UC Asset Limited Partnership
537 Peachtree Street NE
Atlanta, GA 30341, USA

Management Presentation and Q&A on 2023 Shareholder Meeting

Good morning.

We are very excited to hold our annual meeting today. Looking forward from this point, it appears to us that 2023 will be a year of breakthrough, which will probably lead to exponential growth of our company. I know that we said the same in the beginning of last year. And I will get to that point later, about why we formulated our strategy in the beginning of last year, but it is not until this year we are able to put it into practice.

The strategy by which we believe we will make a breakthrough is to transition ourselves from a traditional residential real estate investor, into an innovative, creative and fast-growing real estate investment company, is by focusing on cannabis properties. Here, cannabis properties are mostly growing facilities for both medical and recreational marijuana.

1. 1 of 4 SEC reporting firms investing in marijuana properties

At this moment there are only 4 SEC reporting companies, that are investing in marijuana properties. I understand that you may have seen or heard about many other stocks that are dealing with marijuana properties, but the overwhelming majority of them are so-called "pink-sheet" companies, which means much higher risk than SEC reporting companies like us. We are one of the only four. The other three companies are much bigger than us. These are: Innovative Industry Property(NYSE: IIPR), which has a net book value of about $2 billion; Power REIT (NYSE American: PW), which has a net book value of $50 million; and New Lake Capital Partnership(OTCQX: NCLP), which has a net book value of over $400 million.

We are also the newest one in sense of when we entered into the cannabis property business. IIPR started its cannabis property investment back in 2017, about 6 years ago. Power REIT did it in January 2020. New Lake Capital had its IPO in August 2021, but it had invested in cannabis property before its IPO, for approximately 3 years. We announced our cannabis investment in October 2021 which was only 18 months ago.

2. Background Info of Cannabis Property Investment Trend

Being the last player and the smallest one may be an advantage for us. Overall, cannabis property investment is an emerging market. There are almost 200 public companies investing in commercial properties, and, as I have pointed out, there are only 4 cannabis property investors. It is safe to say that we are one of the earliest birds. But we are not the very first three, which means we may be able to learn from our predecessors, and to avoid certain pitfalls and obstacles to achieve even smoother growth.

And there's plenty of lessons to learn.

For example, if you look into the share price of IIPR and PW, both soared after they started investing in cannabis properties. IIPR share prices went up 15 times since it started investing in cannabis properties, over a span of 4 years from November 2017 to November 2021. Its share price went up from less than $20 to almost $300. Power REIT share price went up almost 10 times in only two years, from when it started cannabis property investment in January 2020. Its share price soared from about $8 dollar to more than $80 dollars. By the end of 2021, it appeared that the capital market was crazy about cannabis property stocks. And that is when we announced to invest in cannabis properties.

The major reason behind the surge of marijuana property stocks, we believe, is that return on cannabis properties are much higher than on conventional properties. For example, based on Power REIT's 2021 financial report, its cannabis properties had a ROE(return to book value ratio) at above 18% averagely. During the same period, average ROE of its other properties was only 8%. Remember, this is the same company, same management team, and cannabis properties produce a ROE more than twice of other properties. Our own market research came out of similar numbers. So, it was an obvious choice that we should start to invest in cannabis properties.

However, the market made a big U-turn in the spring of 2022. In 8 months from November 2021 to July 2022, IIPR's share price dropped more than 70% to about $90 dollars. Power REIT's share price lost 95% in 12 months, to about $4 dollars by the end of last year.

The major reason behind this dramatic decline, as far as we understand, is a temporary weakening of retail marijuana market. In states such as California, sales actually declined slightly in 2022, compared to 2021. Meanwhile, the supply kept increasing as many growers were still building new cannabis farms. Weak demand and over supply caused the retail price of cannabis to decrease quickly. At its peak, one pound of marijuana could be sold for as high as $5000. Today, it can be less than $1000. Some cannabis growers are losing money. As a result, investors started to worry about the value of underlying cannabis properties.

We are sharing this background information about the industry, because we believe it is necessary for our investors to understand what happened to us in 2022.

3. Our Performance in 2022

In the first few months of 2022, after we announced our plan to transition into a cannabis property investment company, we attracted lots of attentions from investors. Soon, we announced a plan for a secondary public offering (SPO), which would be followed with an up-list to NYSE or Nasdaq. We had started to engage investment bankers for our SPO. The feedback was exciting. We proposed to one investment banker that we would like to raise $20 million. And the COO of the banker called us suggesting that we should consider raising more, perhaps $50 million.

Meanwhile, we have started searching for qualified investment opportunities. It is worth mentioning that our management team does have experience investing in marijuana-related business before, so we have industry knowledge and connections. In the first quarter of 2022 we had already signed two MOUs on two separated opportunities.

But, as I have discussed earlier, the whole industry sailed into headwind. Actually, we ourselves sensed it first, on the operating field. Our own market research indicates that there are flaws in the current business models of the cannabis industry. We held back our investment and called off the two deals of which we had signed MOUs. By July, it was clear that the whole cannabis industry was going to have some difficult times, and investors were leaving. Therefore, after discussing with our investment banker, we announced that we would postpone our SPO for at least 12 months.

In short, for more than half of 2022, our operation, particularly the overwhelming majority of our management resources, was directed at projects which would make sense if we could have closed a SPO and raised a minimum of $20 million. Obviously, the time and resources we spent on those projects are not wasted. We've acquired more industrial knowledge and expanded our industry connections. But from the financial performance perspective, those efforts didn't produce immediate profit for the fiscal year 2022.

In the last few months of 2022, we focused on existing investments, with the purpose to improve our financial performance. One of the projects was our farmland investment in Dallas. It was a great success. We acquired that land for $800,000 back in 2017, and we were able to go under contract with that land for a price of $2.1 million in November of 2022. Unfortunately, there wasn't enough time to close that transaction by the end of 2022. It actually close at $1.9 million in January of this year, and we cannot book the profit for the year of 2022. Since we didn't have other major projects that made significant profits, our financial performance for the year of 2022 did not look good.

4. Cannabis properties are still great investments

But, just as I mentioned a few minutes ago, the time and effort we've spent in the cannabis industry has tremendous amount of strategic value, because, despite the ups and downs of the stock market, cannabis properties are still much more profitable than other properties. Marijuana industry is still in its early stages and the growth potential is still enormous. At this moment there are only 4 states where marijuana is fully legal. In most states it is not legal or only partially legal. There are reports estimating that the overall size of marijuana market will grow 5 times in the next 10 years. And cannabis properties are the infrastructure for the fast-growing marijuana industry. It is without doubt that cannabis properties will continue to be under-supplied, and the return on investment of cannabis properties will continue to be higher than conventional real estate properties, for at least the next decade, an perhaps beyond.

But what happened in the past 12 months tells us one thing: entering into the cannabis industry in any facet and making a solid return is no longer the case. In earlier years, almost all marijuana projects are extremely lucrative. But now many of them are less profitable and some of them are losing money.

This, in our opinion, will lead to division, and separate good companies from their competitors. Take a look at two of our competitors, IIPR and Power REIT. I mentioned earlier, both of their share prices had a huge hike, and then had big drops. Between these two, Power REIT's stock is currently traded at about $3.40, 60% less than the end of 2017. For this stock, cannabis investment decreased its share value for investors. You would suffer a loss of about 20% per year, if you bought its stock when it started investing in cannabis properties.

But, as of today, IIPR's stock is still traded at above $70 per share, that is still 350% higher than 6 years ago, when it started to invest in cannabis properties. Since then, its stock has produced a 23% compound annual return, or 40% annual return if you consider simple rate. It would a fantastic investment if you bought its stocks on the news of cannabis property investment.

As far as we understand it, the reason behind Power REIT's stock performance it that it hasn't done a good job in selecting cannabis investments. When Power REIT started to invest in cannabis properties 3 years ago, it probably had chosen properties yielding higher return at the time, without taking into account their ability to continue operation under a pressured market situation. In the first 2 years, Power REIT had doubled its revenue and profit consecutively. But by the end of 2022, overwhelming majority of Power REIT's cannabis property went vacant. That is likely the major reason why the market has reacted negatively trading its shares.

5. Our strategy for 2023

We are very confident that by implementing a strategy based on the lessons we've learned from peer companies, we will have a great success with our cannabis investment.

I will highlight two key points of our strategy. The first one is to be very selective. As I said, the time that someone can randomly choose any cannabis project and still be able to make money is over. Investors must be more selective.

In the past 12 months, we have done market research in 7 states. We have literally made close to 1,000 phone calls on possible leads, and we have engaged more than 20 potential opportunities. We narrowed down to just a handful and finally, we have locked down on one deal. I am hereby announcing that we expect to close this very first deal in about 2 weeks. But the point is that we are very, very selective at this stage. We may even say that it is a selected 1 out of 1,000. And we are very confident that the quality of this first deal is much higher than industry average.

The second key point is to have a long-term plan. The up-and-downs of the cannabis property, industry in the past 12 months, shouldn't have surprised seasoned investors. Just like any other emerging market, the cannabis industry is full of uncertainties, and volatilities. If you only focus on the profit of the current year, you may get caught off-guard with surprises afterward.

I believe we are better prepared for long-term than most of our peers. For example, we are working with growers who are able to manage their cost. For our planned first deal, our tenant's production cost is about $400 per pound, and it is being further reduced. If our tenant can produce marijuana at $300 per pound, he will be able to stay above water and be profitable, even if the market gets worse and marijuana wholesale prices drop another 50% to $500 per pound. Since our lease is pre-priced, our investment will continue to generate the promised return, as long as our tenant stays profitable.

A fundamental difference between us and our competitors, is our commitment to work only with a limited number of high-caliber tenants. Based on our research, most cannabis property investors are following a very common investment principle, which is "diversification". Their portfolio includes a great variety of different cannabis properties, in different states, at different locations, and leased to very different tenants. We believe diversification is a sound strategy for a mature industry to mitigate the risk of accidental loss. If you put your eggs in 10 different baskets, and 1 of them accidentally got knocked over, the other 9 would be safe. But diversification may not be a good strategy in an emerging market, where the business environment will experience dramatic change, and the overwhelming majority of start-ups may fail. It is not unimaginable that 90% of business in an emerging market will eventually fail, while the rest 10% will become great successes. So if 9 of the 10 baskets are doomed to be knocked over, but the last 1 will turn into a basket of gold eggs, it may be unwise to spread your eggs among all 10 baskets. You may better choose perhaps 2 or 3 baskets, which are most likely to become gold in the end.

We believe that the marijuana industry will go through a stage of concentration or consolidation, like any other emerging markets. Market share will rapidly concentrate into a handful winners. This is happening now at state level, and will happen again at the federal level, once marijuana industry become federally legalized to form an integrated nationwide market. Our plan is to identify potential winners and form long-term stable and strategic partnerships with them. We are choosing to work with tenants, who are better equipped to excel, not only for the near term, but more so in the future, particularly when there will be a federal legalization and a nationwide unified market.

6. Projection for 2023

Last but not least, let's give some projections of our financial performance for 2023. In the first month of 2023, we've closed our Dallas farmland sale which has generated $550 000 of gross profit. We will unload more of our residential properties, and probably close 1 to 2 other sales, and each of them may generate $100 000 to $150 000 in gross profit.

In the second half of this year, our first cannabis investment will start to generate revenue. It may add about $50 000 gross profit. And we will probably make another $100 000 profit from certain security investment. Overall, we are confident that our gross profit for the year of 2023 will be close to $900,000 to $1 million dollars. That is about 18 to 20 cents per share.

Q &A:

Q1: Can you please disclose more details on the pending deal? Will the company hold title of the property? How much annual revenue will be generated from this investment? How long is the term of investment?

A1: As mentioned in our presentation, the deal will likely be closed in about 2 weeks. We cannot disclose detailed revenue information before it is closed and a public announcement will be made then.

We have already provided a projection in our presentation that we expect to receive about $50K gross profit from this investment, in the year of 2023. We've also shared that, based on public filings, other public companies produced an average ROE of about $18% per annum from their cannabis investments. Since we are adopting an investment strategy emphasizing more on long-term growth vs short-term return, we may not immediately produce a return as high as 18%, but we believe our strategy is more sustainable and more profitable in the long run.

Also, as we have stated in our presentation, our investment in cannabis property is strategic. Our approach is to form long-term relationship with a selected group of tenants/growers. So we will hold and continue to expand our portfolio until we may change our strategy.

Q2: Since the company cannot book the profit from Dallas land sales in 2022 financials, does that mean we will see a loss? How much will be the loss? Will it be ever bigger than our projected profit in 2023?

A2: Our 2022 financials are still under auditing and we cannot share specific numbers here. But overall, our real estate investments are all profitable. It is just that in 2022 we have occurred a larger overhead and suffered some loss on stock market. So I don't see why we would have a loss bigger than our projected profit in 2023.

Q3: Can you please elaborated why they had a higher overhead in the year of 2022.

A3: As we've shared in the presentation, in the first half of 2022 we really focused on a SPO of $20 million to $50 million. We did lots of preparatory works which increased our legal fees and other professional fees, and we also expanded our team to be ready for managing a larger portfolio. For example, we hired a former US Congressman to join our team. Most of the our marketing and administrative cost in the period was related to these activities.

Our overhead will be significantly lower in the year of 2023. We will also cut our management fee significantly for the year of 2023.

Q4: The two NYSE companies you mentioned, IIPR and Power REIT, their stock price surged after 2020. Is it possible that it was merely a result of the lower interest rate applied by Fed during the pandemic, and was not a result of their operations in cannabis properties?

A4: It is definitely a result of their underlying investments in cannabis properties. For example, IIRP started to invest in cannabis properties by the end of 2017. In two months, its stock price had increased by 50% from $19 to $29. In six months, it had doubled to $38. By July 2019, it already reached $130. These all happed way before the pandemic, which started in the year of 2020.

The issue the market has about these companies is not whether cannabis investments are highly profitable. The issue is whether such a high profitability is sustainable. For example, Power REIT had doubled its revenue and profit consecutively, in the two years after it started investing in cannabis properties. But by the end of 2022, overwhelming majority of Power REIT's cannabis property went vacant. That is likely the major reason why the market has reacted negatively trading its shares.

We believe we have adopted a strategy that balances near-term profitability and long-term sustainability.