFORMATION FORM

March 28, 2012

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Certain statements included in this annual information form may constitute forward looking statements, including those identified by the expressions “believe”, “plan”, “intend”, “anticipate”, “expect” and similar expressions to the extent they relate to the Company or the Investment Manager (as defined herein). Such forward looking statements are not historical facts but reflect the Company’s or the Investment Manager’s current expectations regarding future results or events. Such forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward looking statements. Except as maybe required by applicable law, the Company does not undertake any obligation to update publicly or to revise any of such forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements included or incorporated by reference in this annual information form include statements made in the following sections of this annual information form:

- NAME, FORMATION AND HISTORY OF THE COMPANY.
- CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.
- DIVIDENDS AND DIVIDEND POLICY.
- RISK FACTORS.

NAME, FORMATION AND HISTORY OF THE COMPANY

Urbana Corporation (“Urbana” or the “Company”) is an investment company originally incorporated as a mineral exploration company named Macho River Gold Mines Limited pursuant to letters patent dated August 25, 1947. In 2005, the Company changed its business from mineral exploration to investment. It is now a “non-redeemable investment fund” and an “investment fund” for the purposes of applicable securities laws. The Company’s registered and head office is at 150 King St. W., Suite 1702, Toronto, Ontario M5H 1J9.

The following changes have been made to the Company’s articles of incorporation over the past ten years that could be considered material:

- On July 5, 2006, the Company filed articles of amendment to create an unlimited number of non-voting Class A shares (“Non-Voting Class A Shares”).
- On May 7, 2004, the Company filed articles of amendment to create an unlimited number of preferred shares.

History of the Company

The Company’s common shares (“Common Shares”) and Non-Voting Class A Shares have been listed on the Toronto Stock Exchange (“TSX”) since its graduation on January 11, 2007 from the TSX Venture Exchange (“TSXV”). Between November 2002 and January 11, 2007 the Company’s Common Shares were listed on the TSXV. Prior to this listing on the TSXV, the Company’s Common Shares were listed on the Vancouver Stock Exchange.

The Company had been operating as a mineral exploration company since its inception in 1947. In 2002, to supplement its mining operations and to build up its treasury, the Company began actively pursuing investment opportunities that would provide long-term capital growth as well as shorter term trading opportunities. This investment strategy led to the acquisition of three New York Stock Exchange (“NYSE”) seats/memberships (“Seats”) in late 2003 and 2004. As a result of the acquisition of these NYSE Seats, the investment portfolio of the Company became significantly larger than the mining portfolio. On June 24, 2005, on the recommendation of the management, a “change of business” resolution was passed by the shareholders of the Company to approve the change of the listing of the Company on the TSXV from a mining issuer to an investment issuer. The Company subsequently received approval by the TSXV to become an investment issuer on July 8, 2005.

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified the financial services sector as attractive for longer term growth. However, Urbana maintains the flexibility to invest across a wide spectrum of investment possibilities in other industries. Other areas of opportunity, such as publicly or privately traded securities in other sectors or other assets, may be pursued from time to time, at the discretion of the Investment Manager.

On January 11, 2007 Urbana completed a short form prospectus offering (the “First Offering”) of 16,129,100 units (the “First Offering Units”) at a price of \$3.10 per unit for

gross proceeds of \$50,000,210. Each First Offering Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a “Warrant”). Each Warrant entitled the holder to purchase one Non-Voting Class A Share at a price of \$3.75 on or before January 11, 2009. The First Offering Units separated into Non-Voting Class A Shares and Warrants immediately upon the completion of the First Offering. As a result of the completion of the First Offering, the Company issued 16,129,100 Non-Voting Class A Shares and 8,064,550 Warrants. Concurrent to the closing of the First Offering, Urbana’s Common Shares, Non-Voting Class A Shares and Warrants began trading on the TSX.

In connection with the First Offering, the syndicate of agents for the First Offering (the “First Offering Agents”) was granted the option to purchase, within 30 days of the completion of the First Offering (the “First Over-Allotment Option”), up to an additional 2,419,000 Non-Voting Class A Shares at a price of \$3.05 per share and up to an additional 1,209,500 Warrants at a price of \$0.05 per each half Warrant. On January 29, 2007, the First Offering Agents exercised the First Over-Allotment Option in full for gross proceeds of \$7,498,900 to Urbana. As a result of the full exercise of the First Over-Allotment Option, Urbana issued an additional 2,419,000 Non-Voting Class A Shares and 1,209,500 Warrants.

The Warrants issued in connection with the First Offering and First Over-Allotment Option expired on January 11, 2009.

On July 12, 2007, Urbana completed a second short form prospectus offering (the “Second Offering”) of 24,193,600 units (the “Second Offering Units”) at a price of \$3.10 per unit for gross proceeds of \$75,000,160. Each Second Offering Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a “Series A Warrant”). Each Series A Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of \$3.75 on or before July 12, 2009. The Second Offering Units separated into Non-Voting Class A Shares and Series A Warrants immediately upon the completion of the Second Offering. As a result of the completion of the Second Offering, Urbana issued 24,193,600 Non-Voting Class A Shares and 12,096,800 Series A Warrants. Concurrent to the closing of the Second Offering, Urbana’s Series A Warrants began trading on the Toronto Stock Exchange.

In connection with the Second Offering, the syndicate of agents for the Second Offering (the “Second Offering Agents”) was granted the option to purchase, within 30 days of the completion of the Second Offering (the “Second Over-Allotment Option”), up to an additional 3,629,040 Non-Voting Class A Shares at a price of \$3.05 per share and up to an additional 1,814,520 Series A Warrants at a price of \$0.05 per each half Series A Warrant. On July 27, 2007, the Second Offering Agents partially exercised the Second Over-Allotment Option for gross proceeds of \$3,696,424. As a result of the partial exercise of the Second Over-Allotment Option, Urbana issued an additional 1,192,395 Non-Voting Class A Shares and 596,197 Series A Warrants.

The Warrants issued in connection with the Second Offering and Second Over-Allotment Option expired on July 12, 2009.

Pursuant to Purchase and Sale Agreements dated October 25, 2007, Urbana purchased from Caldwell New York Limited Partnership, Caldwell New York LP II and Caldwell New York LP IV (the “Caldwell LPs”) a total of 799,796 unrestricted NYSE Euronext common shares, 444,810 restricted NYSE Euronext common shares (not freely tradeable until after March 7, 2009) and \$1,994,535 Canadian Treasury bills. As consideration for these NYSE Euronext shares and Canadian Treasury bills, Urbana issued from its treasury 23,802,337 Non-Voting Class A shares to the Caldwell LPs, of which 7,867,597 were subject to trading restrictions, which restrictions were subsequently removed on October 1, 2008. This transaction represents an addition of \$91,746,119 to the capital of Urbana. Urbana and the Caldwell LPs were related parties in that both Urbana and the Caldwell LPs were under the same management. This transaction was carried out with all necessary and appropriate regulatory and stakeholders’ approvals. As the transaction was carried out on a tax-deferred “rollover” basis to the Caldwell LPs, the NYSE Euronext common shares were acquired by Urbana for tax purposes at a cost less than their fair market value.

On November 10, 2009, Urbana completed a short form prospectus offering (the “Third Offering”) of 10,526,320 units (the “Third Offering Units”) at a price of \$1.90 per unit for gross proceeds of \$20,000,008. Each Third Offering Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a “Series B Warrant”). Each Series B Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of \$2.50 on or before November 10, 2011. The Third Offering Units separated into Non-Voting Class A Shares and Series B Warrants immediately upon the completion of the Offering. As a result of the completion of the Third Offering, Urbana issued 10,526,320 Non-Voting Class A Shares and 5,263,160 Series B Warrants. In connection with the Third Offering, the syndicate of agents for the Offering (the “Third Offering Agents”) was granted the option to purchase (the “Third Over-Allotment Option”), within 30 days of the completion of the Third Offering, up to an additional 1,578,948 Non-Voting Class A Shares at a price of \$1.85 per share and up to an additional 789,474 Series B Warrants at a price of \$0.10 per Series B Warrant. On November 30, 2009, the Third Offering Agents partially exercised the Third Over-Allotment Option and as a result, Urbana issued an additional 82,590 Series B Warrants and no additional Non-Voting Class A Shares.

The Warrants issued in connection with the Third Offering and Third Over-Allotment Option expired on November 10, 2011.

INVESTMENT RESTRICTIONS

Unlike mutual funds, Urbana, as a non-redeemable investment fund, is not subject to or managed in accordance with the investment restrictions and practices prescribed by securities legislation for mutual funds, including National Instrument 81-102 of the Canadian Securities Administrators. In order to minimize the impact of taxes on Urbana, to add to future performance and to expand its portfolio holdings, the Company may use leverage that will not exceed 100% of the net asset value of the Company.

Urbana's Common Shares and Non-Voting Class A Shares are listed for trading on the TSX and as such they are qualified investments under the *Income Tax Act* (Canada)(the "Tax Act") for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Annuitants of registered retirement savings plans and registered retirement income funds and holders of tax-free savings accounts should consult their own tax advisors with respect to whether Common Shares or Non-Voting Class A Shares constitute "prohibited investments" in their particular circumstances.

DESCRIPTION OF SECURITIES

The authorized capital of Urbana consists of an unlimited number of Common Shares, an unlimited number of Non-Voting Class A Shares and an unlimited number of preferred shares (the "Preferred Shares"). As of the date of this Annual Information Form, Urbana has 10 million Common Shares, 62,606,900 Non-Voting Class A Shares and no Preferred Shares outstanding. The rights, privileges, restrictions and conditions attaching to the Non-Voting Class A Shares, the Common Shares and the Preferred Shares are summarized below.

Rank

Except with respect to voting and conversion, each Common Share and each Non-Voting Class A Share have the same rights and are equal in all respects on a share-for-share basis.

Voting

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of shareholders of Urbana (other than meetings of a class or series of shares other than the Common Shares). The holders of the Non-Voting Class A Shares are entitled to receive notice of and attend all meetings that the holders of Common Shares are entitled to receive notice of and attend. Each holder of Common Shares is entitled to one vote in respect of each Common Share held at such meetings. The holders of Non-Voting Class A Shares are not entitled to vote at such meetings other than as required by applicable law.

Dividends

Subject to the rights of the holders of the Preferred Shares, if any are issued, the holders of Common Shares and Non-Voting Class A Shares are entitled to dividends if, as and when declared by the directors of Urbana and rank equally with respect to priority and payment of dividends. All dividends which the directors may determine to declare and pay on the Common Shares outstanding or on the Non-Voting Class A Shares outstanding will be paid in equal amounts per share on both such classes without preference or distinction. Urbana has no dividend policy, and currently has no intention to declare or pay dividends on its Common Shares or Non-Voting Class A Shares in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of Urbana's board of directors.

Take-over Bid Protection

The Non-Voting Class A Shares include take-over bid protective provisions, or "coattails", which are summarized as follows. If an offer to purchase Common Shares must, by reason of applicable securities legislation or the requirements of any stock exchange on which the Common Shares are listed, be made to all or substantially all holders of Common Shares, the holders of the Non-Voting Class A Shares shall have the right, after the 7th day after the

offer was made, to convert each Non-Voting Class A Share into one Common Share. An election by a holder of Non-Voting Class A Shares to exercise such conversion right is also deemed to constitute an irrevocable election by the holder to have the resulting Common Shares deposited pursuant to the offer to purchase the Common Shares (subject to any withdrawal rights) and to have the resulting Common Shares reconverted into Non-Voting Class A Shares if the offer to purchase Common Shares is abandoned, withdrawn or not completed in accordance with its terms. Such deemed election to reconvert into Non-Voting Class A Shares shall also apply to any resulting Common Shares that are withdrawn from the offer to purchase or that are not ultimately taken up and paid for under the offer.

There will be no right to convert the Non-Voting Class A Shares into Common Shares in the following cases:

- (i) the offer to purchase Common Shares is not required under applicable securities legislation or the rules of a stock exchange on which Common Shares are then listed to be made to all or substantially all holders of Common Shares who are in a province of Canada to which the legislation applies; that is, the offer is an “exempt take-over bid” within the meaning of the foregoing securities legislation; or
- (ii) an offer to purchase Non-Voting Class A Shares is made concurrently with the offer to purchase Common Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all other material respects. The offer to purchase the Non-Voting Class A Shares must be unconditional, subject to the exception that the offer for the Non-Voting Class A Shares may contain a condition to the effect that the offeror not be required to take up and pay for Non-Voting Class A Shares tendered in response to the offer if no shares are purchased pursuant to the concurrent offer for the Common Shares; or
- (iii) holders of more than fifty percent (50%) of the outstanding Common Shares certify to Urbana that they will not deposit such Common Shares to the offer.

The articles of amendment of Urbana contain a definition of an offer giving rise to the conversion right, provide certain procedures to be followed in order to effect the conversion and provide that, upon any such offer, Urbana or the transfer agent shall communicate in writing to the holders of Non-Voting Class A Shares the full details as to the offer and the mode of exercise of the conversion right.

Dissolution

Subject to the prior rights of the Preferred Shares, if any are issued, upon the liquidation, dissolution or winding up of Urbana or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the assets of Urbana available for payment or distribution will be paid or distributed to the holders of Common Shares and the holders of Non-Voting Class A Shares equally, on a share-for-share basis.

Preferred Shares

Urbana is authorized to issue Preferred Shares. The holders of Preferred Shares are not entitled to receive notice of or to attend or vote at any meeting of shareholders, except as provided by applicable law. Preferred Shares may be issued in one or more series and, with respect to the payment of dividends and the distribution of assets in the event that Urbana is liquidated, dissolved or wound-up, rank prior to the Common Shares and the Non-Voting Class A Shares. To date, the Company has not issued any Preferred Shares.

VALUATION OF PORTFOLIO SECURITIES

In calculating the value of a security or other asset held by the Company at any time, the following valuation principles are used:

- Publicly listed securities/assets are valued at the latest available sale price of recent date, or lacking any recent sales or any record thereof, the latest bid price. However, for purposes of the interim and annual statements, all securities are valued at the most recent bid price in accordance with GAAP (see below).
- Unlisted securities/assets that trade on an over-the-counter market are valued in the same manner.
- Notwithstanding the above, in special circumstances when, in the opinion of Management, a market quotation is not readily available or is inapplicable, the security/asset is valued at its fair value as determined by Management using available sources of information and commonly used valuation techniques.

CALCULATION OF NET ASSET VALUE

The net asset value per share of the Company (the “NAV”) is calculated on a weekly basis at the end the last business day of each week after the market closes. The NAV is calculated by dividing the net asset value of the Company, being the value of its total assets less the value of its total liabilities, both as determined Management, by the total number of Common Shares and Non-Voting Class A Shares outstanding at the time of calculation.

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”), which establishes Canadian Generally Accepted Accounting Principles (“GAAP”) for financial reporting purposes, issued Section 3855, “Financial Instruments – Recognition and Measurement”, which addresses the classification, recognition and measurement of financial instruments. This section, which came into effect on October 1, 2006, was initially applicable to Urbana’s year ending December 31, 2007. Section 3855 requires that in calculating net assets, a company uses the closing bid price for the securities to determine the

fair value of financial instruments which are traded in active markets (“Net Assets”) instead of using the last or close traded price (“Net Asset Value”) that was used before Section 3855 was adopted. Subsequent to the adoption of Section 3855 by the CICA and effective September 8, 2008, the Canadian securities regulatory authorities issued amendments to NI81-106 which removed the requirement that net asset value be calculated in accordance with GAAP (other than in financial statements). As a result of the amendments, the net asset value of Urbana (other than in financial statements) continues to be calculated by applying the close or last trade price to obtain securities values (i.e. Net Asset Value). A reconciliation between the Net Assets and the Net Asset Value is included in the notes to the Company’s annual and interim financial statements.

PURCHASE OF SECURITIES

The Company’s Common Shares and Non-Voting Class A Shares are listed for trading on the TSX under the ticker symbols of URB and URB.A respectively. Because the Company is a non-redeemable investment fund, its Common Shares and Non-Voting Class A Shares may trade at a lower value than its NAV. An investor who wishes to purchase the Company’s Common Shares or Non-Voting Class A Shares can do so through the facilities of the TSX by contacting his or her investment advisor.

REDEMPTION OR SALE OF SECURITIES

The Common Shares and the Non-Voting Class A Shares of the Company are not redeemable by the investor. As described in Purchase of Securities above, investors will not necessarily be able to dispose of their Common Shares or Non-Voting Class A Shares at the NAV. In order to dispose of any of Urbana’s Common Shares and Non-Voting Class A Share (collectively the “Urbana Securities”), an investor can sell his or her Urbana Securities through the facilities of the TSX. If an investor fails to complete an order to sell or purchase Urbana Securities, the investor may be liable to compensate his or her dealer for any losses suffered by the dealer in connection with the failed transaction.

RESPONSIBILITY FOR COMPANY OPERATIONS

Management is responsible for the day-to-day operations of the Company, including all administrative and policy matters, including investment policy with respect to the acquisition and disposition of its investments. State Street Fund Services, Toronto, Inc. provides valuation and accounting services for the Company. CIBC Mellon Trust is the transfer agent for the Company and manages the records of the securityholders of the Company.

The board of directors of the Company (the “Board”) is responsible for the oversight of the management, setting of investment and governance policies and the general operations of the Company.

Investment Manager and Portfolio Adviser

Management has delegated its investment operations to Caldwell Investment Management Ltd. (the “Investment Manager”), subject to the terms and conditions of a management

agreement (the “Fund Management and Portfolio Management Agreement”) between the Company and the Investment Manager dated August 10, 2011. The Investment Manager also acts as the Portfolio Adviser of the Company. Pursuant to the Fund Management and Portfolio Management Agreement, the Investment Manager manages the portfolio assets, including provision of investment analysis and recommendations, making investment decisions, purchase and sale of portfolio assets, and making brokerage arrangements relating to the portfolio assets. The Fund Management and Portfolio Management Agreement provides that the Investment Manager is entitled to a management fee equal to 1.5% per annum of the market value of the Company’s investment portfolio. The management fees are accrued daily and paid quarterly within ten (10) business days of the preceding quarter.

The Fund Management and Portfolio Management Agreement is terminable at the option of either party for any reason on sixty (60) days' notice. The Investment Manager’s head office is located at Suite 1702, 150 King Street West, Toronto, Ontario M5H 1J9. Telephone: (416) 593-1798. The following table summarizes the name, municipality of residence, position held for each of the directors and officers of the Investment Manager, and principal occupation of the individuals:

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Thomas S. Caldwell Toronto	Director, Chairman and Chief Compliance Officer	Chairman Caldwell Securities Ltd. Investment Dealer
Brendan T.N. Caldwell Toronto	Director, President and Chief Executive Officer	Officer of the Investment Manager
J. Dennis Freeman Toronto	Director and Senior Investment Strategist	Officer of the Investment Manager
Michael B.C. Gundy Toronto	Director	President Gundy Inc. Exempt Market Dealer
Jennifer Radman Toronto	Vice-President	Financial Analyst Investment Manager
Armel Kitieu Toronto	Vice-President	Financial Analyst Investment Manager
Sally Haldenby Haba Toronto	Secretary	Vice-President and Secretary Caldwell Securities Ltd. Investment Dealer

During the five years preceding the date of this annual information form, each of the directors and officers of the Investment Manager has been engaged in his or her principal occupation as indicated above.

Brokerage Arrangements

The Company has no contract or arrangement with any investment dealer or broker regarding portfolio securities transactions. The Company's brokerage business is not allocated according to any specific formula, method or criteria nor is it based upon the provision of investment-making services or sales of securities of the Company. The independent review committee of the Company (see "GOVERNANCE OF THE COMPANY – Independent Review Committee" below) has made a recommendation to the Company and the Investment Manager to execute portfolio transactions through Caldwell Securities Ltd., an affiliated entity of the Investment Manager, provided that such transactions are executed on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to the Investment Manager.

Directors and Officers of the Company

The following table summarizes the name, municipality of residence, office held for each of the directors and officers of Urbana, and principal occupation of the individuals:

<u>Name, Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
Thomas S. Caldwell Toronto	Director, President & C.E.O. (since 1980)	Chairman Caldwell Securities Ltd Investment Dealer
Bethann Colle Toronto, ON	Director (since 2006)	Partner, Sequoia Group Executive Search Consultants
George D. Elliott Toronto, ON	Director (since 2011)	Lawyer Self-employed
Michael B.C. Gundy Toronto, ON	Director (since 1984)	President Gundy Inc. Exempt Market Dealer
George M. Mencke Toronto, ON	Director (since 2007)	Retired Executive*
Jean Ponter Toronto, ON	Chief Financial Officer (since 2006)	Vice-President Caldwell Securities Ltd. Investment Dealer
Harry K. Liu Toronto, ON	Corporate Secretary (since 2008)	Lawyer Self-employed

*Prior to his retirement in 2001, Mr. George M. Mencke was the Executive Vice-President and Chief Financial Officer of McDonald's Restaurants of Canada Ltd.

Auditors

The auditors of the Company are Deloitte & Touche LLP, Brookfield Place, 181 Bay Street, Suite 1400, Toronto ON M5J 2V1.

Transfer Agent and Registrar

The transfer agent and registrar for securities of the Company is CIBC Mellon Trust, c/o Canadian Stock Transfer Company, Inc. P.O. 700, Station B, Montreal, QC H3B 3K3.

Custodian

The custodian of the Company is State Street Trust Company Canada (the “Custodian”) which holds all cash and all public traded securities owned by the Company and other assets of the Company which are acceptable to the Custodian and agreed upon by the Fund from time to time. The Custodian’s principal office is located at Suite 1100, 30 Adelaide Street East, Toronto, Ontario M5C 3G6. The Custodian may appoint qualified sub-custodians to hold portfolio securities outside of Canada.

CONFLICTS OF INTEREST

Principal Holders of Securities

The Investment Manager is a wholly-owned subsidiary of Caldwell Financial Ltd. As at the date of this annual information form,

- (i) Thomas S. Caldwell beneficially owns directly or indirectly 4,158,161 Common Shares, representing 41.58% of the common shares of Urbana outstanding;
- (ii) Thomas S. Caldwell beneficially owns directly or indirectly 2,199,112 common shares of Caldwell Financial Ltd., representing 45.14% of the common shares of Caldwell Financial Ltd. outstanding
- (iii) The directors and senior officers of Urbana own directly or indirectly in aggregate 4,305,161 Common Shares, representing 43.05% of the common shares of Urbana outstanding;
- (iv) The directors and senior officers of Urbana own directly or indirectly in aggregate 2,231,612 common shares of Caldwell Financial Ltd., representing 45.81% of the common shares of Caldwell Financial Ltd. outstanding;
- (v) The directors and senior officers of the Investment Manager own directly or indirectly in aggregate 5,147,205 Common Shares, representing 51.47% of the common shares of Urbana outstanding; and
- (vi) The directors and senior officers of the Investment Manager own directly or indirectly in aggregate 3,374,050 common shares of Caldwell Financial Ltd., representing 69.26% of the common shares of Caldwell Financial Ltd. outstanding

Affiliated Entities

Urbana, the Investment Manager and Caldwell Securities Ltd. are affiliated entities of each other in that they are under common control. Caldwell Securities Ltd. may from time to time provide brokerage services to the Investment Manager in relation to Urbana. (see “RESPONSIBILITY FOR COMPANY OPERATIONS – Brokerage Arrangements” above). Pursuant to the Investment Management Agreement, the Investment Manager pays the fees charged for brokerage services rendered in relation to Urbana. The amount of fees received from the Company by each of the affiliated entities is contained in the audited financial statements of the Company. Thomas S. Caldwell and Michael B.C. Gundy, directors of the Company, are also directors of the Investment Manager. Additionally, Thomas S. Caldwell is a director of Caldwell Securities Ltd.

GOVERNANCE OF THE COMPANY

Board of Directors

The Board has the overall stewardship responsibility and is responsible to the shareholders for the affairs of the Company. The Board has determined that Urbana's current objective is to invest in exchange properties worldwide and other investments with the potential for growth.

The Company's investment activities are delegated to the Investment Manager. The Board supervises the management of the Company and ensures the integrity of the internal controls and the compliance of applicable regulatory requirements for the disclosure and dissemination of corporate information to the Company's securityholders and the public.

The Board has established two committees, the Audit Committee and the Governance, Nominating and Compensation Committee, to ensure that the interests of all of the Company's securityholders, particularly the minority and non-voting shareholders, are protected. The President monitors the accounts and the investment portfolio on a regular basis and through the Investment Manager reports to the Board. Three of the five directors of the Board, namely, Bethann Colle, George D. Elliott and George M. Mencke, are independent of the Investment Manager, and the Board has appointed Bethann Colle and George M. Mencke to the Audit Committee and Bethann Colle and George D. Elliott to the Governance, Nominating and Compensation Committee.

The Audit Committee has been established by the Board for the purposes of overseeing the accounting and financial reporting processes of Urbana, including the audit of the financial statements of Urbana. It is responsible for assisting with the Board's oversight of (1) the quality and integrity of Urbana's financial statements and related disclosure, (2) Urbana's compliance with legal and regulatory requirements relating to financial and accounting matters, (3) the independent auditor's (the "Auditor") qualifications, performance and independence (4) the effectiveness of the internal controls at Urbana, and (5) the effectiveness of communication among the Audit Committee, Auditor, Management, and the Board.

The Governance, Nominating and Compensation Committee has been established by the Board for the purposes of (1) reviewing Urbana's corporate governance practices and recommending changes to those practices as it considers appropriate, (2) reviewing the effectiveness and performance of the Board and of individual members, (3) reviewing and recommending candidates for nomination to the Board, (4) reviewing and recommending the compensation of the CEO and the other executive officers of Urbana, (5) recommending the compensation of the directors of Urbana, and (6) reviewing and making recommendations to the Board with respect to equity and incentive based plans and with respect to any other compensation matters that require approval of the Board.

Independent Review Committee

National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”) applies to mutual funds and non-redeemable investment funds. It requires the manager of a fund to establish an independent review committee to deal with certain matters which could be perceived to be in the nature of a conflict of interest between the manager and the fund. NI 81-107 applies to Urbana because it is a non-redeemable investment fund. The Investment Manager has established an independent review committee (IRC) in accordance with NI 81-107 and has appointed Robert Guilday, Sharon Kent and F. Michael Walsh as the members of the Independent Review Committee, with input from the independent Directors of Urbana. Mr. Guilday is the Chair of the IRC and is the primary person to interact with the Investment Manager.

The Mandate and responsibilities of the IRC are set out in its charter. The IRC is responsible for carrying out those responsibilities required to be undertaken by an independent review committee under NI 81-107, in particular:

- (a) Reviewing and providing input into the Investment Manager’s policies and procedures regarding conflict of interest matters, including any amendments to such policies and procedures referred to the IRC by the Investment Manager;
- (b) Approving or disapproving each conflict of interest matter referred by the Investment Manager to the IRC for its approval;
- (c) Providing its recommendation as to whether the Investment Manager’s proposed action on a conflict of interest matter referred by the Investment Manager to the IRC for its recommendation achieves fair and reasonable result for the Company;
- (d) Together with the Investment Manager, providing orientation to new members of the IRC as required by NI 81-107;
- (e) Conducting regular assessments as required by NI 81-107; and
- (f) Reporting to securityholders of the Company, the Investment Manager and securities regulators as required by NI 81-107.

The members of the IRC also act as the members of the independent review committees for other investment funds managed by the Investment Manager.

Proxy Voting Policy

The Company has adopted a policy with respect to the voting (or the decision to refrain from voting) of shares or other voting securities owned by the Company that so long as it receives the proxy and related materials from the issuer or otherwise in sufficient time to cast the vote, the Company will consider each proposal, including non-routine matters such as mergers or amalgamations, on its merits and in light of the best interests of the Company and its shareholders, and cast the vote in accordance with its best judgment. In the ordinary course the Company may decide not to vote on routine matters. In the event that a vote presents a conflict between the interests of the Company and those of the Investment Manager (or its affiliates and associates), the same policy applies.

The Company maintains a proxy voting record which includes, for each time the Company receives proxy voting materials, the name of the issuer, the stock exchange symbol of the

securities, the CUSIP number for the securities, the meeting date, whether the meeting was called by the issuer's management or otherwise, a brief identification of the matters to be voted on and whether the Company has voted on such matters, and whether the votes cast were for or against the recommendations of the issuer's management.

The Company prepares a proxy voting record on an annual basis for the twelve month period ending on June 30th in each year and posts the record on the Company's website (www.urbanacorp.com) by August 31st in each year. Upon the written request from a shareholder after August 31st in each year and without charge to the shareholder, the Company will promptly deliver a copy of its most recent proxy record and proxy voting policy and procedures.

The Company has not adopted any policies or procedures relating to the monitoring, detection and deterrence of short-term trades of the Company's securities by investors. In Management's view, such policies are not applicable to a non-redeemable investment fund.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Accordingly shareholders should consult their own tax advisors with respect to the acquisition, holding and disposition of Common Shares or Non-Voting Class A Shares in their particular circumstances.

This summary is based on the current provisions of the Tax Act, the Regulations thereunder (the "Regulations"), the specific proposals for amendments to the Tax Act and the Regulations which have been publicly announced by or on behalf of the Minister of Finance prior to the date hereof (the "Tax Proposals") and the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA"). This summary is generally applicable to a holder of Common Shares or Non-Voting Class A Shares who, for the purposes of the Tax Act, is a resident of Canada, holds such shares as capital property, deals at arm's length with and is not affiliated with Urbana, and is not a "financial institution" or a "specified financial institution" as defined in the Tax Act. This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed, or at all.

Taxation of Urbana

Urbana is subject to tax on its taxable income under Part I of the Tax Act. Urbana will be required to include in computing its income all dividends it receives, but will generally be entitled to deduct in computing taxable income taxable dividends received on shares of taxable Canadian corporations. Urbana treats its investments as capital property.

Taxation of Holders of Urbana Securities

Dividends received on Common Shares or Non-Voting Class A Shares by an individual will be subject to the gross-up and dividend tax credit applicable to dividends received on shares of a Canadian taxable corporation including, where applicable, the enhanced dividend tax credit applicable to “eligible dividends”.

Dividends received on the Common Shares or Non-Voting Class A Shares by a corporation will be included in computing income but will generally be deductible in computing taxable income.

A corporation that is a “private corporation”, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33^{1/3}% refundable tax under Part IV of the Tax Act on dividends received on the Common Shares or Non-Voting Class A Shares to the extent such dividends are deductible in computing its taxable income.

A disposition of a Common Share or Non-Voting Class A Share will generally result in a capital gain (or capital loss) to the extent the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such share and any reasonable costs of such disposition. One-half of a taxable capital gain is included in income and one-half of a capital loss may be deducted against taxable capital gains in accordance with the rules in the Tax Act.

A “Canadian-controlled private corporation” as defined in the Tax Act may be subject to an additional refundable 6^{2/3}% tax on its “aggregate investment income” (which is defined in the Tax Act to include taxable capital gains).

Capital gains realized, and dividends received, by an individual (other than certain trusts) will be relevant in computing possible liability for alternative minimum tax.

Eligibility for Investment

Common Shares and Non-Voting Class A Shares are qualified investments under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts. Annuitants of registered retirement savings plans and registered retirement income funds and holders of tax-free savings accounts should consult their own tax advisors with respect to whether Common Shares or Non-Voting Class A Shares constitute “prohibited investments” in their particular circumstances.

DIVIDENDS AND DIVIDEND POLICY

The Company has not in its history paid a dividend on its Common Shares or Non-Voting Class A Shares and there is not, at the present time, any plan to initiate a dividend policy.

INDEBTEDNESS TO THE COMPANY

There are no debts owed to the Company by directors, officers or companies within their control.

REMUNERATION OF THE INDEPENDENT REVIEW COMMITTEE (IRC)

The IRC was established on May 1, 2007. The aggregate compensation paid by Urbana to the IRC for the year ended December 31, 2011 was \$4,727. At least annually, the IRC reviews its compensation in a manner consistent with good governance practices, giving consideration to the following factors:

- (a) the best interests of the Company;
- (b) the nature and complexity of the Company;
- (c) the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- (d) industry best practices, including industry averages and surveys on IRC compensation, and
- (e) the IRC's most recent annual self-assessment, as well as, any recommendations about IRC compensation and expenses made by the Manager.

MATERIAL CONTRACTS

Urbana's investment portfolio is managed under a Fund Management and Portfolio Management Agreement dated August 10, 2011 with Caldwell Investment Management Ltd. (see "RESPONSIBILITY FOR COMPANY OPERATIONS – Investment Manager and Portfolio Advisor" above), a wholly-owned subsidiary of Caldwell Financial Ltd. in which Thomas S. Caldwell holds a 45.14% interest. State Street Trust Company Canada is the custodian of the Company pursuant to a custodian agreement dated May 29, 2008. These agreements are available for inspection at the head office of the Company during regular business hours.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no ongoing legal or administrative proceedings material to the Company to which the Company or the Investment Manager is a party.

RISK FACTORS

The following are some of the risk factors relating to an investment in the securities of the Company:

Fluctuations in the Value of Portfolio Shares

The value of the Urbana Securities held can be affected by events not within the control of Urbana. Further, the highly concentrated nature of Urbana's holdings can add to short-term high volatility. This, as well as broadly based market fluctuations brought about by geopolitical or economic events, can impact the value of Urbana's investment portfolio. The value of Urbana Securities and any income and gains associated with them can fluctuate significantly and may be quite volatile. Investors should be aware that they may not achieve their anticipated returns and may, in fact, suffer significant loss.

Equity Risk

Urbana invests in securities (debt or equity). The values of the Urbana Securities are affected by changes in the market price of those securities. The securities business is speculative, prices are volatile and market movements are difficult to predict. The price of a security is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the security is located or where the stock is listed for trading.

Market Fluctuations and Other Risks Affecting Exchange Properties

The business of exchange properties are directly affected by economic, political and market conditions in and around the world that are beyond Urbana's control and may affect its performance, including broad trends in business and finance, concerns over inflation and the level of institutional or retail confidence, changes in government monetary policy and foreign currency exchange rates, the availability of short-term and long-term funding and capital, the availability of alternative investment opportunities, the availability of cash for investment by mutual funds and other institutional as well as retail investors, changes in the level of trading activity, changes and volatility in the prices of securities, changes in tax policy, the level and volatility of interest rates, legislative and regulatory changes, including the potential for regulatory arbitrage among U.S. and non-U.S. markets if significant policy differences emerge among markets, unforeseen market closures or other disruptions in trading, and terrorism and war.

Currency Fluctuations

The Canadian dollar value of Urbana's investments in foreign securities is affected by changes in the value of the Canadian dollar relative to those securities. While the Investment Manager may employ currency hedging when it believes that currency exposure presents significant risk, there is no assurance that it will do so in any particular circumstance. Premiums paid for over-the-counter currency options purchased by Urbana may reduce Urbana's return. A significant portion of the assets of Urbana are in the United States and as a consequence, underlying asset values can be negatively impacted by a decline in the U.S. dollar relative to the Canadian dollar. Urbana currently does not have any currency hedges in place.

Limited Liquidity of Certain Assets

The current holdings and future investments in exchange seats or similar equity securities of private exchanges will have reduced liquidity for a short or potentially long period of time. There are restrictions in ownership of exchanges and there is a risk that Urbana's investments may not be completely liquid at the time it wishes to sell them, and as a result its ability to sell will be affected.

Industry And Geographic Concentration

The Investment Manager's investment philosophy may cause Urbana to focus on specific industries and to avoid others. Moreover, the Investment Manager will be authorized to allocate Urbana's assets without limitation among geographic regions and individual countries. As a result, Urbana may have greater exposure to particular industries, countries, or regions than other similar funds.

Foreign Securities Risk

Urbana invests a substantial portion of its assets in foreign securities. The value of foreign securities may be influenced by foreign government policies (including the possibility of nationalization, expropriation or confiscatory taxation, political changes, changes to government regulation), lack of information about foreign companies, political or social instability and the possible levy of foreign withholding tax. There may be lower standards of government supervision and regulation in foreign financial markets. Foreign stock markets may also be less liquid and more volatile. In addition, the securities markets of many countries have at times in the past moved relatively independently of one another due to different economic, financial, political and social factors. This may reduce gains Urbana has derived from movements in a particular market. If Urbana holds foreign securities, it may have difficulty enforcing legal rights in jurisdictions outside Canada.

Calculation of Net Asset Value

In calculating Urbana's net asset value, marketable securities that trade in active markets are valued at the respective closing prices; otherwise they are recorded at fair value. Fair value for privately owned entities is established by the most recent sale of memberships preceding the valuation date and translating this amount using the foreign currency exchange rate at the valuation date. In calculating Urbana's net asset value for privately owned entities with no active market, fair value is established using the cost amount and translating this amount using the foreign currency exchange rate at the valuation date. Urbana tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the privately owned entities may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the privately owned entities are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value. Notwithstanding the above, in special circumstances when, in the opinion of Management, a market quotation is not readily available or is inappropriate (such as a stale price), the security is valued at its fair value as determined by Management using available sources of information and commonly used valuation techniques. These valuation methodologies may undervalue or overvalue the

assets of Urbana, particularly the less liquid investments, which undervaluation or overvaluation may be significant.

Portfolio Turnover

Urbana has not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Investment Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate of turnover (e.g., greater transaction costs such as brokerage fees) and may involve different tax consequences.

Effect of Globalization, Consolidations and Other Strategic Arrangements on Urbana's Competitive Position

In the last several years, the structure of the securities industry has changed significantly through demutualizations and consolidations. In response to growing competition, many marketplaces in both Europe and the United States have demutualized to provide greater flexibility for future growth. The securities industry is also experiencing consolidation, creating a more intense competitive environment. Investment in exchange properties is competitive, particularly in light of increasing consolidation in the securities industry. This may adversely affect the Investment Manager's ability to make profitable investments in this industry. The Investment Manager may be unable to make investments in this sector on what it believes to be an attractive basis and Urbana's current investment focus may change as a result.

Broad Authority of The Investment Manager

The Investment Manager has broad discretion over the conduct of Urbana's undertaking, selection of the specific companies in which Urbana invests and over the types of transactions in which Urbana engages.

Reliance on Management and Key Personnel

The performance of Urbana's investment portfolio and the ability of Urbana to generate sufficient income and realized gains to make dividend payments, if any, on the Non-Voting Class A Shares will be primarily dependent on the performance of the Investment Manager. The contribution of certain of the Investment Manager's other professionals is also important to the performance of Urbana's investment portfolio and, in turn, to Urbana's profitability. Individuals employed by the Investment Manager may, however, choose to leave at any time to pursue other opportunities. The loss of certain of the Investment Manager's professionals could have an adverse effect on Urbana. The ability of the Investment Manager to successfully implement Urbana's business strategy will depend in large part on the continued involvement of Mr. Thomas Caldwell, C.M., and Mr. Brendan Caldwell.

Private Exchange Investing

Although Urbana is investing in private exchanges with the expectation that such exchanges will demutualize and become for-profit publicly traded entities, there can be no assurance these events will occur or if they occur that the value of Urbana's investments will appreciate over the cost of such investments.

Conflicts of Interest

The Investment Manager has other investment management clients with similar investment objectives to those of Urbana. In allocating investment opportunities, the Investment Manager seeks to deal with all clients in a fair and equitable manner. All investment decisions for Urbana are made independently from those for other accounts managed by the Investment Manager, although Urbana and one or more of those accounts may employ similar or identical investment policies and strategies. Accordingly, at any time some or all of the investments of Urbana may not be identical to the investments of another account managed by the Investment Manager.

Thomas S. Caldwell beneficially owns or directly or indirectly controls or directs 4,295,861 Common Shares, representing approximately 42.96% of the Common Shares and also beneficially owns or directly or indirectly controls or directs 2,239,512 common shares of Caldwell Financial Limited, the sole shareholder of the Investment Manager, representing approximately 45.97% of common shares of Caldwell Financial Ltd. Brendan T.N. Caldwell beneficially owns or directly or indirectly controls or directs 1,031,163 Common Shares representing approximately 10.31% of the Common Shares and also beneficially owns or directly or indirectly controls or directs 1,100,000 common shares of Caldwell Financial Ltd. representing 22.58% of the common shares of Caldwell Financial Ltd.

There are potential conflicts of interest that could arise in connection with the Investment Manager acting on behalf of Urbana. The Investment Manager has adopted a conflicts of interest policy to address and minimize those potential conflicts of interest. The securities laws of the Province of Ontario require securities advisers such as the Investment Manager, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Investors should refer to the applicable provisions of those securities laws for the particulars of these rules and their rights or consult with a legal adviser. Urbana is a related and connected issuer of the Investment Manager and its affiliates within the meaning of applicable Canadian securities legislation.

Termination of Investment Management Agreement

The Investment Manager provides investment, portfolio management and other services to Urbana. As the Fund Management and Portfolio Agreement is terminable at the option of either party for any reason on sixty (60) days' notice, there is no guarantee that the Investment Manager will continue to act as Urbana's investment manager. The termination of the Fund Management and Portfolio Management Agreement by the Investment Manager could have an adverse effect on Urbana.

Alternative trading systems

Alternative trading systems ("ATS") such as BATS Exchange and Direct Edge have been established to provide competition to incumbent exchanges. The success of ATS could affect the profitability of securities exchanges as the exchanges reduce fees to maintain market

share, which could therefore impact the value of their shares thereby impacting the profitability of their investors, such as Urbana.

Discount

As a non-redeemable investment company, Urbana's shares may trade at a lower price than its net asset value per share. This is known as the "discount". As a result, the return experienced by a shareholder will likely differ from the underlying performance of Urbana. The share price is established by competitive markets, which reflect the buying demand and the selling supply of Urbana's shares. Factors which are thought to influence share price, and therefore discounts and their converse, premiums, include Urbana's relative performance, the liquidity of Urbana's shares, dividend yield, the use of a managed dividend policy, confidence in the Investment Manager, investor's perceptions and expectations regarding the outlook of the countries, sectors or market in which Urbana invests.

Borrowing Against Assets

Urbana may employ leverage (i.e., the use of borrowed funds or securities) in its investment strategy. Leverage will not exceed 100% of Urbana's net asset value. While the use of leverage can increase the rate of return, it can also increase the magnitude of the loss in unprofitable positions beyond the loss which would have occurred if there had been no borrowings. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost in the event of a decline in the market value of such securities. Leveraging will thus tend to magnify the losses or gains from investment activities.

If Urbana uses short-term margin borrowings, this will subject Urbana to additional risks, including the possibility of a "margin call" pursuant to which Urbana must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of Urbana's assets, Urbana may not be able to liquidate assets quickly enough to pay off its margin debt.

On February 19, 2008, Urbana entered into a demand loan facility with Bank of Montreal (the 'Bank'). In July 2009 the loan facility agreement was amended to allow Urbana to borrow up to \$15,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 2.75%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets and allows Urbana to purchase additional investments.

Future Sale of Securities Could Depress the Market Price of Common Shares, Non-Voting Class A Shares and Warrants

The market price of Urbana Securities could decline as a result of issuance and sale by Urbana of additional Common Shares, Non-Voting Class A Shares, Preferred Shares or warrants.

Short Selling

Urbana may take short sale positions without maintaining an equivalent quantity, or a right to acquire an equivalent quantity, of the underlying securities in its portfolio, to a maximum of 25% of its net assets. While the Investment Manager will engage in these transactions only in circumstances where it has been concluded that a particular security is overvalued in its principal markets, there can be no assurance that the security will experience declines in market value and this could result in Urbana incurring losses if it has agreed to deliver securities at a price which is lower than the market price at which such securities may be acquired at the time the transaction is to be completed.

Use of Options

Urbana may purchase and write exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies and indices (both narrow-based and broad-based). A put option on securities or currencies gives the purchaser of the option, upon payment of premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date. A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price. A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

Urbana's ability to close out its position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market. Over-the-counter ("OTC") options are purchased from or sold to securities dealers, financial institutions or other parties (the "Counterparty") through direct bilateral agreements with the Counterparty. In contrast to exchange listed options, which generally have standardized terms and performance mechanics, all the terms of an OTC option, including such terms as method of settlement, term, exercise price, premium, guarantees and security, are set by the negotiation of the parties. Unless the parties provide for it, there is no central clearing or guarantee function in an OTC option. As a result, if the Counterparty fails to make or take delivery of the security, currency or other instrument underlying an OTC option it has entered into with Urbana or fails to make a cash settlement payment due in accordance with the terms of that option, Urbana will lose any premium it paid for the option as well as any anticipated benefit of the transaction.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g., with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that Urbana intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments held by Urbana. Buying options may reduce Urbana's returns, but by no more than the amount of the premiums paid for the options. Writing covered call options. (i.e., where Urbana owns the security or other investment that is subject to the call) may limit Urbana's gain on portfolio investments if the

option is exercised because Urbana will have to sell the underlying investments below the current market price. Also, writing put options may require Urbana to buy the underlying investment at a disadvantageous price above the current market price. Writing uncovered call options (i.e., where Urbana does not own the security or other investment that is subject to the call) entails the risk that the price of the underlying investment at the time the option is exercised theoretically could have risen without limit. The risk of loss of uncovered put options written by Urbana is limited in the exercise price of the option less the premium received.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice may affect Urbana. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by Urbana and the ability of Urbana to pursue its investment strategies. Urbana is exposed directly or indirectly to foreign taxes to the extent it invests outside Canada. Changes in the law, its interpretation or administrative practice may affect the characterization of Urbana's earnings as capital gains or income which may increase the level of tax borne by Urbana.

Some industries, such as financial services, are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding. The value of an entity that buys these investments may rise and fall substantially due to changes in these factors.

Regulatory Environment

The ability of the Investment Manager to carry on its business and to perform its obligations under the Investment Management Agreement is dependent upon its continued registration under the various securities acts under which the Investment Manager and its employees are currently registered. Any change in the regulatory framework or failure to comply with any of these laws, rules or regulations could, as a result, have an adverse effect on the Investment Manager and its ability to perform its obligations under the Investment Management Agreement.

OTHER MATERIAL INFORMATION

Normal Course Issuer Bid

On August 25, 2011 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,636,033 of its own Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 29, 2011, and will terminate on the earlier of August 28, 2012, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by

Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares is to be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase in any given 30 day period, in the aggregate, more than 1,340,222 Non-Voting Class A Shares, being 2% of the 67,011,100 issued and outstanding Non-Voting Class A Shares as at August 19, 2011 (the date on which the notice was filed). As at December 31, 2011, Urbana has purchased 2,603,100 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$0.97 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009, August 28, 2009 to August 27, 2010 and August 28 2010 to August 27, 2011 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased, respectively during these periods, 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share, 3,083,920 Non-Voting Class A Shares at \$1.32 per share and 7,431,300 Non-Voting Class A Shares at \$1.27 per share.

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URBANA CORPORATION

Additional information about Urbana is available in the most recently filed annual statements and any interim financial statements filed subsequent to those annual financial statements and the most recently filed annual management report of fund performance and any interim management report of fund performance filed subsequent to that management report.

You can get a copy of these documents at no cost by calling collect (416) 595-9106, or from your dealer or by email at investorrelations@urbanacorp.com. These documents and other information about the Company, such as information circulars and material contracts, are also available on the internet at www.sedar.com.

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