

# **URBANA CORPORATION**

## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

**For the six month period ended June 30, 2006**

## TABLE OF CONTENTS

Investment Team.....	1
Investment Objectives and Strategies .....	2
Results Of Operations .....	2
Recent Developments .....	3
Related Party Transactions .....	3
Financial Highlights.....	3
Investment Management Fees.....	4
Past Performance .....	5
Summary Of Investment Portfolio.....	6
Change in Accounting Policy .....	6

**This report may contain forward-looking statements. Forward-looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward-looking statements.**

**URBANA CORPORATION**  
(the “Company” or “Urbana”)

This interim management report of fund performance (“MRFP”) follows the disclosure obligations under NI 81-106. It contains financial highlights but does not contain either interim or annual financial statements of the Company. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling the Company collect at (416) 595-9106, by writing to us at: 150 King St. W., Suite 1702, Toronto, Ontario M5H 1J9, or by visiting the Company’s website at [www.urbanacorp.com](http://www.urbanacorp.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Company’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

**INVESTMENT TEAM**

The investment activities of the Company are handled by Caldwell Investment Management Ltd. (“CIM”) in Toronto. Profiles are as follows:

**Charles Hughson**

Strategic Advisor

Mr. Hughson is an investment industry professional with over three decades of experience. Graduating from the University of Aberdeen, Scotland with an M.A. (Hons.) degree in economics, he began his career as an investment analyst in the City of London, England. Mr. Hughson immigrated to Canada in 1975 and joined the Alberta Treasury department, then a leading Canadian life insurance company.

**Brendan T.N. Caldwell**

B.Sc., M.A., FCSI, CFA

Mr. Caldwell holds a B.Sc. from the University of Toronto, Trinity College, an M.A. from the University of London and a Chartered Financial Analyst (CFA) designation. Prior to joining the Investment Management team, Mr. Caldwell worked for a large, international investment banking organization and a major mutual fund company.

**John R. Kinsey**

Mr. Kinsey contributes over forty years of investment experience, which includes portfolio management, research and trading. He also coordinates the equity research functions which include monitoring our firm’s overall universe of securities followed.

**Thomas S. Caldwell, C.M.**

B.Comm. Hons-Economics, FCSI

Having held progressively senior positions at major investment firms in Toronto, Montreal and New York since 1965, Mr. Caldwell founded Caldwell Securities Ltd. in 1980. He serves as Chairman of CIM and has responsibility for overall strategy.

**J. Dennis Freeman**

Mr. Freeman's investment experience has been primarily focused on the fixed income sector, including managing major bond funds. His broad experience and market strategy views are highly regarded in the investment industry.

**Robert M. Callander**

B.Sc., M.B.A., CFA

Mr. Callander is an investment industry executive with over thirty years experience, including senior positions in investment research and corporate finance. He provides financial advisory services to both institutional and private clients. Mr. Callander is a Chartered Financial Analyst and professional geologist.

**Thomas Ratnik**

B.A.Sc., P.Eng.

Mr. Ratnik's responsibilities include market strategy, timing and technical analysis. With forty years experience as a technical analyst, Mr. Ratnik has developed a series of criteria which assist in establishing entry and exit points for equity portfolio positions. Mr. Ratnik is a professional engineer.

**Jennifer Radman**

Analyst

Ms. Radman joined the firm in June 2004 as a research associate. She graduated with honours with a business degree from the University of South Carolina, and is currently enrolled in the third level of the CFA program.

Thomas S. Caldwell, C.M., as the lead investment manager for the Company, supervises the overall investment activities conducted by CIM on the Company's behalf. He serves as the Company's President.

**INVESTMENT OBJECTIVES AND STRATEGIES**

Urbana seeks to provide long-term capital growth through investing in a wide spectrum of opportunities. Potential investments can range from publicly-traded securities to private companies to other assets. The Investment Management Team at CIM attempts to seek out opportunities which will provide above average returns over a longer period of time, while blending that approach with shorter term trading opportunities.

**RESULTS OF OPERATIONS**

As at June 30, 2006, Urbana's net shareholder equity was \$15,935,548 as compared to \$11,334,873 at December 31, 2005 and its net asset value per common share was \$1.77 compared to \$1.26 at December 31, 2006, representing an increase of 40%. There were no shares issued during the six month period ended June 30, 2006. There were no material changes in our investment holdings or investment style since December 31, 2005, with the predominant position being in New York Stock Exchange memberships ("Seats"). These Seats improved in value as that organization moved to demutualize and completed the steps necessary to become a for-profit, publicly-traded corporation, NYSE Group, Inc.

During 2005, Urbana purchased \$675,790 of Caldwell Growth Opportunities Trust with a view to both adding to our interest in the New York Stock Exchange as well as obtaining

ownership interests in memberships in the Chicago Board Options Exchange and other exchanges. As at June 30, 2006, the value of that position had increased to \$950,325.

### **RECENT DEVELOPMENTS**

In March 2006, the NYSE was merged with Archipelago Inc. to form NYSE Group, Inc. Seats of the former NYSE were exchanged for NYSE Group, Inc. stock. The three NYSE seats held by the Company were exchanged for 254,097 shares of NYSE Group, Inc. As at June 30, 2006, the market value of these shares was \$18,170,940 in total with a total acquisition cost of \$5,751,720.

### **RELATED PARTY TRANSACTIONS**

Thomas S. Caldwell is a director and officer of Caldwell Securities Ltd. (“CSL”) and CIM, both of which companies have dealings with the Company. Mr. Caldwell is also a director and officer of Caldwell Asset Management Inc. (“CAM”) and Caldwell Financial Ltd. (“CFL”), this latter company being a substantial shareholder (3,800,000 shares or 42% of the total shares outstanding) of Urbana. In the six month period ended June 30, 2006, CIM paid a consulting fee to Urbana in the amount of \$90,000 for certain administrative services (for the same period in 2005 - \$32,500). In the six month period ended June 30, 2006, Urbana paid rent of \$30,000 to CSL (for the same period in 2005 - \$30,000) and investment management fees of \$122,617 were charged to Urbana by CIM (for the same period in 2005 – \$3,464 by CAM and CIM).

CFL has a loan outstanding to Urbana in the amount of \$1,118,268 on which interest accrues at the prime rate or lower, as negotiated each year. Interest payments totaled \$33,936 in six month period ended June 30, 2006 (for the same period in 2005 - \$27,247).

### **FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about Urbana and are intended to help you understand Urbana’s financial performance. The interim information is derived from the Company’s unaudited interim financial statements while the annual information is derived from the Company’s audited annual financial statements.

#### **The Company’s Net Asset Value Per Share**

	<b>Six months ended June 30, 2006</b>	<b>Year ended Dec 31, 2005</b>
Net asset value per share, beginning of period	\$1.26	\$0.71
Realized gains (losses) for the period	0.00	(\$0.02)
Investment income for the period	0.04	\$0.04
Total expenses for the period, including future taxes	(0.06)	(\$0.13)
Unrealized gains for the period	0.53	\$0.66
Net asset value per share, end of period	\$1.77	\$1.26

## Ratios and Supplemental Data

	Six months ended June 30, 2006	Year ended Dec. 31, 2005
Net assets <sup>(1)</sup>	\$15,935,548	\$11,334,873
Investment assets <sup>(1)</sup>	\$19,121,265	\$13,463,669
Shares outstanding	9,000,000	9,000,000
Management expense ratio <sup>(2)</sup>	3.25%	3.25%
Portfolio turnover ratio <sup>(3)</sup>	0.00%	0.15%
Trading expense ratio <sup>(4)</sup>	0.00%	0.07%
Closing market price	\$1.65	\$2.00

(1) This information is provided as at the end of the relevant period.

(2) The Management Expense Ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the period.

(3) The Company's turnover rate indicates how actively the Company's investment manager manages its securities investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in the portfolio once in the course of the year. The higher a company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year, and the greater the chance that the Company will receive taxable capital gains or losses in the year. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the weekly average net assets during the period.

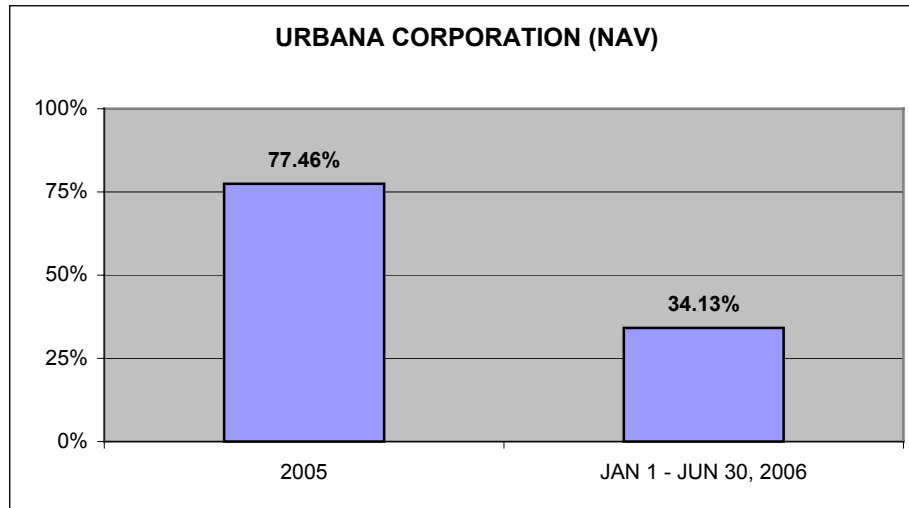
## INVESTMENT MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with an Investment Management Agreement with CIM. Effective as of May, 1, 2006, investment management fees accrue on the basis of 1.5% of the investment assets under administration. During the six month period ended June 30, 2006, investment management fees of \$122,617 were charged to Urbana by CIM.

## PAST PERFORMANCE

### Year-by-Year Returns

The following bar chart shows the net asset value (“NAV”) performance of the Company for the financial year/period indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period based on the NAV per share of the Company. Past performance is not an indication of how the Company will perform in the future.



### Annual Compound Returns

The following table shows the Company’s return based on NAV for the one year period (and since inception) immediately preceding the end of the last completed financial year (December 31, 2005), compared to the S&P/TSX Composite Index for the same period.

	1 year and since inception <sup>1</sup>
Urbana Corporation (NAV)	77.46% <sup>2</sup>
S&P/TSX Composite Index <sup>3</sup>	21.91%

1. Inception date is January 1, 2005, being the first day of the financial year in which the Company became an investment fund.

2. Shown in previous annual MRF as 77.0%.

3. The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

## **SUMMARY OF INVESTMENT PORTFOLIO**

Below is a summary of the Company's investment portfolio as at June 30, 2006.

<b>No. of Units</b>	<b>Name of Security</b>	<b>Market Value</b>	<b>Percentage of Total Net Assets</b>
62,251	Caldwell Growth Opportunities Trust	\$950,325	4.97%
254,097	NYSE Group Inc. common shares	\$18,170,940	94.96%
	Cash	\$13,482	<u>0.07%</u>
			100.00%

The above summary of the investment portfolio may change. A quarterly update is available on the internet at [www.urbanacorp.com](http://www.urbanacorp.com) or by contacting the Company at (416) 595-9106.

## **CHANGE IN ACCOUNTING POLICIES**

Subsequent to its change from a mining issuer to an investment issuer in 2005, the Corporation adopted the Canadian Institute of Chartered Accountants' Accounting Guideline 18 for investment companies. As a result, the investments of the Corporation are recorded at fair value on the balance sheet and the unrealized gains in investments are recorded in the statement of operations. For the six month period ended June 30, 2006, included in income is a \$4,738,492 unrealized gain in marketable securities, net of future taxes of \$919,104.