

URBANA CORPORATION

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE For the year ended December 31, 2010

This annual management report of fund performance follows the disclosure requirements of the Canadian Securities Administrators' National Instrument 81-106. It contains financial highlights but does not contain the complete annual financial statements of Urbana Corporation ("Urbana"). You can get a copy of Urbana's annual financial statements at your request, and at no cost, by calling Urbana collect at (416) 595-9106, by writing to us at: 150 King Street West, Suite 1702, Toronto, Ontario M5H 1J9 or by visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

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

Forward-looking Statements

Certain statements included in this report may constitute forward-looking statements, including those identified by the expressions "anticipate", "expect" or similar expressions to the extent they relate to Urbana or its investment manager, Caldwell Investment Management Ltd. Such forward-looking statements are not historical facts but reflect Urbana's or the Investment Manager's current expectations regarding future results or events. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Readers are cautioned to consider these and other factors carefully when making decisions with respect to Urbana and not place undue reliance on forward-looking statements. Unless required by applicable law, Urbana does not undertake any obligation to update publicly or to revise any of such forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements included or incorporated by reference in this report include statements with respect to:

- *Results of Operation*
- *Changes in accounting policy*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified the financial services sector as attractive for longer term growth.

Risk

There were no material changes to Urbana's investment style over the financial year that affected the overall level of risk associated with investment in the corporation. The suitability and investor risk tolerance remains unchanged over the years as that of an aggressive growth vehicle with concentrated investment positions. The risks associated with investing in Urbana are described in Urbana's last short form prospectus dated November 2, 2009 under the heading of "Risk Factors".

Results of Operations

Net shareholders' equity decreased from \$174,679,405 at the end of 2009 to \$148,097,106 at the end of 2010, a decrease of \$26,582,299. Net Assets (as described in note 11 to the audited annual financial statements) per common share was \$1.83 as at December 31, 2010 compared to \$2.00 as at December 31, 2009, representing a decrease of 8.50%. The Net Assets per share for the Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, is the same as the Net Assets per common share.

Dividend income in 2010 was \$6,607,859 as compared to \$3,646,573 in 2009. The increase was due mainly to the dividend received in relation to the demutualization of the Chicago Board of Options Exchange ("CBOE"). Seat rental income decreased from \$3,073,947 in 2009 to \$729,693 in 2010. This decrease was due mainly to the significant decrease in seat rental income from the CBOE seats in the first half of the year and the subsequent conversion of the CBOE seats to equity shares. In 2010, Urbana's operations resulted in a net loss of \$18,404,855 (\$3,327,600 before net unrealized loss on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net loss of \$1,361,616 (\$1,639,952) before the specified items) in 2009.

The long anticipated demutualization of the CBOE took place on June 15, 2010. As a result of the demutualization, the 25 CBOE seats owned by Urbana were converted to 2,000,000 shares of CBOE Holdings, Inc., which became the parent company of the CBOE and the common shares of which are listed for trading on NASDAQ. Of these 2,000,000 shares, Urbana sold 240,000 shares immediately after the conversion for a net proceeds of \$6,677,442. The remaining 1,760,000 shares were restricted in that half of them were not freely tradable until December 15, 2010 (the "First Restriction") and the other half has similar trading restriction until June 15, 2011 (the "Second Restriction"). The First Restriction was removed as planned on December 15, 2010 and Management expects the Second Restriction will be removed on or before June 15, 2011.

Normal Course Issuer Bid

On August 26, 2010 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 7,431,323 of its Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 28, 2010, and will terminate on the earlier of August 27, 2011, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such

shares shall be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB shall be cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,500,000 Non-Voting Class A Shares, being 2% of the 75,000,000 issued and outstanding Non-Voting Class A Shares as at August 24, 2010 (the date on which the notice was filed). As at December 31, 2010, Urbana has purchased 3,376,300 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.22 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009 and August 28, 2009 to August 27, 2010 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share and 3,083,920 Non-Voting Class A Shares at \$1.32 per share respectively during these periods.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with Bank of Montreal (the 'Bank'). In July 2009 the loan facility agreement was amended to allow Urbana to borrow up to \$15,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 2.75%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets and allows Urbana to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2010, the outstanding balance of the loan was \$13,455,000 (2009 - \$nil) which is the fair value of the loan.

Acquisitions and Dispositions of Investments

During 2010, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

| Investment | Quantity | Type of Securities | Cost |
|---|-----------------|---------------------------|-------------|
| NYSE Euronext | 164,019 | shares | \$5,172,513 |
| Bombay Stock Exchange | 791,000 | shares | 7,012,890 |
| 2232057 Ontario Inc. (investment in StoneCap Securities Inc.) | 2,200,000 | shares | 2,200,000 |
| Bank of America Corp. | 75,000 | shares | 989,447 |
| Citigroup Inc. | 200,000 | shares | 971,124 |
| Manulife Financial Group | 50,000 | shares | 866,000 |
| Kansas City Board of Trade | 2 | seats | 660,534 |
| TMX Group Inc. | 10,000 | shares | 350,143 |
| Minneapolis Grain Exchange | 1 | seat | 97,825 |
| 2232057 Ontario Inc. (investment in StoneCap Securities Inc.) | | promissory note | 2,500,000 |

Dispositions

| Investment | Quantity | Type of Securities | Proceeds |
|-----------------------|-----------------|---------------------------|-----------------|
| CBOE Holdings, Inc. | 240,000 | shares | \$6,677,442 |
| NYSE Euronext | 100,000 | share | 3,000,546 |
| Bombay Stock Exchange | 28,246 | shares | 306,045 |

Recent Developments

Changes in Accounting Policy

In 2008 the Canadian Accounting Standards Board (“AcSB”) confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards (“IFRS”) on or by January 1, 2011. The objective of the change is to move towards the use of a single set of world-wide accounting standards, thereby facilitating and improving capital flows, as well as improving financial reporting and transparency. In September 2010, the Canadian Institute of Chartered Accountants extended the deadline for adoption of IFRS by certain qualifying investment funds by one year and in January 2011, the AcSB approved a one year extension of the deferral. As a result investment companies will now be required to adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2013. Comparative statements will also be prepared under IFRS.

In order to prepare for the conversion to IFRS, management has performed a preliminary assessment of the impact of significant accounting differences between IFRS and Canadian GAAP. Based on this review, management expects no significant impact to the financial statements from the changeover to IFRS. There is no expected impact on net asset value calculations and no change is expected to current business and processes including information technology. The Company is continuing to monitor and assess the overall impact of adopting IFRS.

Related Party Transactions

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of the Investment Manager, Caldwell Investment Management Ltd. (“CIM”). In 2010 and 2009, investment management fees of \$2,353,731 and \$2,231,834 respectively were paid to CIM. For the year ended December 31, 2010, CIM absorbed no expenditures relating to Urbana (December 31, 2009 - \$nil). As at December 31, 2010 there was an investment management fees payable of \$571,110 (December 31, 2009 – \$608,920) to CIM. There were no other fees payable to related parties as at December 31, 2010.

Subsequent to its establishment, the Independent Investment Review Committee has made a recommendation to Urbana and CIM to execute portfolio transactions through Caldwell Securities Ltd, a sister company of CIM and a registered broker and investment dealer, provided that such transactions are executed on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to CIM.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about Urbana and are intended to help you understand Urbana's financial performance for the past five years.

| Urbana's Net Assets per Share^(1 & 2) | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Net assets, beginning of year ⁽³⁾ | 2.00 | \$2.05 | \$3.37 | \$2.68 | \$1.26 |
| Realized gain(loss) for the year | (0.07) | (0.05) | (0.05) | 0.06 | 0.02 |
| Unrealized gain(loss) for the year | (0.22) | (0.00) | (1.52) | 0.31 | 1.78 |
| Total Investment income for the year/period | 0.09 | 0.08 | 0.07 | 0.06 | 0.04 |
| Total expenses for the year/period, including future taxes ⁽⁴⁾ , and non-controlling interest portion of gain/loss | (0.02) | (0.05) | (0.08) | (0.13) | (0.37) |
| Distributions | Nil | Nil | Nil | Nil | Nil |
| Net assets, end of year/period ⁽⁵⁾ | 1.83 | 2.00 | 2.05 | 3.37 | 2.69 |

- (1) This information is derived from Urbana's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value calculated for fund valuation purposes due to differences in valuation techniques as described in note 11 to the financial statements.
- (2) Net assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (3) The net assets for the periods beginning 2007 and onward are shown as Net Assets and the net assets for all prior periods are shown as Net Asset Values. (see note (1) above)
- (4) Total expenses include future taxes only where future taxes are a liability. Where future taxes are an asset (i.e. a future tax credit), total expenses do not include future taxes.
- (5) This is not a reconciliation of beginning and ending net assets per share.

| Ratios and Supplemental Data | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| Total net asset value(000's) ⁽¹⁾ | 148,103 | \$174,683 | \$158,821 | \$262,841 | \$26,917 |
| Shares outstanding ⁽¹⁾ | 81,066,100 | 87,526,320 | 77,100,000 | 78,061,518 | 10,000,000 |
| Management expense ratio excluding share issuance costs ⁽²⁾ | 2.76% | 2.94% | 2.77% | 2.99% | 4.60% |
| Management expense ratio including share issuance costs | 2.76% | 4.32% | 2.77% | 10.50% | 4.93% |
| Management expense ratio excluding share issuance costs before waivers or absorptions | 2.76% | 2.94% | 3.03% | 3.37% | 4.60% |
| Portfolio turnover ratio ⁽³⁾ | 7.21% | 2.23% | 5.22% | 3.00% | 10.17% |
| Trading expense ratio ⁽⁴⁾ | 0.44% | 0.00% | 0.08% | 0.00% | 0.00% |
| Net asset value per share | \$1.83 | 2.00 | \$2.06 | \$3.37 | \$2.69 |
| Closing market price (common) | \$1.29 | \$1.51 | \$1.51 | \$5.40 | \$3.00 |
| Closing market price (Class A) | \$1.23 | \$1.48 | \$1.35 | \$5.15 | - |

- (1) This information is provided as at December 31 of the year shown.
- (2) Management Expense Ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of weekly average net asset value during the period.
- (3) Urbana's portfolio turnover rate indicates how actively the corporation's investment manager manages Urbana's portfolio securities investments. A portfolio turnover rate of 100% is equivalent to the corporation 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 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 weekly average net asset value during the period.

Management Fees

Investment management fees are charged for portfolio management services in accordance with an investment management agreement with CIM. Investment management fees accrue on the basis of 1.50% per annum of the market value of the equity securities in Urbana’s investment portfolio and 0.50% of the market value of the fixed income securities in the corporation’s investment portfolio. During the year ended December 31, 2010, CIM earned \$2,353,731 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

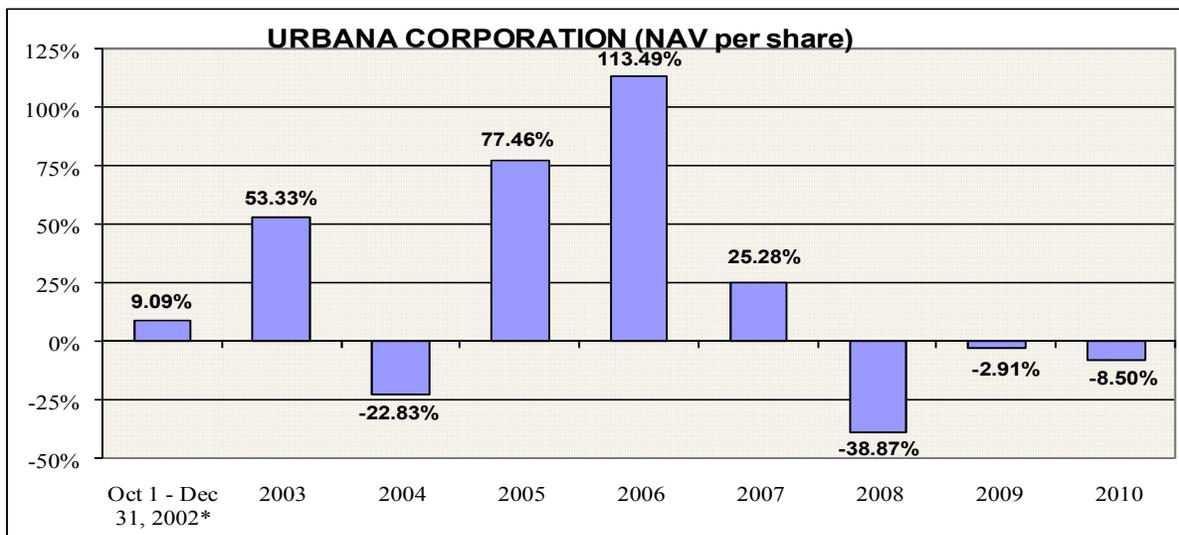
PAST PERFORMANCE

The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the net asset value performance of Urbana’s common shares for the financial years indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year based on the net asset value (NAV) per share of Urbana. All net asset value returns are calculated based on Urbana’s Net Asset Values (as opposed to Net Assets).

Urbana’s Non-Voting Class A Shares were first issued on January 11, 2007. The Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, have the same NAV per share as the common shares.



*CIM began managing Urbana’s investment portfolio on October 1, 2002.

Annual Compound Returns

The following table shows Urbana's historical annual compound returns for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2010), compared with the S&P/TSX Composite Index.

| | 1 year | 3 year | since inception of Class A shares⁽¹⁾ | 5 year | since inception of common shares⁽¹⁾ | since Oct 1 2002⁽²⁾ |
|--|---------------|---------------|--|---------------|---|---------------------------------------|
| Urbana NAV | -8.50% | -18.42% | -11.10 | 7.75% | 17.09% | 15.69% |
| Urbana Common Shares (Market) | -14.57% | -37.95% | - | -8.40% | 3.17% | 36.34% |
| Urbana Class A Shares (Market) | -19.08% | -37.96% | -20.12 | - | - | - |
| S&P/TSX Composite Index ⁽³⁾ | 14.45% | -0.95% | 1.18 | 3.59% | 6.44% | 9.98% |

(1) Inception date of common shares is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund. Inception date of the Non-Voting Class A Share is January 11, 2007.

(2) CIM began managing Urbana's investment portfolio on October 1, 2002.

(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
(non-consolidated)
As at December 31, 2010

The following data is extracted from Urbana's financial statements:

| Number of Shares, Units or Seats | Description | Cost | Fair Value | % of Portfolio Fair Value | % of Total Net Assets |
|--|--|-----------------------|-----------------------|---------------------------------|--------------------------|
| Privately owned entities | | | | | |
| 3,141,562 | Bombay Stock Exchange | \$ 32,480,863 | \$ 26,420,193 | 17.17% | 17.84% |
| 169,341 | Budapest Stock Exchange | 4,761,242 | 5,756,292 | 3.74% | 3.89% |
| 42 | Minneapolis Grain Exchange | 10,244,301 | 4,590,663 | 2.98% | 3.10% |
| 11 | Kansas City Board of Trade | 5,948,450 | 4,590,663 | 2.98% | 3.10% |
| 2,200,000 | 2232057 Ontario Inc. ¹ | 2,200,000 | 1,825,560 | 1.19% | 1.23% |
| 55 | OneChicago LLC | 3,175,830 | 413,166 | 0.27% | 0.28% |
| 24,683 | Bermuda Stock Exchange | 533,099 | 257,126 | 0.17% | 0.17% |
| 50,000 | Bulgarian Stock Exchange | 724,589 | 41,791 | 0.03% | 0.03% |
| Publicly traded securities | | | | | |
| 1,800,000 | NYSE Euronext | 115,100,204 | 53,621,329 | 34.84% | 36.21% |
| 880,000 | CBOE Holdings, Inc. common (unrestricted) | 29,145,211 | 19,989,058 | 12.99% | 13.50% |
| 880,000 | CBOE Holdings, Inc. common (transfer restrictions) | 29,145,211 | 19,613,061 | 12.75% | 13.24% |
| 190,000 | TMX Group Inc. | 7,408,733 | 7,019,900 | 4.56% | 4.74% |
| 50,000 | Manulife Financial Corp Common | 866,000 | 853,700 | 0.55% | 0.58% |
| 75,000 | Bank of America Corp Common | 989,447 | 994,147 | 0.65% | 0.67% |
| 200,000 | Citigroup Inc. Common | 971,124 | 939,993 | 0.61% | 0.63% |
| Other | | | | | |
| 1,250,000 | CNSX Markets Inc. ² | 1,250,000 | 1,250,000 | 0.81% | 0.84% |
| 2,500,000 | 2232057 Ontario Inc. Unsecured subordinated loan ¹ | 2,500,000 | 2,500,000 | 1.62% | 1.69% |
| | Cash and Cash Equivalents | 3,284,125 | 3,210,997 | 2.09% | 2.17% |
| | Total | \$ 250,728,428 | \$ 153,887,638 | 100.00% | 103.91% |

¹ Investments in StoneCap Securities Inc.

² Urbana also holds 312,500 class A shares of CNSX Markets Inc. The shares have nil market value and will be cancelled at the time the debenture matures.

The above summary of the investment portfolio may change due to ongoing portfolio transactions. Weekly and quarterly updates are available at Urbana's website at www.urbanacorp.com