URBANA CORPORATION

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2009

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 "believe", "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:

- *Urbana's investment objective and strategies*
- *Changes in accounting policy*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

For the foreseeable future, the strategy of Urbana is to continue to search for and acquire investments for income and capital appreciation within the financial services industry. At the present time, Urbana has focused its efforts on acquiring interests in exchange properties for long-term gains. The management of Urbana ("Management") has identified securities and derivatives exchange properties around the world as attractive long-term investments due to the trend of demutualization in, and consolidation of, the exchange industry. Management believes that the current investing environment provides an attractive opportunity to acquire additional investments in the exchange industry. See "Current Global Exchange Market Outlook" below. However, Urbana maintains the flexibility to invest across a wide spectrum of investment possibilities in other industries. Other areas of opportunity, such as publicly or privately traded securities in other sectors or other assets, may be pursued from time to time, at the discretion of the Investment Manager. In order to minimize the impact of taxes on Urbana, to add to future performance and to expand its portfolio holdings, Urbana may use leverage, which will not exceed 100% of Urbana's NAV. As at December 31, 2009, Urbana employed no leverage.

Global Exchange Industry

Globally, exchanges fulfill a number of different functions, including transparency and liquidity, to the financial markets. Capital raising and secondary-market pricing remain the key function for the securities and securities options segments of exchanges globally. Management believes the performance of the global exchange market is an accurate proxy for domestic and international economic indicators. Along with central banks, exchanges have remained the most important provider of liquidity to the global financial system.

In the past few years, securities and derivative exchanges have themselves become listed entities. The creation of publicly-traded securities and derivatives exchanges is still a relatively new phenomenon. While some exchanges have transformed themselves into public companies, the industry still includes numerous private companies and mutually-owned, not-for-profit entities. In addition, in recent years there have been several mergers of stock exchanges (such as the merger of NYSE and Euronext in April 2007) and examples of cross-ownership between international exchanges seeking to form alliances. Management anticipates that the consolidation trend will continue and that additional mergers are likely to take place over the coming years, and believes that this may allow the Investment Manager to leverage its demonstrated expertise in this sector.

Current Global Exchange Market Outlook

Management believes that the present investing environment presents a good opportunity to acquire further investments in the exchange sector. In particular:

- *Revenue Growth and Fixed Cost Basis:* It is Management's belief that exchanges operate almost entirely on a fixed cost basis, which can result in increased exchange earnings as financial markets recover.

- *Limited Exposure to Credit:* Banks, insurance companies and many other financial institutions have direct exposure to the global debt markets as creditors and as owners of credit-related assets. In contrast, exchanges provide an agency service that does not expose them to the attendant risks involved with acting as creditors in the normal course of their business; provided that those exchanges that also own and operate clearing functions have very short term credit exposure to their settlement counterparties.

- *Increased Transparency:* Management also believes that there will be a move by regulators toward greater transparency in over-the-counter trading of cash, equity and derivative securities in the wake of the recent financial turmoil. It is Management's belief that stock and derivative exchanges will benefit from such regulatory initiative.

- *Consolidation Efficiencies:* Management is of the view that there are significant efficiencies arising from consolidation. For example, Management has observed that NYX's acquisition of AMEX resulted in significant cost savings through the elimination of overlapping functionality such as duplicate trading floors and technology.

- *Diverse Revenue Streams:* Management believes that the diverse revenue streams of exchanges, such as fees from trading, data services, listing, clearing and technology will ultimately be a competitive advantage over alternative trading systems, particularly if margins continue to decrease in relation to cash equity trading.

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 short form prospectus dated November 2, 2009 under the heading of "Risk Factors".

Results of Operations

Dividend income in 2009 was $3,646,573 as compared to $3,042,855 in 2008. The increase was due mainly to the increased dividends paid on the NYX Euronext shares. Seat rental income increased from $2,548,751 in 2008 to $3,073,947 in 2009 because of two additional Chicago Board of Options Exchange ("CBOE") seats acquired during the year and also because the seats were rented out at a higher rent per seat. Legal expenses and shareholder reporting costs were $79,077 and $74,836 respectively in 2009 which were significantly less than those in 2008 ($377,512 and $201,956 respectively). Investment management fees were $2,231,834 in 2009, which was $964,412 less than that in 2008 due to the lower net assets. All other expenses in 2009 were similar to those in 2008. In 2009, Urbana's operations resulted in a net loss of $1,361,616 ($1,639,952 before net unrealized loss on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net loss of $103,895,147 ($4,281,027 before the specified items) in 2008.

Net shareholders' equity increased from $158,402,330 at the end of 2008 to $174,679,405 at the end of 2008, an increase of $16,277,075. This increase was mainly the result of additional capital raised in a short form prospectus offering (see "Addition of Capital" below"). Net Assets (as described in note 11 to the audited annual financial statements) per common share was $2.00 as at December 31, 2009 compared to $2.05 as at December 31, 2008, representing a decrease of 2.44%. 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. In

2009 the changes to Urbana's investment portfolio are: (1) the acquisition of two additional CBOE seats and (2) the sale of the investments in Hong Kong Exchange & Clearing Ltd., Johannesburg Stock Exchange Ltd., London Stock Exchange Group, Osaka Securities Exchange Co. Ltd. and TMX Group Inc. (see "Acquisitions and Dispositions of Investments" below).

The total value of Urbana's private exchange investments increased from $110,572,398 at the end of 2008 to $122,561,823 at the end of 2009, an increase of $11,989,425. The prime reason for the increase was the increase in the value of the CBOE seats which increased from $2,160,381 per seat at the end of 2008 to $2,830,549 per seat at the end of 2009 (total value of $47,528,373 with 22 seats at the end of 2008 compared to $67,933,178 with 24 seats at the end of 2009) and the addition of two CBOE seats at a total cost of $4,932,185. The increase in the value of the CBOE investment was partially offset by a total decrease of approximately $8.4 million in other private exchange investments. In 2009 Urbana disposed most of its public exchange investments, retaining only its investment in the NYSE Euronext and part of its investment in the TMX Group Inc. The value of its investment in the NYSE Euronext decreased by $12,645,091 (from $58,634,356 at the end of 2008 to $45,989,265 at the end of 2009) while the value the TMX Group Inc. shares increased from $25.71 per share to $33.11 per share.

Addition of Capital

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

Normal Course Issuer Bid

On August 26, 2009 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,650,723 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, 2009, and will terminate on the earlier of August 27, 2010, 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 1,340,000 Non-Voting Class A Shares, being 2% of the 67,000,000 issued and outstanding Non-Voting Class A Shares as at August 26, 2009. As at December 31, 2009, Urbana has not purchased any shares pursuant to the NCIB. During the twelve months immediately preceding the NCIB, Urbana purchased 1,336,582 Non-Voting Class A Shares pursuant to a previous notice of intention to conduct a normal course issuer bid accepted by the TSX on August 26, 2008. These shares were purchased on the open market at an average purchase price per Non-Voting Class A Share of $1.29.

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, 2009, the outstanding balance of the loan was nil (2008 - $11,100,000).

Acquisitions and Dispositions of Investments
During 2009, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investment	Quantity	Type of Securities	Cost
Chicago Board Option Exchange	2	seats	4,932,185

Dispositions

Investment	Quantity	Type of Securities	Proceeds
Hong Kong Exchange & Clearing Ltd.	80,000	shares	$ 848,721
Johannesburg Stock Exchange Ltd.	56,000	shares	288,249
London Stock Exchange Group	132,000	shares	1,101,033
Osaka Securities Exchange Co. Ltd.	200	shares	1,021,216
TMX Group Inc.	30,791	shares	968,180

Recent Developments

Changes in Accounting Policy
In January 2009 the Canadian Accounting Standards Board's Emerging Issues Committee issued Abstract No. 173, Credit Risk and the Fire Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 requires that an entity's own credit risk and the risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and determined that the fair values ascribed to the financial assets and financial liabilities in Urbana's financial statements incorporate appropriate levels of credit risk.

In June 2009 the Canadian Accounting Standards Board approved amendments to the Canadian Institute of Chartered Accountants Handbook section 3862 "Financial Instruments –

Disclosures". The amendments require entities to classify fair value measurements based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined in the standard). The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009.

The Canadian Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") on or by January 1, 2011. IFRS will replace Canadian GAAP for publicly accountable enterprises, which include investment funds. 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. Accordingly, Urbana will adopt IFRS for its fiscal period beginning January 1, 2011. 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.

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 2009 and 2008, investment management fees of $2,231,834 and $3,196,246 respectively were paid to CIM. For the year ended December 31, 2009, CIM absorbed no expenditures relating to Urbana (December 31, 2008 - $351,845). As at December 31, 2009 there was an investment management fees payable of $608,920 (December 31, 2008 – $630,826) to CIM. There were no other fees payable to related parties as at December 31, 2009.

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&3)					
	2009	**2008**	**2007**	**2006**	**2005**
Net assets, beginning of year	$2.05	$3.37	$2.68	$1.26	$0.71
Total Investment income for the year	0.08	0.07	0.06	0.04	0.04
Total expenses for the year, including future taxes (4)	(0.06)	(0.08)*	(0.13)*	(0.37)	(0.13)
Realized gain(loss) for the year	(0.05)	(0.05)	0.06	0.02	(0.02)
Unrealized gain(loss) for the year	(0.00)	(1.52)	0.31	1.78	0.66
Non-controlling portion of loss(income)	0.02	0.00	0.03	-	-
Distributions	Nil	Nil	Nil	Nil	Nil
Net assets , end of year (5)	2.00	2.05	3.37	2.69	1.26

*Revised from 2008 annual MRFP.

(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					
	2009	**2008**	**2007**	**2006**	**2005**
Total net asset value(000's)[1]	$174,683	$158,821	$262,841	$26,917	$11,334
Shares outstanding[1]	87,526,320	77,100,000	78,061,518	10,000,000	9,000,000
Management expense ratio excluding share issuance costs[2]	2.94%	2.77%	2.99%	4.60%	3.25%
Management expense ratio including share issuance costs	4.32%	2.77%	10.50%	4.93%	3.25%
Management expense ratio excluding share issuance costs before waivers or absorptions	2.94%	3.03%	3.37%	4.60%	3.25%
Portfolio turnover ratio[3]	2.23%	5.22%	3.00%	10.17%	8.03%
Trading expense ratio[4]	0.00%	0.08%	0.00%	0.00%	0.18%
Net asset value per share	2.00	$2.06	$3.37	$2.69	$1.26
Closing market price (common)	$1.51	$1.51	$5.40	$3.00	$2.00
Closing market price (Class A)	$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, 2009, CIM earned $2,231,834 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

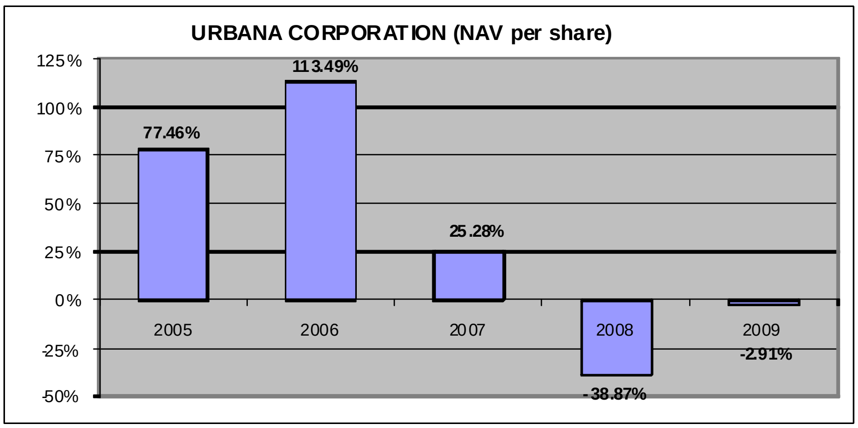
PAST PERFORMANCE

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.



Annual Compound Returns

The following table shows Urbana's historical returns on its common shares for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2009), compared with the S&P/TSX Composite Index.

	1 year	**3 year**	**5 year and since inception**(1)
Urbana Corporation (NAV)	-2.91%	-9.41%	23.01%
Urbana Corporation Common Shares (Market)	0.00%	-20.45%	7.13%
S&P/TSX Composite Index(2)	30.69%	-3.10%	4.90%

The following table shows Urbana's historical returns on its Non-Voting Class A Shares for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2009), compared with the S&P/TSX Composite Index.

	1 year	**since inception**(1)
Urbana Corporation (NAV)	-2.91%	-11.96%
Urbana Corporation Class A Shares (Market)	9.63%	-21.17%
S&P/TSX Composite Index(2)	30.69%	-2.13%

(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) 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, 2009

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

Number of Shares/Units/Seats	Description	Cost	Fair Value	Portfolio Fair Value	Total Net Asset Value
24	Chicago Board Options Exchange	$ 63,747,049	$ 67,933,178	40.12%	38.89%
1,735,981	NYSE Euronext	116,322,041	45,989,265	27.16%	26.33%
182,985	Bombay Stock Exchange (shares held by Caldwell India Holdings Inc.)	25,774,017	22,036,435	13.02%	12.62%
169,341	Budapest Stock Exchange	4,761,242	7,641,271	4.51%	4.37%
180,000	TMX Group	7,058,590	5,959,800	2.79%	3.41%
41	Minneapolis Grain Exchange	10,146,476	4,728,058	3.52%	2.71%
9	Kansas City Board of Trade	5,287,915	3,396,654	2.01%	1.94%
1,250,000	CNSX Markets Inc.[1]	1,250,000	1,250,000	0.74%	0.72%
54	OneChicago LLC	3,175,830	990,603	0.59%	0.57%
24,683	Bermuda Stock Exchange	724,589	307,592	0.18%	0.18%
50,000	Bulgarian Stock Exchange	533,099	365,893	0.22%	0.21%
	Cash and Cash Equivalents	8,714,341	8,714,341	5.15%	4.99%
	Total	$247,495,189	$169,313,090		

1. CNSX Markets Inc. – formerly Canadian Quotation and Trading System Inc. 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

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