# Urbana Corp sees potential big win from CSE investment amid challenging regulatory landscape

*By Deborah Bacal*

**Urbana Corp** (TSE:URB) (CSE:URB), an investment holding company run by Tom Caldwell, is attempting to do its part to help assuage the regulatory burden on companies looking to list on Canadian markets by investing its cash into the recently rebranded **Canadian Securities Exchange** (CSE), culminating in a listing on the trading platform in January 2014.

The closed-end investment firm with interests across a variety of financial services businesses from exchanges to broker dealers previously owned 49% of the CSE until Ned Goodman, chief executive of Dundee Corp, gave the Canadian exchange a boost last September by acquiring a third of the company.

Urbana, which is also listed on the TSX, now holds a third of the CSE itself, with the remainder held by a mix of individual shareholders, dealers and institutions.

"If we're telling other people to get listed on this dynamic, customer-friendly exchange, the least we can do is have our company there as well," says the chairman of **Urbana Corp** and Caldwell Securities in a recent phone interview with **Proactiveinvestors**.

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"We put our mouth where our money is, so to speak."

Indeed, Caldwell's mouth has been quite vocal lately on the difficult regulatory environment in Canada, with his opinions on the cost of compliance made evident in an editorial piece written in The Financial Post titled "Nanny-state regulators and lobby groups are sidelining investment experts". The article highlights the expansion of the provincial securities commissions' reach far beyond "investor protection into procedural audits", which has led to the decimation of independent brokerage firms and deprived investors of choices beyond bank-controlled mutual funds.

"Regulations are too hard at the moment. It's incumbent on us to make it easier to raise capital to fund innovation, and give people an opportunity," says Caldwell.







"Stock markets are the ultimate democratic tool in the capital world and it is important to preserve this environment where everyone can buy a little bit of someone else's dream."

The idea behind the CSE is quite simple. As a way to encourage this environment, and "ease the burden a bit from [the exchange] side", the trading platform operates on continuous disclosure requirements, rather than a heavy upfront burden at the exchange level, believing that the broader investment community is better suited to value a given company.

The CSE requires a monthly update from each issuer, which is not required on other exchanges, making up for the fact that upfront business diligence is not conducted by the CSE, dramatically reducing the time frame from application to listing as well as advisory and legal fees.

"If [the company] is a reporting issuer of good standing, then there's no reason to have to do it all over again at the exchange level and delay the process by six months. [The CSE] accepts the government filings and works with that."

The effects are already noticeable. The exchange estimates that it accounted for 17% of the new issuers entering the Canadian public markets last year, up from 11% in 2012.

The CSE is just one of Urbana's investments, with the firm also having interests in large U.S. banks like **Morgan Stanley (NYSE:MS)** and Citigroup (**NYSE:C**), as well as in exchanges around the world from Bombay to the Chicago Board Options Exchange and the **NYSE Euronext**.

The investment firm has a broad mandate, allowing it to put its money in a myriad of both public and private companies as well as sectors. Caldwell reckons that about 80% of Urbana's holdings are publicly-listed securities, with the remainder being private companies.

The company, which focuses on long-term growth, has seen its asset value increase from $112 million in December 2012 to $178 million at the end of January 2013, while its share price has risen more than 90% over the same time frame.

"Our investor group has changed over the last five or six years. It was originally shareholders that owned penny stocks, but now it's generally more sophisticated investors, such as high net worth individuals and investment management firms across Canada, the U.S. and Europe."

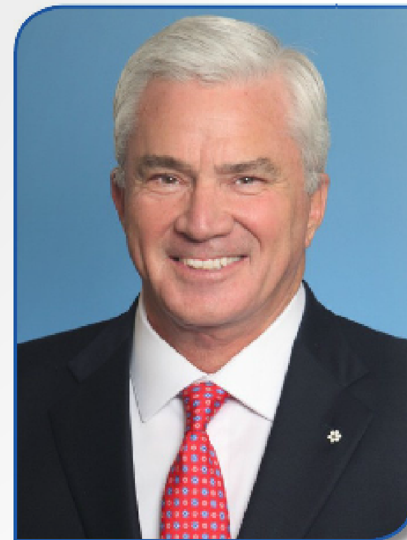

Photo by: Marypics (www.marypics.com)

Tom Caldwell, CEO
Urbana Corp.

Caldwell also highlights that Urbana has a 1.5% overall management fee, compared to 2% for most money managers, and allots no performance bonus for management, resulting in a "very efficient mechanism for managing money."

Efficient indeed. The company's performance metric, based on net asset value per share, at year-end 2013 came in at 56.45% for the year, with an annual compounded return of 15.96% since inception in October 2002, compared with an annualized return of 5.6% for the S&P/TSX Composite over the same period.

He says Urbana's closed-end model will be seen increasingly over the next few years, as mutual funds lose their investment appeal.

"Mutual funds lose at market bottoms and gain at the top. We have money always. If you want to get out, you sell the stock."