UC Asset Limited Partnership
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----- White Paper -----

Our Performance and Strategy in Cannabis Property Investment

This White Paper is based on excerpts from our Form 1/A and its amendments filed with the SEC (the Security and Exchange Commission) for our planned secondary public offering. However, we may not update this White Paper when concerned contents are updated after we amend our Form 1/A.

A full context of our Form 1/A and its amendments can be found on the landing page of our company on SEC.gov

This White Paper is NOT endorsed or approved by any government or regulatory agencies. It does NOT constitute investment advice or a solicitation to trade any securities issued by UC Asset.

This White Paper is NOT a part of our offering circular on Form 1/A. Please refer to our Form 1/A (full text available on our landing page on SEC.gov) if you are interested in our secondary public offering.

White Paper:
Our Performance and Strategy in Cannabis Property Investment

Starting from the year 2023, UC Asset has shifted our primary business focus to investing in "cannabis properties" or "cannabis real estate", which, by our definition, refers to real estate properties used to cultivate cannabis plants with intention of producing legalized medical or recreational cannabis flower products. Generally, the term "cannabis real estate" also includes other real estate properties such as retail spaces for cannabis dispensaries, industrial facilities for processing and purifying cannabinoids, and manufacturing spaces for producing cannabinoids-containing products. However, we do not, and have no intention to, invest in any other kinds of cannabis real estate besides properties for cultivation.

In this White Paper, the term "cannabis properties" or "cannabis real estate" will specifically refer to cannabis cultivation facilities, unless otherwise stated.

In this White Paper, we will discuss:

- ROI of Our Cannabis Portfolio, in Comparison to Our Peers;
- Description of our first cannabis property: Apple Valley;
- Our Cannabis Investment Strategy

ROI of Our Cannabis Portfolio, in Comparison to Our Peers

By the end of year 2024, we had invested $1.0 million into our cannabis portfolio. Since April 2024 and for the rest of the year, we received $12,000 in net cash income from this portfolio each month, realizing an annualized cash-by-cash ROI is 14.4%.

Based on publicly available information, we believe that our cannabis portfolio ROI was significantly higher than industry average. For example, Players Club Capital stated in January 2025 that "Cap rates for (cannabis cultivation) properties typically range from 7-10%" (https://www.playersclub.capital/blog/cannabis-properties-offer-investors-higher-cap-rates).

We also believe that our ROI is higher than the ROI of similar portfolios held by any other public companies during the year 2024, based on our interpretation of their SEC filings. See the table below:

*Table 1: ROI of cannabis property portfolios held by US public companies, fiscal year 2024**

Company	Portfolio Size($ 000)	Net Revenue($ 000)	ROI (annualized)
UC Asset LP (OTC:UCASU)	1,000	106	14.4%
Innovative Industry Properties (NYSE: IIRP)	2,475,598	284,695	11.5%
New Lake Capital Partners (OTC: NLCP)	429,456	48,926	11.4%
Power REIT (NYSE/American: PW) **	63,233	329	0.5%

**Data for other public companies are based on our interpretation of their SEC filings and may contain substantial errors.*
***Data is for fiscal year 2023.*

Our portfolio is remarkably smaller than those held by other public companies and lacks diversity. This may have resulted in severe statistical bias and substantially compromised the significance of the

comparison above. Furthermore, data of other public companies contained in the table above is solely the result of our analysis of those companies' SEC filings, and therefore they may contain substantial errors, and should not be relied upon. Investors are strongly recommended to conduct their own research on this matter.

Lease after April 2025

Starting from April 2025, we have increased our portfolio in Cannabis Property to $1.50 million, with $150,000 of the $1.5 million to be paid in January 2026. Consequently, monthly rent is increased to $13,000 per month starting from April 2025, and will raise to $16,000 per month starting from January 2026.

Description of our First Cannabis Property: Apple Valley

Our first acquired Cannabis Property is located in Edmond, a suburban town in the metro Oklahoma City area, this property is 20 miles from downtown Oklahoma City and 30 miles from its primary airport. The property is referred to as "Apple Valley property" by its location.

This property is a 100% indoor growing facility, equipped with fully computerized control of critical environment factors, including light exposure, temperature, humidity, carbon dioxide level, irrigation and fertilization. It has approximately 16,550 square feet of growing space, plus a detached office building of 1,550 square feet.

Picture 1: Interior of one of the growing rooms, Apple Vally Property

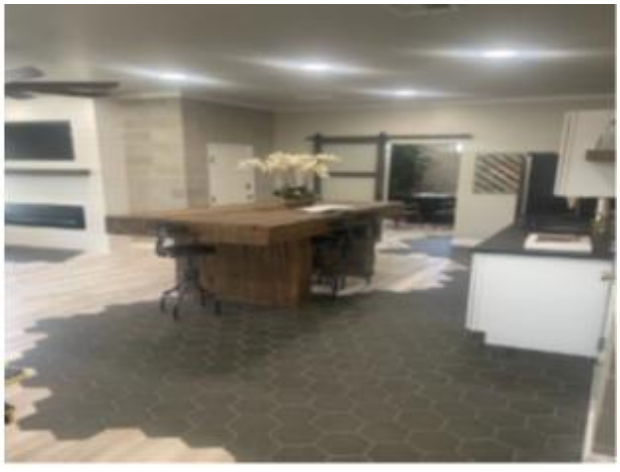
Picture 2: Interior of one of the growing rooms, Apple Vally Property

Picture.3: Computerized control systems, Apple Vally Property.

Picture 4: Overview of Growing Facility. Apple Valley Property.

Picture 5: Detached office building, Apple Valley Property. Overview.

Picture 6: Detached office building, Apple Valley Property. Interior.



Our Cannabis Investment Strategy

We believe we have developed an investment strategy which is distinguishable from those of most cannabis property investors, public or private. We believe our strategy has proven to be successful, and will continue to produce satisfying results, although there is no assurance of this.

1. We invest when the cannabis industry is likely to be at a periodic low point

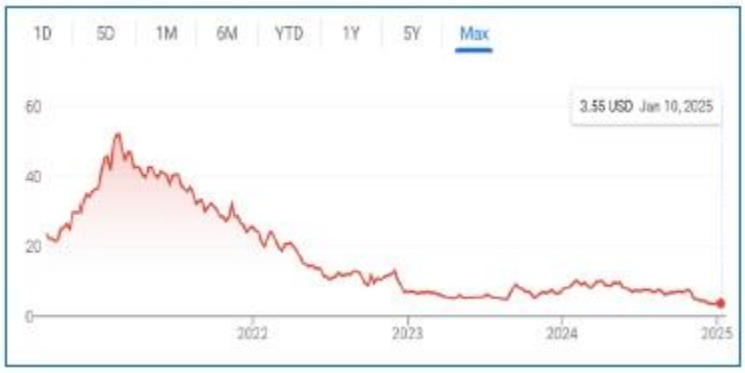
Members of our management team has been following the development of legal cannabis industry from as early as 2013. Yet when our Company was founded in 2016, we decided that cannabis industry was in a "wild west" phase, and, despite the potential for higher gains, investors would be exposed to higher risk of uncertainty, which outweighed the benefits for smaller investors like us. In 2020, we observed that the industry was maturing. However, after further research, we determined that cannabis properties were overpriced in most regions and held back our investments. This action helped us dodge the sharp drop in cannabis property prices during 2021-22.

In the year 2023, we concluded that cannabis property prices had possibly reached their periodical low. Meanwhile, the industry reached a stage of maturity where the risk of uncertainty was more acceptable. We made our first investment in May 2023 and increased our investment in March 2025.

We believe our decision is in line with the real movements of the market, shown in the following charts. The first is Cannabis ETF(NYSE/ARCA: MSOS) chart since its formation until January 2025. After a fast climb to its peak at $51.94 in February 2021, MSOS has lost 93% of its value and is possibly at a periodic low point. The second chart shows that the stock of companies investing in cannabis properties have experienced a similar pattern, only with much larger volatility (than MSOS companies).

Fig. 7.1: Cannabis ETF(MSOS) chart: 2020-2025.

Source: NYSEARCA



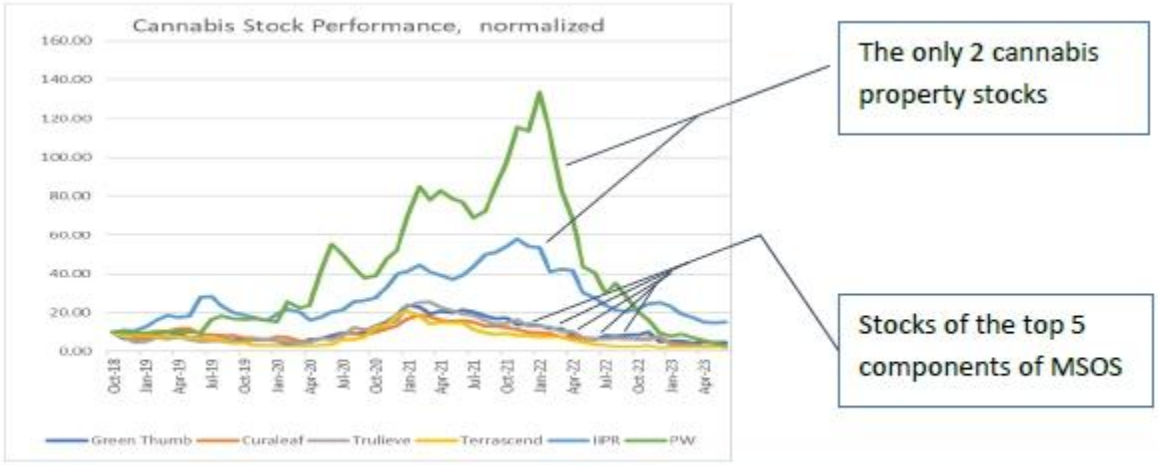


Fig. 7.2 Cannabis Property Stocks vs Other Cannabis Stocks: 2018 – 2023. Created by UC Asset LP

Assuming that stock performance correlates with valuation used in private deals, the above charts suggest that investing after 2023, whether on the stock market or on private transactions, presents lower entry points for investors, than investing at any time between 2020-2022.

We believe the next 12-18 months may present periodic low entry points to cannabis property investors.

Cannabis is still a young industry with huge potential of growth. Combined U.S. medical and recreational cannabis sales could reach $33.6 billion by the end of 2023. Retail cannabis sales are projected to be upwards of $53.5 billion by 2027, according to an analysis conducted by MJBiz Factbook. (https://insights.mjbizdaily.com/factbook-2023/)

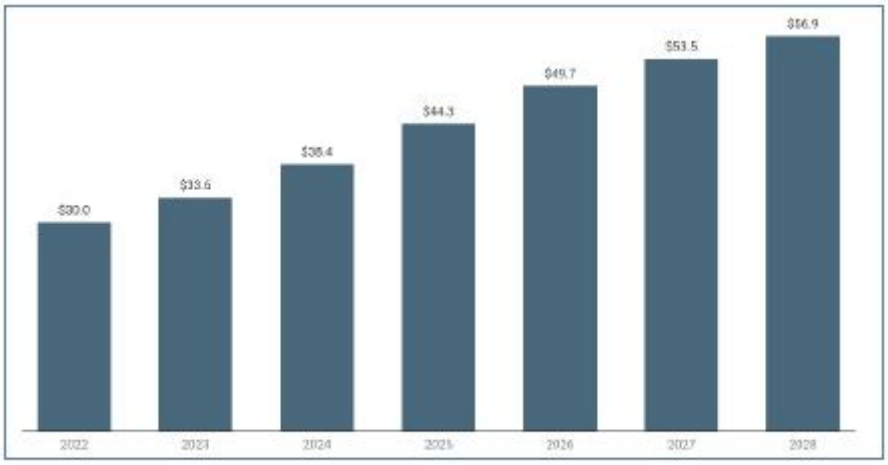


Fig. 7.3 U.S. Cannabis Retail Sales Estimates: 2022-28, in US $billions
(Chart: © 2023 MJBiz. Estimates are high end of range)

Meanwhile, cultivators are exiting the market at a rapid pace, significantly reducing market supply. Taking the State of Oklahoma (where our cannabis portfolio is based) as an example, the number of licenses for cannabis growers was about 10,000 by the end of 2021, and had dropped to around 3,000 by December 2024 (Source: Oklahoma Medical Marijuana Authority).

The combination of increasing market demand and decreasing market supply, in our opinion, may lead to an increase in cannabis product prices in the next 12-24 months, which may also result in an increase in the value of cannabis properties, however, there is no assurance of this.

Further, there are potential policy developments that may increase the value of cannabis properties. Among these the access to bank service for the cannabis industry may be the most promising. Please see the section “Trend Information” of Item 9 of this Offering Circular for more discussion on this matter.

2. <u>We invest in “premium” properties featuring advanced technologies</u>

We have observed that, in the earlier stage of US cannabis industry, when the profit margin of cannabis products was much higher, investors intended to build “low-tech” growing facilities, which required less capital and

less time to complete, enabling investors to get their products to the market faster and cheaper. For investors who wanted to maximize their short-term returns, this appeared to be a reasonable strategy.

Typical "low-tech" cannabis cultivation facilities include: i) massive growing spaces converted from vacant factories or warehouses; ii) growing spaces converted from smaller spare spaces, such as used containers, used mobile houses, or basements in residential houses; iii) green-houses converted from conventional agricultural green-houses or built to the standard of conventional agricultural green-houses; iv) outdoor growing facilities with mobile tents, which are usually plastic; and iv) outdoor growing farmlands with almost no improvements.

The following collage shows some examples of these "low-tech" cannabis properties:

Pic 7.7 Samples of "low-tech" cannabis properties.
Disclaimer: *The pictures included in this collage are sourced from iStock.com or royalty-free online resources. They are intended solely for demonstration purposes and should not be interpreted as referring to actual cannabis growing facilities.*

In contrast, we chose to invest in "premium" properties, i.e., cultivation facilities designed to achieve comprehensive control of environment, including light exposure, temperature, humidity, carbon dioxide level, irrigation, and fertilization. The environmental control is computerized and can be programmed to accommodate different cannabis strains for higher yields and better quality. "Premium" properties usually require higher initial investments per square foot to construct.

Example of "premium" properties includes our Apple Valley property which is described above. See: *Description of our First Cannabis Property: Apple Valley.*

The primary drawback of "low-tech" growing facilities, in our opinion, is their inefficiency in cultivating. This inefficiency results in their marginal costs for continuous operation being significantly higher compared to those of "premium" properties. When cultivating top-shelf and high-quality cannabis strains, the comparative advantage in marginal operation cost of "premium" properties is more remarkable, based on our own case studies.

Average cannabis product prices, over the past few years, have experienced continuous decline. Consequently, growers with higher marginal operating costs found it difficult to stay profitable, and many of them were compelled to exit the market. Meanwhile, growers operating out of "premium" properties have been gaining market shares, thanks to their ability to maintain lower marginal costs. This will potentially increase the demand for "premium" properties and may subsequently increase the return of investment in "premium" properties.

Another potential benefit from investing in "premium" properties is rooted in the shift of consumer preference. Recent data shows that consumers have increasingly favored flower products, including dried flowers and pre-rolls:

Table: 7.2 Year over Year (6/2023-6/2024) Change of Cannabis Sales, by Category

Category	Pre-rolls	Dried Flowers	Vapor Pens	Edible	Concentrates	Others(Average)
Change	+11.89%	+0.44%	+3.44%	-0.17%	-11.55%	-6.82%

Source: CustomConesUSA.com & Headset.io. https://www.greenmarketreport.com/by-the-numbers-the-state-of-the-pre-roll-industry/)

The shift to follower products (dried flowers and pre-rolls) may further increase the demand for "premium" properties. Non-flower products can usually be made from cannabinoids extracted from low-grade cannabis strains, but flower products, especially high-quality ones, can only be cultivated cost-efficiently from "premium" properties.

3. Instead of diversification, we emphasis on long-term partnerships with few selected tenants

"Diversification" is a widely-recognized principle for investing. We believe, however, it should not be applied to cannabis property investments in the current evolving stage of the industry.

In the dynamic early stage of an emerging industry such as cannabis, businesses, in particular, growers/cultivators, have a significantly high rate of failure. Back in 2016, Mac Mahon, founder and CEO of a start-up accelerator, projected that cannabis startups would have a higher failure rate than 97%, which was the typical failure rate for technology startups(https://www.newcannabisventures.com/cannabis-startup-failure-rate-to-exceed-97-according-to-this-incubator-ceo/).

When an industry has a high failure rate, investors who diversified their investments must make exorbitant profits from a few successful ventures, in order to offset their losses from the majority of failed ones. However, property investors do not receive extra profit when a tenant/grower becomes highly successful, as the rent is usually in a fixed amount and not linked to the tenant's profit. Meanwhile, if a tenant fails, the property owner may lose all the rental income. Based on the above argument, the strategy of diversification, mathematically, does not work for property investors in an emerging industry.

The above argument suggests that a more effective strategy than diversification is to be selective and invest only in properties with tenants who are likely to be among the top growers and may ultimately succeed. This is the strategy we have followed, and will continue to follow.

We believe in our strategy of working with selected tenants. However, there is no guarantee that we will be able to find tenants who are competent and willing to form such partnerships with us. Additionally, there is no assurance that such partnerships will be successful.

3.a. How we chose our current tenant partner

In the 12 months prior to making our first cannabis property investment, we made phone calls to about 500 growers and interviewed dozens of them, and engaged in detailed discussion with a selected group, before we finally chose our current tenant partner, Fire Ranch Farms.

Fire Ranch Farms claims that it has "a vision to be the number one indoor cannabis grower and supplier in the state (of Oklahoma)". (Source: Fire Ranch website: https://www.fireranchok.com/about). Before we acquired the property that Fire Ranch leased, we had also interviewed its management team and examined its financial statements for the past 2 years prior to the transaction, and we determined that it had made material net profits.

4. We applied creative financial engineering and improved "sale-leaseback"

As a critical part of forming long-term partnerships with tenants, we used financial engineering to form creative deal structures, under which our tenants will be motivated to align their interests with ours for the long run.

This structure stemmed from our observation of a notable drawback of the popular "sale-leaseback" model in cannabis property investment. Under the traditional "sale-leaseback" model, investors pay a lump-sum to buy out a property from a grower, and then lease it back to the grower. However, growers sometimes lose interest in continuous operations if they have realized significant profits from selling their property.

To motivate tenants/growers to commit to the desired long-term partnership, we create deal structures under which growers who sell properties to us will only realize profit from the continuous success of our business. One option is to acquire properties not with cash, but with securities that will realize more value for growers when they succeed in continuous operation.

We have applied this model to our first acquisition of the Apple Valley Property. The property, according to two different and independent licensed appraisers, had a fair market value of $3.2 million and a replacement cost value of $3.4 million by March 2025, when we acquired complete ownership of the property from the current tenant, for a total consideration of $3.1 million. Not only were we able to acquire the property at a price lower than its appraised fair market value, but we also paid only $1.5 million in cash, with the remaining $1.6 million paid by issuing Series B preferred shares in our company. The value of Series B shares is linked to our long-term business performance, which is attributed in part to rental income from and value appreciation of our cannabis property portfolio.

5. Geographically, we prioritize long-term competitiveness in productivity over local market size

We believe it is reasonable to expect full-scale or partial-scale legalization of medical and/or recreational cannabis use at the federal level in the next few years. There is no assurance that this will occur, but if it does, most cannabis properties will be operating in a (fully or partially) federal legalized market, for the rest of their life cycle which may be several decades. Therefore, when assessing the potential for value appreciation of cannabis properties, we should consider their potential competitiveness in a federally legalized, nationwide market.

For this reason, we choose to invest in regions where cannabis growers may have competitive advantages, if they will compete on a nationwide market.

According to our research, cost of property construction, electricity and labor are three major costs in cannabis cultivation. The following tables show some of the states with lowest costs in these categories:

Table 3. Lowest land and construction costs by states

Land Cost[1]		**Construction Cost[2]**	
State	Price/Acre	**State**	Cost/Sqft
New Mexico	$ 5,352	**Mississippi**	$ 137
Wyoming	$ 5,597	**Arkansas**	$ 137
North Dakota	$ 6,503	**Alabama**	$ 139
Kansas	$ 7,330	**Louisiana**	$ 141
Oklahoma	$ 7,779	**North Carolina**	$ 141
Montana	$ 7,826	**Florida**	$ 142
Colorado	$ 8,696	**Oklahoma**	$ 143
West Virginia	$ 9,806	**South Carolina**	$ 143
Mississippi	$ 9,976	**South Dakota**	$ 144
Alaska	$ 10,857	**Tennessee**	$ 144

(1) Source: Nasdaq.com, 2023. https://www.nasdaq.com/articles/10-cheapest-states-to-buy-an-acre-of-land
(2) Source: Nasdaq.com, 2023. https://www.nasdaq.com/articles/most-and-least-expensive-states-to-build-a-home

Table 4. States with lowest unit costs of industrial electricity, year 2023

States	$/million btu
New Mexico	16.86
Louisiana	17.23
Tennessee	18.25
Oklahoma	18.35
Washington	18.6
Kentucky	19.21
Texas	19.34
South Carolina	19.57
Arkansas	20.12
New York	20.13

(Source: EIA, 2024)

Table 5. States with lowest cultivation labor costs when worker participation rate above 0.8 (1):

State	Hourly mean wage ($)	Workers per 1,000 jobs
Florida	14.40	1.148
New Mexico	14.83	2.235
Idaho	15.63	2.355
Arizona	16.55	2.067
Oregon	16.88	4.109
Oklahoma	16.92	0.968
California	17.63	9.563
Washington	17.84	2.367
New Jersey	17.80	0.817
Maine	19.02	0.941

(1) Data is for subcategory "farm workers & laborers: Crop, nursery and greenhouse"
(Source: US Bureau of Labor Statistics, 2024)

Based on the above data and other factors, we have chosen the State of Oklahoma as our first geographic focus to build our cannabis property portfolio. We may choose to expand into one or two other states if we believe these states also present great potential for cannabis growers to achieve long-term competitiveness.

However, there are other factors we have taken and will continue to take into consideration when making our investment decisions. The research results here do not constitute a guarantee or warranty that we will invest in any of these states, nor do they exclude us from investing in other states.

Further, our strategy will not be effective if federal legalization does not happen in the near future.

(End of Document / July 2025)