

# **URBANA CORPORATION**

## **ANNUAL INFORMATION FORM**

**March 27, 2018**

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## **CORPORATE STRUCTURE**

Urbana Corporation (“Urbana” or the “Company”) is an investment company originally incorporated by letters patent dated August 25, 1947 under the laws of Ontario. In 2005, the Company changed its business from mineral exploration to investing.

The Company’s registered head office is located at 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9. The Company is a reporting issuer in all provinces and territories of Canada.

The Company’s common shares (“Common Shares”) and non-voting Class A shares (“Class A Shares”) have been listed on the Toronto Stock Exchange (“TSX”) since January 11, 2007. Since January 9, 2014, the Common Shares and Class A Shares have also been listed on the Canadian Securities Exchange (“CSE”).

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History of the Business**

The following are details of the events that have influenced the general development of the Company’s business over its last three financial years. Additional information concerning the Company’s business is provided elsewhere in this annual information form under the heading “Description of the Business”. Additional information relating to the Company’s investments is provided in the Company’s audited financial statements and management’s discussion and analysis (“MD&A”) for the financial year ended December 31, 2017.

### **Current Financial Year**

On February 1, 2018, Urbana announced that the Bombay Stock Exchange (“BSE”) equity shares that it owns became freely tradeable on that day.

On the January 4, 2018, Urbana’s board of directors (the “Board”) approved an amendment to its dividend policy, which amendment provided that Urbana intended to pay an annual cash dividend to the holders of Common Shares and Class A Shares as soon as practicable after the end of each year, having reviewed the previous 12-month investment performance. Previously, Urbana’s dividend policy specified the amount of the annual cash dividend to be five cents (\$0.05) per share. On the same date, the Board declared a regular cash dividend of seven cents (\$0.07) per share, plus a special cash dividend of three cents (\$0.03) per share, for a total of ten cents (\$0.10) per share, on the issued and outstanding Common Shares and Class A Shares, payable on January 31, 2018.

### **2017**

On August 28, 2017, Urbana announced that it had received approval from the TSX to renew its normal course issuer bid to acquire up to 3,965,762 Class A Shares in the 12-month period commencing August 31, 2017 and ending August 30, 2018.

Real Matters Inc. completed an initial public offering of its shares in May 2017. The Real Matter Inc. shares owned by Urbana became freely tradeable on November 7, 2017.

On February 3, 2017, the BSE completed an initial public offering of its equity shares (an “IPO”) and as a result, its equity shares were listed for trading on the National Stock Exchange in India. Urbana sold approximately 27% of the BSE equity shares it owned into the IPO. The remaining BSE shares owned by Urbana became freely tradeable on February 1, 2018.

On January 4, 2017, the Board declared a regular cash dividend of five cents (\$0.05) per share, plus a special cash dividend of five cents (\$0.05) per share, for a total of ten cents (\$0.10) per share, on the issued and outstanding Common Shares and Class A Shares, payable on January 31, 2017.

## **2016**

Real Matters Inc. completed two private placements of secondary market shares in 2016, in April at a price of \$4.00 per class A share and in November at a price of \$5.25 per class A share. Urbana’s purchase of class A shares in the two 2016 private placements increased its investment in Real Matters Inc. by \$4.1 million. Subsequent to the closing of the private placement transaction in November 2016, Urbana marked up the value of all Real Matters shares it held from \$4.00 to \$5.25 per class A share for a total of \$7.37 million.

On August 29, 2016, Urbana announced that it had received approval from the TSX to renew its normal course issuer bid to acquire up to 4,244,598 Class A Shares in the 12-month period commencing August 31, 2016 and ending August 30, 2017. During this 12-month period, the Company acquired a total of 2,967,600 Class A Shares.

On January 18, 2016, the Board declared a cash dividend of five cents (\$0.05) per share on the issued and outstanding Common Shares and Class A Shares, payable on February 12, 2016.

## **2015**

Between May 2015 and September 2015, Urbana invested an additional \$3.575 million in the class A shares of Real Matters Inc. at a price of \$2.34 per class A share.

On August 27, 2015, Urbana announced that it had received approval from the TSX to renew its normal course issuer bid to acquire up to 4,411,688 Class A Shares in the 12-month period commencing August 31, 2015 and ending August 30, 2016. During this 12-month period, the Company acquired a total of 1,332,400 Class A Shares.

On July 13, 2015, at a special meeting of shareholders, the shareholders authorized the Company, in the sole discretion of its Board, from time to time, to seek to exercise control over issuers in which it invests, such that the Company would no longer be an investment fund for securities law purposes. Previously, the Company had been an investment fund for the purposes of applicable securities laws since 2005.

On May 27, 2015, Urbana announced the appointment of Charles A.V. Pennock to the Board.

On January 8, 2015, Urbana announced that the Board had approved an amendment to its

dividend policy, which amendment provided that Urbana intended to pay an annual cash dividend of five cents (\$0.05) per share to the holders of Common Shares and Class A Shares as soon as practical after the end of each year, having reviewed the previous 12-month investment performance. Previously, Urbana's dividend policy provided that the timing of the annual dividend be March of each year. On the same date, the Board declared a cash dividend of five cents (\$0.05) per share on the issued and outstanding Common Shares and Class A Shares, payable on January 30, 2015.

## **DESCRIPTION OF THE BUSINESS**

In 2003, Urbana operated as a pooled fund concentrated in a single asset class: securities marketplaces that were going public or merging. Over time, Urbana has become much more diversified in asset classes and geographic scope.

Urbana's investments have steadily grown in complexity and diversity. The Company's strategy is to seek out, and invest in, private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income and liquidity. As of the date hereof, the Company has one employee.

### **Public Investments**

For some years, Urbana has invested a significant portion of its portfolio (generally in excess of 50% of its investable assets) in liquid North American equities and debt securities. This part of the Urbana portfolio generates dividends and interest income and is available for sale to generate proceeds that can be redeployed to other uses including private or less liquid investments. Urbana anticipates that the percentage of the portfolio invested in private issuers will rise in future. The composition of the portfolio will depend, in part, on capital and investment opportunities available to the Company and will vary over time depending on several factors, including the state of financial markets. Public investment selection is done by Caldwell Investment Management Ltd. ("CIM" or the "Investment Manager"). Thomas S. Caldwell is the lead portfolio manager at CIM specifically responsible for Urbana's investment portfolio. He is supported by the staff of CIM. See "RESPONSIBILITY FOR COMPANY OPERATIONS – Investment Manager" below.

Urbana's investment styles include deep value, arbitrage, pre-IPO, momentum, and long-term value. Urbana may take short sale positions in certain circumstances and may purchase and write exchange-traded and over-the-counter put and call options on debt and equity securities, commodities, currencies and indices.

### **Private Investments**

To date, the investments in private issuers have tended to be concentrated in securities and investment management businesses but can extend to investments beyond the financial services sector. Private investments are acquired through participation in equity financings, purchase of long-term assets, financing start-ups, financings to fund specific issuer growth initiatives and by way of the purchase of foreign assets. Urbana's investment in private issuers can take the form of debt, preferred shares, and common equity or some combination of those. Urbana may, if a private investment shows promise, convert debt or preferred shares into common equity, which could allow the Company to participate in an investee's upside. Private equities are typically targeted for liquidation in a five to ten year period (five

to seven years for private pooled investments) and may be liquidated outside this period on any basis found to be appropriate by the Company under the circumstances, including opportunistically, by way of IPOs, mergers or buy-outs. They may even be maintained for income or to form part of a bigger merged company. Urbana can also exit its debt investments through a repayment of the principal plus accrued and unpaid interest.

When Urbana management makes private company investments, members of the Board usually vet the investment opportunities and, subsequent to investment, management and/or Urbana directors may act as directors of the investee company or participate in its board of advisors. A final investment decision must have the support of Thomas S. Caldwell, the President of Urbana. Audit Committee approval is required in respect of all transactions where a private investment is over \$5 million. Any investment over \$1 million in a start-up investee, or over \$5 million in an established private investee must be approved by the Board. Urbana seeks out companies which appear to have a unique value proposition such as superior management capability, new technology or a different approach to an existing industry. The Company has the scope to invest in any sector in any region.

Urbana monitors the private investments it makes on an ongoing basis, at least quarterly, including by reviewing financial statements, engaging in discussions with management and monitoring market and industry conditions.

All related party investments are subject to review and approval by the independent members of the Board.

To mitigate certain risks and volatility, the Company employs a strategy of diversification in terms of investee company type, size, industry, geographic exposure and currency exposure. See “Risk Factors” below for some of the risk factors relating to an investment in the securities of the Company.

### **Liquidation Policy**

The Board has adopted a primary strategy of investing in private entities for capital appreciation. The Company also invests part of its portfolio in publicly marketable securities to provide growth, income and liquidity. The timing of market sales in publicly traded investments is hard to predict and can occur in response to a take-over bid or by way of a negotiated sale in the market or through a series of dispositions over time. The liquidation events for private equity investments can occur by way of an IPO, reverse take-over, outright sale, or management buyout through which Urbana and its partners get cash or other securities. Private equity investments typically have a five to ten year time horizon for sale (five to seven years for private pooled investments), but liquidation can occur outside this period based on various factors including economic, industry and corporate factors or tax considerations.

### **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 Investments

The value of Urbana's investments 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's investments 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 public and private equity securities. The values of the Urbana equity securities are affected by changes in the market price of those securities. Equity investing 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.

### Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company is subject to credit risk on its financial assets, including loans receivable and corporate investments including debt.

### Market Fluctuations and Other Risks Affecting Investments

Urbana makes investments in a variety of private and public companies across different industry sectors. The businesses invested in and the value of these investments are directly affected by economic, political and market conditions around the world that are beyond Urbana's control. These conditions may affect their 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 ability to attract short-term and long-term funding and capital, the availability of alternative investment opportunities, changes in tax policy, the level and volatility of interest rates, legislative and regulatory changes, 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. From time to time, 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.

### Limited Liquidity of Certain Assets

The current holdings and future investments in equity securities of private entities will have reduced liquidity for potentially long periods of time. There is a risk that Urbana's

investments may not be 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 is 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 entities.

#### 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 Assets per Share

In calculating Urbana's net assets per share, portfolio assets are valued based on the principles as described under the headings "Non-GAAP Measures", "Net Assets per Share Calculation" and "Valuation of Portfolio Securities" below. There are inherent uncertainties in the process of valuing investments for which there are no published markets. As such, the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

#### 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 demutualization 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.

#### Broad Authority of the Investment Manager

The Investment Manager has broad discretion over the conduct of Urbana's undertaking, selection of the specific public 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 publicly traded investment portfolio and the ability of Urbana to generate sufficient income and realize gains to make dividend payments, will be primarily dependent on the performance of the Investment Manager. The contribution of certain of the Investment Manager's professionals is 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 Thomas S. Caldwell and Brendan T.N. Caldwell.

#### Private Entity Investing

Although Urbana is investing in private entities with the expectation that such private entities may become publicly traded entities, there can be no assurance these events will occur or if they do occur that the value of Urbana's investments will appreciate over the cost of such investments. Moreover, the valuations for such private entities in the Company's portfolio are based on the principles used by the Company as described in "Valuation of Portfolio Securities" below. These private entity valuations are not based on public market prices and may be subjective in nature.

#### 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 or 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 4,437,861 Common Shares, representing 44.4% of the Common Shares and also beneficially owns or directly or indirectly controls or directs 2,338,050 common shares of Caldwell Financial Limited, the sole shareholder of the Investment Manager, representing 58.5% of the common shares of Caldwell Financial Ltd. Brendan T.N. Caldwell beneficially owns or directly or indirectly controls or directs 1,057,833 Common Shares representing 10.6% of the Common Shares and also beneficially owns or directly or indirectly controls or directs 1,120,325

common shares of Caldwell Financial Ltd. representing 28.0% of the common shares of Caldwell Financial Ltd. Urbana owns 800,000 common shares of Caldwell Financial Ltd., representing 20.0% 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 conflict 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 Fund Management and Portfolio Management Agreement

The Investment Manager provides investment, portfolio management and other services to Urbana. As the Fund Management and Portfolio Management Agreement (defined below under the heading “RESPONSIBILITY FOR COMPANY OPERATIONS – Investment Manager”) 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.

#### Discount to Net Assets per Share

As a non-redeemable investment company, Urbana’s shares may trade at a lower price than its net assets 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, investors’ perceptions and expectations regarding the outlook of the countries, sectors or markets in which Urbana invests.

#### Borrowing Against Assets

Urbana may employ leverage (i.e., the use of borrowed funds or securities) in its investment strategy. 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 borrowings 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 a major Canadian Chartered bank (the “Bank”). On March 2, 2015 the loan facility agreement was amended to allow Urbana to borrow up to \$25 million (previously \$15 million) 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 1.25% (previously, the Bank’s prime rate plus 1.75%), calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana’s assets. Proceeds from the loan may be used for purchasing additional investments and/or for general corporate purposes.

#### Future Sale of Securities Could Depress the Market Price of Common Shares and Class A Shares

The market price of Urbana securities could decline as a result of the issuance and sale by Urbana of additional Common Shares, Class A Shares or Preferred Shares.

#### 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 concluded that a particular security is overvalued in its principal markets, there can be no assurance that the security will decline 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 a 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. 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 to 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, 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. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions or deregulation. 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 Fund Management and Portfolio 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 have an adverse effect on the Investment Manager and its ability to perform its obligations under the Fund Management and Portfolio Management Agreement.

### **Non-GAAP Measures**

The Company prepares and releases audited annual financial statements and unaudited condensed interim financial statements in accordance with International Financial Reporting Standards (“IFRS”), but complements IFRS results in its MD&A with the following financial measures which are not recognized under IFRS and which do not have a standard meaning prescribed by IFRS: “net assets per share”, “total return of net assets per share” and “compound annual growth rate of net assets per share since inception”. The Company provides these non-IFRS measures because it believes these measures can provide information that may assist shareholders to better understand the Company’s performance and to facilitate a comparison of the results of ongoing operations.

The three financial measures used to calculate “net assets per share”, namely assets, liabilities and number of shares outstanding, are individually recognized under IFRS, but “net assets per share” is not. No measure that is calculated in accordance with IFRS is directly comparable to or provides investors with the net assets per share information. As a result, no quantitative reconciliation from “net assets per share” to an IFRS measure is provided in its MD&A.

Non-IFRS measures should not be construed as alternatives to net comprehensive income (loss) determined in accordance with IFRS as indicators of the Company’s performance and readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

### **Net Assets per Share Calculation**

The net assets per share of the Company (“NAPS”) is calculated on a weekly basis at the end of the last business day of each week after the market closes. The NAPS is calculated by dividing the net assets of the Company, being the value of its total assets less the value of its total liabilities, both as determined by management, by the total number of Common Shares and Class A Shares outstanding at the time of calculation. The weekly NAPS is posted on the Company’s website as soon as practical in the beginning of the week following the date on which the NAPS is calculated. Subject to applicable law, Urbana may change from time to time, in its sole discretion, its net assets calculation practices, including the frequency with which it calculates and/or publishes NAPS information.

### **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:

- Investments are measured at fair value in accordance with IFRS 13 “*Fair Value Measurement*”.
- Publicly traded securities are valued at the closing price on the recognized stock exchange on which the securities are listed or principally traded.
- Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued at the closing price in the market in which the securities are traded with an appropriate discount as determined by management.
- Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management’s best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices.

### **Mineral Project**

Urbana has owned mineral claims in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its mineral claims if and when it is deemed suitable. Urbana holds 44 claims in the area totaling 1,154.4 hectares or 2,852.7 acres. Geophysical work and drilling have been conducted on previously unexplored portions of our claim group in 2017. Urbana completed a winter drill program in March 2017 targeting several identified geological anomalies. A comprehensive report summarizing both the exploration work completed in the recent past and results to date is underway and will assist in determining next steps.

### **DIVIDENDS AND DISTRIBUTIONS**

During each of the years 2015 and 2016, the Company paid a regular cash dividend of five cents (\$0.05) per share to shareholders of Common Shares and Class A Shares.

During 2017, the Company paid a regular cash dividend of five cents (\$0.05) per share plus a special cash dividend of five cents (\$0.05) per share, for a total of ten cents (\$0.10) per share, to shareholders of Common Shares and Class A Shares.

Except for the solvency restrictions in the *Business Corporations Act* (Ontario), there are no other restrictions in the Company’s articles or elsewhere that would prevent it from paying dividends or distributions on its shares.

Currently, the Company intends to pay a cash dividend to shareholders of Common Shares and Class A Shares as soon as practical after the end of each year. The amount of dividend to be paid is determined each year by the Board, taking into consideration all factors that the Board deems relevant, including the performance of the Company’s investments, the economic and market conditions, and the financial situation of the Company.

On January 4, 2018, the Board declared a regular cash dividend of seven cents (\$0.07) per share plus a special cash dividend of three cents (\$0.03) per share, for a total of ten cents

(\$0.10) per share on the issued and outstanding Common Shares and Class A Shares, payable on January 31, 2018.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of Urbana consists of an unlimited number of Common Shares, an unlimited number of 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, 40 million Class A Shares and no Preferred Shares outstanding. The rights, privileges, restrictions and conditions attaching to the Class A Shares, the Common Shares and the Preferred Shares are summarized below.

### **Rank**

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

### **Voting**

Holders of Common Shares are entitled to receive notice of and to attend all meetings of shareholders of Urbana, except for meetings of shareholders of a class or series of shares other than the Common Shares. Each Common Share entitles its holder to one vote at a meeting the holder is entitled to attend.

Holders of Class A Shares are entitled to receive notice of and attend all meetings that holders of Common Shares are entitled to receive notice of and attend. Holders of Class A Shares are not entitled to vote at such meetings, other than as permitted by applicable law.

### **Dividends**

Subject to the rights of the holders of Preferred Shares, if any are issued, the holders of Common Shares and Class A Shares are entitled to receive 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 in respect of Common Shares or Class A Shares outstanding will be paid in equal amounts per share without preference or distinction as between the classes.

### **Take-over Bid Protection**

The 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 Class A Shares shall have the right, after the 7th day after the offer was made, to convert each Class A Share into one Common Share. An election by a holder of 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 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 revert into 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 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 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 Class A Shares must be unconditional, subject to the exception that the offer for the Class A Shares may contain a condition to the effect that the offeror not be required to take up and pay for 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 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 Class A Shares the full details as to the offer and the mode of exercise of the conversion right.

### **Dissolution**

Subject to the 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 Class A Shares equally, on a share-for-share basis.

### **Preferred Shares**

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

### **MARKET FOR SECURITIES**

The Common Shares and the Class A Shares are listed for trading under the trading symbols “URB” and “URB.A” respectively on the TSX and the CSE. The greatest volume of trading of Common Shares and Class A Shares generally occurs on the TSX.



The following table sets forth the reported intraday high and low prices and the trading volume by month for the Common Shares and Class A Shares on the TSX for 2017.

| 2017      | Common Shares |         |         | Class A Shares |         |           |
|-----------|---------------|---------|---------|----------------|---------|-----------|
|           | High(\$)      | Low(\$) | Volume  | High(\$)       | Low(\$) | Volume    |
| December  | 4.00          | 3.50    | 99,598  | 3.45           | 3.31    | 913,819   |
| November  | 3.98          | 3.27    | 273,151 | 3.34           | 3.22    | 566,816   |
| October   | 3.40          | 3.16    | 93,965  | 3.35           | 3.17    | 565,935   |
| September | 3.29          | 3.05    | 123,996 | 3.27           | 3.00    | 522,710   |
| August    | 3.37          | 3.18    | 26,441  | 3.28           | 3.06    | 536,067   |
| July      | 3.59          | 3.25    | 66,376  | 3.39           | 3.21    | 439,827   |
| June      | 3.58          | 3.35    | 82,126  | 3.41           | 3.28    | 542,458   |
| May       | 3.79          | 3.30    | 550,602 | 3.76           | 3.26    | 1,976,536 |
| April     | 3.75          | 3.15    | 147,854 | 3.50           | 3.13    | 1,125,811 |
| March     | 3.25          | 3.12    | 59,625  | 3.25           | 3.08    | 753,080   |
| February  | 3.35          | 3.05    | 145,739 | 3.29           | 3.00    | 1,041,771 |
| January   | 3.25          | 2.98    | 165,627 | 3.19           | 2.86    | 2,467,383 |

#### PRIOR SALES

No securities of any class have been issued by the Company during the 2017 financial year.

#### ESCROWED SECURITIES

To the best knowledge of the Company, none of the outstanding Common Shares or Class A Shares are held in escrow or subject to a contractual restriction on transfer.

#### DIRECTORS AND OFFICERS

##### Name, Occupation and Securities Holdings

The following table sets forth the name, province and country of residence of each director and executive officer of the Company and his/her respective positions and offices held with the Company and their principal occupations during the last five years. Each director holds office until the next annual general meeting of shareholders or until a successor is duly elected or appointed.

| Name and Position with Urbana   | Principal Occupation During Five Preceding Years   | Year Became Director | Number and % of Securities Beneficially Owned, Controlled or Directed |                    |
|---|--|----------------------|---|--------------------|
|   |  |                      | Common Shares   | Class A Shares     |
| Thomas S. Caldwell<br>(Ontario, Canada)<br><i>Director, CEO and President</i> | Portfolio Manager<br>Caldwell Investment Management Ltd.<br>Investment Fund Manager and<br>Portfolio Manager | 1980                 | 4,437,861<br>(44.38%)   | 301,200<br>(0.75%) |
| Beth Colle <sup>(1)(2)</sup><br>(Ontario, Canada)<br><i>Director</i>          | Partner, Sequoia Group<br>Executive Search Consultants   | 2006                 | Nil   | 42,380<br>(0.11%)  |

| Name and Position with Urbana  | Principal Occupation During Five Preceding Years   | Year Became Director | Number and % of Securities Beneficially Owned, Controlled or Directed |                |
|--|--|----------------------|---|----------------|
|  |  |                      | Common Shares   | Class A Shares |
| George D. Elliott <sup>(1)(2)</sup><br>(Ontario, Canada)<br><i>Director</i>    | Lawyer   | 2011                 | Nil   | Nil            |
| Michael B.C. Gundy <sup>(2)</sup><br>(Ontario, Canada)<br><i>Director</i>      | President<br>Gundy Inc.<br>Business Consulting Firm  | 1984                 | 76,400<br>(0.76%)   | Nil            |
| Charles A.V. Pennock <sup>(1)(2)</sup><br>(Ontario, Canada)<br><i>Director</i> | Principal<br>Origin Merchant Partners<br>Investment Bank   | 2015                 | Nil   | Nil            |
| Sylvia V. Stinson<br>(Ontario, Canada)<br><i>Chief Financial Officer</i>       | Chief Financial Officer<br>Urbana Corporation<br><br>Chief Financial Officer<br>Middlefield Group<br>Investment Firm | N/A                  | Nil   | Nil            |
| Harry K. Liu<br>(Ontario, Canada)<br><i>General Counsel and Secretary</i>      | Lawyer   | N/A                  | 27,947<br>(0.28%)   | Nil            |

<sup>(1)</sup> Member of the Audit Committee.

<sup>(2)</sup> Member of the Governance, Nominating and Compensation Committee.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date of this annual information form, or was within the 10 years prior to the date of this annual information form, a director, chief executive officer or chief financial officer of any company that: (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days (any of such orders, an “Order”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as at the date of this annual information form, or has been within the 10 years before the date of this annual information form, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this annual information form, become bankrupt, made a

proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Corporate Affiliations, Conflicts of Interest and Related Party Transactions**

Urbana, the Investment Manager and Caldwell Securities Ltd. are affiliated entities in that they are under common control. Caldwell Securities Ltd. provides brokerage services to the Investment Manager in relation to Urbana's holdings. (see "RESPONSIBILITY FOR COMPANY OPERATIONS – Brokerage Arrangements" below). Thomas S. Caldwell and Michael B.C. Gundy, directors of the Company, are also directors of the Investment Manager. Thomas S. Caldwell is a director of Caldwell Securities Ltd. The Investment Manager is a wholly-owned subsidiary of Caldwell Financial Ltd. The holdings of Thomas S. Caldwell and Brendan T.N. Caldwell in the Company and in Caldwell Financial Limited are detailed above under the heading "RISK FACTORS – Conflicts of Interest".

As at the date of this annual information form, the directors and senior officers of Urbana beneficially own or directly or indirectly control or direct in aggregate 4,542,208 Common Shares, representing 45.4% of the Common Shares outstanding and 2,364,300 common shares of Caldwell Financial Ltd., representing 59.1% of the common shares of Caldwell Financial Ltd. The directors and senior officers of the Investment Manager beneficially own or directly or indirectly control or direct in aggregate 5,572,094 Common Shares, representing 55.7% of the Common Shares outstanding and 3,487,625 common shares of Caldwell Financial Ltd., representing 87.2% of the common shares of Caldwell Financial Ltd. outstanding.

Urbana follows a practice of identifying, evaluating and regulating conflicts of interest including with respect to related party transactions and bringing them to the attention of the Company's three independent directors, all of whom sit on Urbana's audit committee (the "Audit Committee").

A conflict of interest is a circumstance where a reasonable person would consider an Urbana director or officer, or the director's or officer's immediate family or financial and business associates to have an interest that interferes with, or might reasonably be perceived to interfere with, the ability of the director or officer to act in good faith and in the best interests of the Company (a "Conflict").

When Urbana first makes investments in private companies and start-ups, the investee companies are generally at arm's length from Urbana. Following the investment, Urbana may become a major or even the sole shareholder of the investee private company, may be

represented on the company's board and may be consulted frequently with respect to ongoing operational matters. For this reason, independent directors or the full audit committee are consulted before a private investment is made. Audit Committee approval is required in respect of all transactions where a private investment is over \$5 million. Any investment over \$1 million in a start-up private investee, or over \$5 million in an established private investee must be approved by the Board. Each of the members of the Audit Committee is considered to be "independent" and "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). See "AUDIT COMMITTEE DISCLOSURE – Composition of the Audit Committee" below. Urbana is also subject to the "related party" transaction rules under applicable securities laws, which mandate disinterested Board and shareholder approval for certain transactions.

Under the *Business Corporations Act* (Ontario) which governs Urbana as a corporation, a Conflict exists when a director or officer is a party to an existing or proposed material contract or transaction with Urbana, or the director or officer is a director or officer of, or has a material interest in, any person (individual or corporate) who is a party to a material contract or transaction with Urbana.

The Conflicts policies and procedures with which directors and officers must comply (the "Conflicts Policies") require: (1) the completion of an annual conflicts of interest questionnaire (the "Questionnaire"), (2) disclosure by directors and officers of the nature and extent of any actual or potential Conflicts once they become aware of them, and (3) an annual assessment of the Company's Conflicts policies and procedures by the Company's Audit Committee. Under the Conflicts Policies, any Urbana material contract or transaction in which Thomas S. Caldwell, Brendan T.N. Caldwell or any companies controlled by either or both or in which either or both have a material interest must be evaluated and approved by the Audit Committee.

The Questionnaire, among other things, asks directors and officers to disclose directorships, officer positions and other material interests or relationships that are, or could reasonably be perceived to be, an actual or potential conflict of interest with their obligations as a director or officer and the mitigating factors or actions that allow them to continue to exercise independent judgment. The responses to the Questionnaire are reviewed by the Audit Committee whose responsibility includes deciding whether conflicts exist and how the conflict is to be addressed.

Where an Urbana director is a direct party to an existing or proposed material contract or transaction with the Company, or the director is a director or an officer of, or has a material interest in, any party to such material contract or transaction with Urbana, whether or not the contract or transaction required approval of the Company's directors or shareholders, the director:

- (a) must disclose in writing to the Company or request to have entered in the minutes of a Board meeting the nature and extent of his or her interest
  - (i) at the meeting at which a proposed contract or transaction is first considered;

- (ii) if the director was not then interested in a proposed contract or transaction, at the first meeting after he or she becomes so interested;
  - (iii) if the director becomes interested after a contract is made or a transaction is entered into, at the first meeting after he or she becomes so interested; or
  - (iv) if a person who is interested in a contract or transaction later becomes a director, at the first meeting after he or she becomes a director; and
- (b) must not attend any part of a meeting of directors during which the contract or transaction is discussed and shall not vote on any resolution to approve the contract or transaction unless the contract or transaction is,
- (i) one relating primarily to his or her remuneration as a director;
  - (ii) one for indemnity or insurance under section 136 of the *Business Corporations Act* (Ontario); or
  - (iii) one with an affiliate of Urbana.

Where an Urbana officer is a direct party to an existing or proposed material contract or transaction with the Company, or the officer is a director or an officer of, or has a material interest in, any party to such material contract or transaction with Urbana, whether or not the contract or transaction required approval of the Company's directors or shareholders, the officer must disclose in writing to the Company or request to have entered in the minutes of a Board meeting the nature and extent of his or her interest. In the case of an officer who is not a director, such disclosure must be made

- (a) forthwith after the officer becomes aware that the contract or transaction or proposed contract or transaction is to be considered or has been considered at a meeting of directors;
- (b) if the officer becomes interested after a contract is made or a transaction is entered into, forthwith after he or she becomes so interested; or
- (c) if a person who is interested in a contract or transaction later becomes an officer, forthwith after he or she becomes an officer.

A general notice to the directors of Urbana by a director or officer of Urbana disclosing that he or she is a director or officer of or has a material interest in any person (individual or corporate), or that there has been a material change in the interest in such director or officer's interest in the person, and is to be regarded as interested in any contract made or any transaction entered into with such person, is sufficient disclosure of interest in relation to any such contract or transaction.

### **Related Party Transactions**

Urbana has also adopted policies and procedures for identifying related parties in its continuous disclosure filings, and for evaluating and approving related party transactions (the "RPT Policies"). The definition of "related party" in IFRS (IAS 24, paragraph 9) extends to certain such private company investments while they are being held by Urbana, by virtue of the status of such an entity as an "associate" of Urbana (as such term is defined in IAS 28). Similarly, the IFRS "related party" definition extends to certain private holding entities used by Urbana as holding vehicles for underlying investments. As of the date of this annual information form, each of the following entities is a "related party" of Urbana under IFRS:

- Caldwell India Holdings Inc.
- Urbana Mauritius Inc.
- Caldwell Financial Ltd.
- Urbana Special Investment Holdings Ltd.
- HighView Financial Holdings Inc.
- Radar Capital Inc.
- CNSX Markets Inc.

In addition, as at December 31, 2017, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust (“CGOT”), a private pooled fund managed by the Investment Manager, representing 45.9% of the then outstanding units of CGOT.

For the purposes of the RPT Policies, Urbana is subject to the rules applicable to a “related party” and “related party transaction” set out in Multilateral Instrument 61-101 – *Protection Of Minority Security Holders In Special Transactions* (“MI 61-101”), as such terms are defined in that instrument. Under MI 61-101, a related party transaction may only be concluded with the approval of the minority shareholders and if a formal valuation by a qualified independent valuator has been obtained in respect of the “subject matter” of the transaction. Exemptions from the formal valuation and minority approval requirements are available when, at the time the related party transaction is agreed to, neither the fair market value of the subject matter of the transaction, nor the fair market value of the consideration for the subject matter of the transaction, insofar as it involves interested parties, exceeds 25% of Urbana’s market capitalization. Under MI 61-101, if the fair market values are not readily determinable, any determination as to whether fair market value exceeds the 25% threshold for the exemption must be made by the Board acting in good faith.

Urbana’s management team discusses all related party transactions. In considering related party transactions, management assess the materiality of related party transactions on a case-by-case basis with respect to both the qualitative and quantitative aspects of the proposed related party transaction. Related party transactions that are in the normal course are subject to the same processes and controls as other transactions, that is, they are subject to standard approval procedures and management oversight, but will also be considered by management for reasonability against fair value. Related party transactions that are found to be material are subject to review and approval by the Company's Audit Committee which is comprised entirely of independent directors. As part of its review and approval process, the Audit Committee may solicit independent financial and legal advice, including from Urbana’s legal counsel. The Company’s Audit Committee completes an annual assessment to ensure the RPT Policies continue to be appropriate for Urbana.

## **RESPONSIBILITY FOR COMPANY OPERATIONS**

Management is responsible for the day-to-day operations of the Company, including all administrative and policy matters.

The Board is responsible for the oversight of management, setting of investment and governance policies and the general operations of the Company. Currently, the Company has a policy that all investment decisions on private investments are made by management and

all investment decisions on publicly traded securities are made by the Investment Manager (see sub-heading “Investment Manager” below).

### **Investment Manager**

Pursuant to an agreement between the Company and the Investment Manager dated August 10, 2011 (the “Fund Management and Portfolio Management Agreement”), the Investment Manager manages the portfolio assets, including provision of investment analysis and recommendations, making investment decisions on publicly traded securities, and making brokerage arrangements relating to the portfolio assets. The Investment Manager does not make decisions in respect of Urbana’s private investments. Rather, when Urbana’s management makes private company investments, members of the Board usually vet the investment opportunities and, subsequent to investment, management and/or Urbana directors may act as directors of the investee company or participate in its board of advisors or provide attention to the affairs of the investee from time to time or on an ongoing basis. The Investment Manager provides services to assist with this work such as asset valuation analysis. With private investees, there can be a mismatch between the value of such private investments and the amount of time required of Urbana to manage them. Urbana anticipates that the percentage of the portfolio invested in private issuers will rise in future so this issue is likely to persist. As part of its ongoing oversight, the Board expects to address compensation for time spent in identifying, monitoring and advancing these private investments by proposing changes to the Fund Management and Portfolio Management Agreement, recommending that Urbana retain more employees directly, or a combination of these two approaches. 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 in arrears.

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 executive officers of the Investment Manager, and principal occupation of the individuals:

| <b>Name and Municipality of Residence</b>  | <b>Position and Office held with the Investment Manager</b>     | <b>Principal Occupation</b>   |
|--|---|---|
| Thomas S. Caldwell<br>Toronto, Ontario     | Chairman and Director   | Portfolio Manager with the Investment Manager   |
| Brendan T. N. Caldwell<br>Toronto, Ontario | Chief Executive Officer,<br>President and Director              | Chief Executive Officer,<br>President and Director of the Investment Manager              |
| Sally Haldenby-Haba<br>Etobicoke, Ontario  | Secretary, Chief Compliance Officer and Chief Financial Officer | Secretary, Chief Compliance Officer and Chief Financial Officer of the Investment Manager |
| Michael B.C. Gundy<br>Toronto, Ontario     | Director  | President, Gundy Inc.<br>Business Consulting Firm   |

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's brokerage business is not allocated according to any specific formula, method or criteria nor is it based upon the provision of investment banking services or sales of securities of the Company. Caldwell Securities Ltd., a sister company of the Investment Manager and a registered broker and investment dealer, handles Urbana's portfolio transactions. Any brokerage fees charged for brokerage services rendered in relation to Urbana is the responsibility of Urbana. The Investment Manager does not pay any of such fees. The total amount of commission fees paid to Caldwell Securities Ltd. by Urbana during the years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013 were \$0.25 million, \$0.53 million, \$0.51 million, \$0.14 million and \$0.67 million respectively. In the year ended December 31, 2017, Urbana paid Caldwell Securities Ltd. \$360,000 (plus applicable taxes) for administrative services, including investor relations services, office and conference room access for Urbana's directors and officers, and accounting services, including the services of an individual to perform the functions of Urbana's chief financial officer.

### **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The Company is not aware of any material legal, administrative or regulatory proceedings to which the Company is or was a party, or of which any of the Company's property is or was the subject, during the Company's financial year ended December 31, 2017. Further, the Company is not aware of any such material legal, administrative or regulatory proceedings being contemplated.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Mr. Thomas S. Caldwell, the Chief Executive Officer and a director of the Company, and Mr. Brendan T.N. Caldwell, the Chief Executive Officer, President and a director of the Investment Manager, each has an ownership interest in the Company and in Caldwell Financial Ltd., the parent company of the Investment Manager, as described above under the heading "RISK FACTORS – Conflicts of Interest". As a result, Mr. Thomas S. Caldwell and Mr. Brendan T.N. Caldwell can be said to have an interest in the Fund Management and Portfolio Management Agreement. See under the heading "RESPONSIBILITY FOR COMPANY OPERATIONS – Investment Manager" for details concerning the Investment Manager's services and the compensation paid to the Manager.

### **AUDIT COMMITTEE DISCLOSURE**

National Instrument 52-110 – *Audit Committees* ("NI 52-110") requires the Company to disclose annually in its annual information form certain information concerning the constitution of the Audit Committee and its relationship with the Company's independent auditor, as set forth below.

#### **Audit Committee Charter**

The text of the Audit Committee's charter is attached as Schedule "A" to this annual information form.



### **Composition of the Audit Committee**

As of the date of this annual information form, the Audit Committee is comprised of three Board members – George D. Elliott (Chair), Charles A.V. Pennock and Beth Colle. Each of the committee members is considered to be “independent” and “financially literate”, for the purposes of NI 52-110. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues similar to those expected to arise in the context of the Company.

### **Relevant Education and Experience**

The education and experience of each member of the Company’s Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee is summarized below:

George D. Elliott

Mr. Elliott is a corporate lawyer with more than 40 years of experience. He has served on the board and audit committee of a number of private and public companies.

Charles A.V. Pennock

Mr. Pennock holds a Bachelor of Commerce degree from Queen’s University. He has over 30 years of senior management experience in the investment banking industry. He has served on the board and audit committee of several not-for-profit entities.

Beth Colle

Ms. Colle’s career spans over 35 years in marketing and corporate management with companies including IBM, Johnson & Johnson Inc., and Mosaic Marketing and Promotions Group, where the last position she held was Executive Vice President.

### **Audit Committee Oversight**

At no time since the commencement of the Company’s most recently completed financial year has any recommendation of the Audit Committee respecting the appointment and/or compensation of the Company’s external auditors not been adopted by the Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on exemptions in relation to “De Minimis Non-Audit Services” or any exemption provided by Part 8 of NI 52-110.

### **External Auditor Service Fees (excluding applicable taxes)**

- (a) Audit Fees – The aggregate amounts paid or accrued by the Company to the external auditor for audit services for the fiscal years ended December 31, 2017 and 2016 were \$173,890 and \$200,090 respectively.
- (b) Audit-Related Fees – The aggregate amounts paid or accrued by the Company to the external auditors for audit-related services for the fiscal years ended December 31, 2015 and 2016 were \$27,685 and \$48,150 respectively. The services comprising these fees were interim reviews of the Company’s financial statements.
- (c) Tax-Related Fees – The aggregate amounts paid or accrued by the Company to the external auditors for tax related services for the fiscal years ended December 31, 2017

and 2016 were and \$73,003 and \$33,644 respectively. The services comprising these fees were tax compliance and other tax advice.

- (d) All Other Fees – The aggregate amounts paid or accrued by the Company to the external auditors for other services for the fiscal years ended December 31, 2017 and December 31, 2016 were \$9,630 and \$82,390 respectively. The services comprising the 2017 fees related to consulting services in connection with the Company’s internal control over financial reporting procedures. The services comprising the 2016 fees related to translation fees, consulting services in connection with the Company’s internal control over financial reporting procedures and fees related to advice on IFRS standards.

#### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for securities of the Company is AST Trust Company (Canada), P.O. 700, Station B, Montreal, QC H3B 3K3.

#### **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” above), a wholly-owned subsidiary of Caldwell Financial Ltd. in which Thomas S. Caldwell holds a 38.5% interest. State Street Trust Company Canada is the custodian of the Company pursuant to a custodian agreement dated May 29, 2008. On February 19, 2008, Urbana entered into a demand loan facility with the Bank of Montreal. On March 2, 2015 the loan facility agreement was amended to allow Urbana to borrow up to \$25 million. These agreements are available for inspection at the head office of the Company during regular business hours.

#### **INTEREST OF EXPERTS**

The following are the names of the persons and companies who have prepared or certified a statement, report or valuation described, included or referred to in a filing made under National Instrument 51-102 by the Company or relating to the Company’s most recently completed financial year: The Company’s auditors, Deloitte LLP, prepared the auditor’s report on the Company’s annual financial statements for the financial years ended December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013. Deloitte LLP was first appointed the auditor of the Company in June 2008. Deloitte LLP is independent in accordance with the auditor’s rules of professional conduct in Ontario.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors’ and officers’ remuneration and indebtedness and principal holders of the Company’s securities is contained in the Company’s management information circular for its annual meeting of shareholders held on May 10, 2017 and will be contained in the Company’s management information circular for its 2018 annual meeting of shareholders to be held on May 9, 2018. Furthermore, additional financial information is provided in the Company’s financial statements and MD&A for its financial year ended December 31, 2017.

## **FORWARD-LOOKING STATEMENTS**

*Certain information contained in this annual information form constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “target”, “intend”, “could”, “might”, “should”, “believe”, and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this annual information form includes, but is not limited to, statements with respect to: the Company’s investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Company’s financial performance; and its expectations regarding the performance of certain sectors.*

*Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this annual information form include, but are not limited to: the nature of the Company’s investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Company’s dependence on its management team; risks affecting the Company’s investments; global political and economic conditions; investments by the Company in private issuers which have illiquid securities; management of the growth of the Company; exchange rate fluctuations; and other risks and factors referenced in this annual information form under the heading “DESCRIPTION OF THE BUSINESS – Risk Factors” and in the Company’s most recently filed MD&A, including under the heading “Business Strategy and Risk Factors”.*

*Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this annual information form is provided as at the date of this annual information form, based upon the opinions and estimates of management and information available to management as at the date of this annual information form, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this annual information form.*

## **SCHEDULE “A”**

### **URBANA CORPORATION**

#### **AUDIT COMMITTEE CHARTER**

**Approved and adopted by the board of directors  
on March 28, 2017**

#### **1. Statement of Purpose**

The Audit Committee of URBANA CORPORATION (hereafter referred to as “Urbana”) has been established by the Board of Directors (the “Board”) for the purposes of overseeing the accounting and financial reporting processes of Urbana, including the audit of the financial statements of Urbana.

The Committee 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 integrity of the internal controls at Urbana; (5) the administration of Urbana’s conflicts of interest and related party transactions policies and procedures. The Committee is also responsible for providing an avenue for effective communication among the Audit Committee, Auditor, management and the Board.

#### **2. Audit Committee Membership**

##### *Members*

The Committee will consist of as many members of the Board as the Board may determine, but in any event, not less than three members. Members of the Committee will be appointed by the Board, taking into account any recommendation that may be made by the Governance, Nominating and Compensation Committee. Any member of the Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member if he or she ceases to meet the qualifications set out below. The Board will fill vacancies on the Committee by appointment from among qualified members of the Board, taking into account any recommendation that may be made by the Governance, Nominating and Compensation Committee. If a vacancy exists, the remaining members of the Committee may exercise all of their powers so long as there is a quorum and subject to any legal requirements regarding the minimum number of members of the Committee.

##### *Chair*

The Board will designate one of the members of the Committee to be the Chair of the Committee, taking into account any recommendation that may be made by the Governance, Nominating and Compensation Committee.

### *Qualifications*

Every member of the Committee must be independent (as defined in NI 51-110) and financially literate.

### *Ex Officio Members and Management Attendance*

The Committee may invite, at its discretion, members of management and/or the Auditor to attend a meeting of the Committee. The Lead Director, if not already a member of the Committee, will be entitled to attend each meeting of the Committee as an observer. The Committee shall meet privately at least annually with management and the Auditor to discuss any matters that the Committee or each of these groups believes should be discussed. In addition, the Committee may consider in camera sessions at the beginning/conclusion of each meeting to discuss privately any matters of interest or concern to the members.

## **3. Committee Operations**

### *Frequency of Meetings*

The Chair, in consultation with the other members of the Committee, will determine the schedule and frequency of meetings of the Committee, provided that the Committee will meet at least twice a year.

### *Agenda and Reporting to the Board*

The Chair will establish the agenda for meetings in consultation with the other members of the Committee, the Chairman of the Board and the Lead Director. To the maximum extent possible, the agenda and meeting materials will be circulated to the members in advance to ensure sufficient time for study prior to the meeting. The Committee will report to the Board at the next meeting of the Board following each Committee meeting.

### *Secretary*

The Corporate Secretary of Urbana will, subject to any contrary direction of the Committee, act as secretary of the Committee.

### *Minutes*

The secretary of the Committee will keep regular minutes of Committee proceedings and will circulate them to all Committee members, the Chairman of the Board and the Lead Director (and to any other director that requests that they be sent to him or her) on a timely basis.

### *Quorum*

A quorum at any meeting will be a majority of the members of the Committee.

### *Procedure*

The procedure at meetings will be determined by the Committee.

### *Transaction of Business*

The powers of the Committee may be exercised at a meeting where a quorum is present or by resolution in writing signed by all members of the Committee.

### *Absence of Chair*

In the absence of the Chair, the Committee may appoint one of its other independent members to act as Chair of that meeting.

### *Exercise of Power between Meetings*

Between meetings, and subject to any applicable law, the Chair of the Committee, or any member of the Committee designated for this purpose, may, if required in the circumstance, exercise any power delegated by the Committee. The Chair or other designated member will promptly report to the other Committee members in any case in which this interim power is exercised.

## **4. Committee Duties and Responsibilities**

The Committee is responsible for performing the duties set out below and any other duties that may be assigned to it by the Board and performing any other functions that may be necessary or appropriate for the performance of its duties.

### **Auditor Selection, Qualifications and Independence**

- (1) The Committee shall recommend to the Board (i) the Auditor to be nominated for the purpose of preparing or issuing an auditor's report and performing other services for Urbana and (ii) the compensation to be paid to the Auditor.
- (2) The Committee is directly responsible for overseeing the work of the Auditor engaged for the purpose of preparing or issuing an auditor's report or performing other services for Urbana, including the resolution of disagreements between management and the Auditor regarding financial reporting.
- (3) The Committee must pre-approve any material non-audit services to be provided by the Auditor to Urbana. The Committee may delegate to one or more of its members the authority to pre-approve these non-audit services provided that any such pre-approval must be presented to the Committee at its next meeting. The Committee may also adopt specific policies and procedures relating to pre-approval of material non-audit services to satisfy the pre-approval requirement provided that the procedures are detailed as to the specific service, the Committee is informed of each non-audit service and the procedures do not include the delegation of the Committee's responsibilities to management.
- (4) Prior to the commencement of the annual audit, the Committee shall review with the Auditor the proposed audit plan and scope of work and shall review the audit representation letters with particular attention to non-standard representations. The

Committee may delegate some or all of these responsibilities to the Chief Financial Officer of Urbana. The Committee shall also review and monitor the content of the Auditor's management letter in order to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reason they have not been acted upon.

- (5) The Committee must review Urbana's financial statements and management's discussion and analysis ("MD&A") before these materials are made available to the public.
- (6) The Committee must be satisfied that adequate procedures are in place for the review of Urbana's public disclosure of financial information extracted or derived from Urbana's financial statements, other than the public disclosure referred to in section (5) above, and must periodically assess the adequacy of these procedures.
- (7) After reviewing the report referred to above and the Auditor's performance throughout the year, the Committee will evaluate the Auditor's qualifications, performance and independence. The evaluation will include a review and evaluation of the lead partner of the Auditor. In making its evaluation, the Committee will take into account the opinions of management and Urbana's internal auditors (or other personnel responsible for the internal audit function). The Committee will also consider whether, in order to assure continuing auditor independence, there should be a rotation of the audit firm itself. The Committee will present its conclusions to the Board.
- (8) The Committee must establish procedures for (a) the receipt, retention and treatment of complaints received by Urbana regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by staff of Urbana of concerns regarding questionable accounting or auditing matters.
- (9) The Committee must review and approve Urbana's hiring policies regarding partners, employees and former partners and employees of present and former auditors of the Company.

#### **Financial Statements and Financial Review**

- (10) The Committee will review the annual audited financial statements and interim financial statements with management and the Auditor, including the MD&A, before their release and their filing with securities regulatory authorities. The Committee will also review all news releases relating to annual and interim financial results prior to their public release. The Committee will also consider, establish and periodically review policies with respect to the release or distribution of any other financial information, including earnings guidance and any financial information provided to ratings agencies and analysts, and review that information prior to its release.
- (11) The Committee will meet separately and periodically with management and the Auditor. The Committee shall receive and review reports from management and the

Auditor with regard to the reliability and effectiveness of the Company's accounting system and internal controls.

- (12) The Committee will oversee management's design and implementation of an adequate and effective system of internal controls at Urbana. The Committee will review the processes for complying with internal control reporting and certification requirements and for evaluating the adequacy and effectiveness of specified controls. The Committee will review the annual and interim conclusions of the effectiveness of Urbana's disclosure controls and procedures and internal controls and procedures, which support the certifications of annual and interim filings submitted by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").
- (13) The Committee will review with management and the Auditor: (a) major issues regarding accounting principles and financial statement presentations, including critical accounting principles and practices used and any significant changes to Urbana's selection or application of accounting principles, and major issues as to the adequacy of Urbana's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative IFRS methods on the financial statements of Urbana and the treatment preferred by the Auditor; (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of Urbana; and (d) the type and presentation of information to be included in earnings press releases.
- (14) The Committee will regularly review with the Auditor any difficulties the auditor encountered in the course of its audit work, including any restrictions on the scope of the Auditor's activities or on access to requested information, and any significant disagreements with management. The Committee will also review with the Auditor any material communications with the Auditor, including any management letter or schedule of unadjusted differences.
- (15) The Committee will review with management, and any outside professionals as the Committee considers appropriate, important trends and developments in financial reporting practices and requirements and their effect on Urbana's financial statements.
- (16) The Committee will review with management and the Auditor the scope, planning and staffing of the proposed audit for the current year.
- (17) The Committee will review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on Urbana, the Company's compliance with applicable laws and regulations, and any material reports or inquiries from regulatory or governmental agencies.
- (18) The Committee will review with the Board any issues that arise with respect to the



quality or integrity of Urbana's financial statements, compliance with legal or regulatory requirements, or the performance of the internal financial control function.

- (19) The Committee will annually review the expenses of all officers and directors.
- (20) The Committee will review the financial and accounting personnel succession planning and review related party transactions and potential conflicts of interest.

### **Conflicts of Interest and Related Party Transactions**

- (21) The Committee will administer the Company's Conflicts of Interest and Related Party Transactions Policies and Procedures (the "Conflicts Policy"), including by (a) reviewing answers provided by the Company's directors and officers to the annual conflicts of interest questionnaire (the "Questionnaire"), (b) determining based on a review of the Questionnaires whether a conflict of interest exists, (c) determining how a conflict of interest is to be addressed under the Conflicts Policy, (d) advising the Board on matters involving conflicts of interest and related party transactions, and (e) assessing on an annual basis the Conflicts Policy to ensure it continues to be appropriate for the Company.

### **5. Access to Advisors**

The Committee may, in its sole discretion, retain counsel, auditors or other advisors in connection with the execution of its duties and responsibilities and may determine the fees of any advisors so retained. Urbana will provide the Committee with appropriate funding for payment of compensation to such counsel, auditors or other advisors and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **6. The Committee Chair**

In addition to the responsibilities of the Chair described above, the Chair has the primary responsibility for monitoring developments with respect to financial reporting in general, and reporting to the Committee on any significant developments.

### **7. Committee Evaluation**

The performance of the Committee will be evaluated by the Governance, Nominating and Compensation Committee as part of its annual evaluation of the Board committees.