



Urban Sky Developments Corp
13916 Buena Vista Rd.,
Edmonton, AB, Canada T5R 5S1

Urban Sky Developments Corp.

Real Estate Development Opportunity

Background

Urban Sky Developments Corp. designs and builds reasonably priced urban homes — better built, better to live in, and easier to maintain. Urban Sky offers buyers an unique opportunity to design their dream home with Urban Sky’s architectural and interior design teams.

Urban Sky’s end-to-end approach to new home design and construction marries modern concepts and solid building techniques that supports and fits how real people want to live in urban areas.

Urban Sky’s dedicated team is fully committed throughout the entire process, all the way through to assisting our home owners with their home care and warranty needs. Urban Sky participates in the Province of Alberta’s New Home Warranty Program.

At Urban Sky, we know that building a home is a personal experience and the quality of that experience is enhanced by working with a quality team.

Management Team

Tom Keogh, M.Eng, P.Eng

The vision for Urban Sky comes from Tom’s philosophy that supports private business and public urban renewal projects that have a positive impact on urban landscapes. Tom has been a project manager for almost 30 years, working in the construction and industrial related sectors. Tom has built start-up companies into successful businesses. Tom’s early career included being a graduate of Royal Military College, commissioned officer in the Canadian Army Combat Engineers and Special Forces.



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Ben Elzen

Ben is the co-founder of Urban Sky Developments and owner/President of Cormode & Dickson Construction, the construction management company for Urban Sky. Cormode & Dickson is a full service general contractor based in western Canada. Ben's philosophy is carried through the Cormode & Dickson organization "we deliver quality without compromise." Ben has been in the construction business for over 30 years, and continues the tradition of Cormode & Dickson that started in 1962, "make every customer a repeat customer". As in the beginning, client satisfaction remains the cornerstone of Cormode & Dickson.

Business Activity

Urban Sky's business first starts with identifying properties in mature neighbourhoods which present good opportunities for re-development, with a focus on the revitalization in those areas. Once these properties are acquired, Urban Sky creates development plans which maximize the utilization and density of these properties to maximize the return on investment.

The Opportunity

Urban Sky wants to work with investors who share a desire to enter into the infill real estate development market without wanting to deal with the day to day management and construction of such projects. We are pleased to provide an overview of how we propose working with you on future projects.



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Step 1

Urban Sky will source the prospective property and assist the Investor in negotiating the purchase of a property. The purchase will be done using an industry standard mortgage for a non-primary residence, which typically requires 20% of the sales price.

The investors financing of the 20% of the sales price can be arranged through either of:

- Cash deposit.
- Debt arrangement such as a Line of Credit (LoC).

The investor will then provide a Letter of Intent to Urban Sky for the project specific development of the property.

Step 2

Urban Sky completes and presents a proposal to the Investor that will outline:

- Conceptual project plans.
- Timelines & permitting process.
- Financial proforma that includes potential returns.
- Deal structure including possible shareholder equity ownership or debt arrangements.

Step 3

If the proposal as presented is acceptable to the Investor, a new company (ProjectCo) will be formed with one of two arrangements:

- **Arrangement #1:** Funded through equity which will provide the Investor a shareholder return.
 - ProjectCo will be incorporated and a Unanimous Shareholder Agreement (USA) will be put in place between the Investor and Urban Sky.



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- The Investor buys out the existing mortgage by taking out a LoC.
 - The title for the property is transferred from the Investor to the ProjectCo.
 - ProjectCo pays all interest costs on the LoC.
 - The Investor receives equity based on the amount they contribute into the ProjectCo (i.e. the difference between the land purchase price and the LoC).
 - The Investor will receive a return on their equity in proportion to the percentage of equity they own in the ProjectCo.
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- **Arrangement #2:** Funded through a Debt arrangement which provides the Investor a fixed interest return.
 - ProjectCo will be incorporated and the legal loan documents will be executed.
 - The Investor buys out the existing mortgage by taking out a LoC.
 - The title for the property is transferred from the Investor to the ProjectCo.
 - ProjectCo pays all interest costs on the LoC.
 - ProjectCo will issue a promissory note to the Investor for an amount that is the difference between the land purchase price and the LoC.
 - The interest rate on the promissory note will be negotiated; typically a multiplier that represents the contribution by the Investor to the ProjectCo.



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The ProjectCo provides the following:

- Construction Financing for the ProjectCo.
- Maintain detailed project schedules and budgets.
- Detailed design drawings.
- Permitting & Inspections.
- Project management and construction site management.
- Sub-contracting and coordination of all trades.
- Marketing of property for sale.
- Fund any shortfalls in the construction budget (a promissory note will be exchanged).

ProjectCo Payout

Once the project has been completed (upon final sale), payout will be made by the ProjectCo in the following order:

- All expenses associated with the construction and sales.
- The construction financing fully paid out.
- All financing paid out in order of seniority.
- All unsecured promissory notes.
- The balance of funds distributed in proportion to number of share held.



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Example Financial Proforma



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**Urban Sky-Sample Project
Two Narrow Width Homes**

Units 2
Size/Unit 1800 SF

SALES

Sale Price per Unit \$ 550,000
Sale Price per Sqft \$ 220
Gross Sales \$ 1,100,000

GST 5.00% \$ 55,000

Net Sales \$ 1,045,000

LAND \$ 285,000

Construction

Total Hard Costs 650,000
Total Soft Costs 24,000
Construction Cost \$ 674,000

Total Cost \$ 959,000

Gross Margin \$ 86,000

Interest Costs 39,260

Net Margin \$ 46,740

Equity Required \$ 257,750
FCE 18.1%



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Risk Factors

Infill development is an exciting way to participate in the real estate development market and contribute to revitalizing neighbourhoods. We believe the ability to construct new housing in an area with established infrastructure provides a unique ability to take advantage of buyers' desire to live in established neighbourhoods in close proximity to City services while providing them with modern housing.

Like any business venture, there are risks associated with infill housing development. Such risks include:

- Reliance on construction financing. Completion of a project is contingent on obtaining construction financing on commercially reasonable terms. If such financing is not available or if the construction lender withdraws their mortgage approval, there may be no ability to complete the infill development.
- Fluctuations in the Real Estate Market. Although the Edmonton real estate market has sustained a period of prolonged growth, fluctuations in fair market value of real estate will impact the profitability of a real estate development.
- Labour and material shortages. Reduced availability of the labour and materials necessary to complete a project can increase interest costs as well as the cost of construction, all of which will affect project profitability.
- Cost overruns. While every effort is made to develop a comprehensive and accurate construction budget before proceeding with a project, unanticipated construction costs will decrease the profitability of a project.
- Investment Liquidity. Once title to a property is transferred to Urban Sky and construction begins, there will be very limited opportunities to sell the property during the construction period.



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Not an Offering

All information in this document is provided for informational and discussion purposes only. This is not, and should not be construed as an offering of securities. Should you and Urban Sky decide to pursue working together on a real estate development projects, formal legal agreements will be prepared and presented to you to document our relationship.

If you would like more information about Urban Sky or its developments, please contact Tom Keogh, M.Eng., P.Eng , Phone: 780.504.0005 Email: tom.keogh@urbanskydevelopments.ca.



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