

adept
ONTARIO

OFFERING MEMORANDUM
FEBRUARY 2024

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If, after reviewing this Memorandum, you have no further interest in exploring an investment with the Company, please return it to the Company.

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**PATRICK
CHRAGHCHIAN**

*PRESIDENT
ADEPT*

I am thrilled to extend a warm welcome to you as we unveil our groundbreaking project set to transform life and entertainment in the Inland Empire!

Over the years, we have honed our expertise in crafting remarkable ventures, but this upcoming project holds a special place in our hearts. We envision an awe-inspiring destination that seamlessly blends innovation, culture, and lifestyle, creating an unforgettable experience for all who will live in and visit Adept Ontario.

The project encompasses a diverse array of attractions, each meticulously designed to cater to the needs and desires of a wide-ranging audience. From modern, sustainable housing to live entertainment venues, to world-class dining experiences and captivating cultural showcases, this development will be a hub of creativity and excitement.

In many aspects, Adept Ontario, the opportunity we present to you, represents the accumulated hard work of a visionary city and our company. It symbolizes the convergence of lifestyle and entertainment, forging the essence of a city center with the boundless potential of what lies ahead. Our diligent planning, combined with the support of inspired investors like yourself, will propel Adept Ontario to the forefront of modern-day urban development, leaving an indelible mark on the region for generations to come.

Patrick Chraghchian

I. INTRODUCTION TO ADEPT

Adept is a vertically integrated company with a 35-year history. We provide services in Development, Investments, Architecture, Design, Engineering, and Construction.

ADEPT PHILOSOPHY

Our approach to business is rooted in the crucial interplay between design, budget, and timing. As designers, we promote sustainable development by increasing urban density thereby improving the use of existing infrastructure. We practice sustainable design to integrate a range of features that we consider essential in contemporary design, providing residents with a truly exceptional living experience.

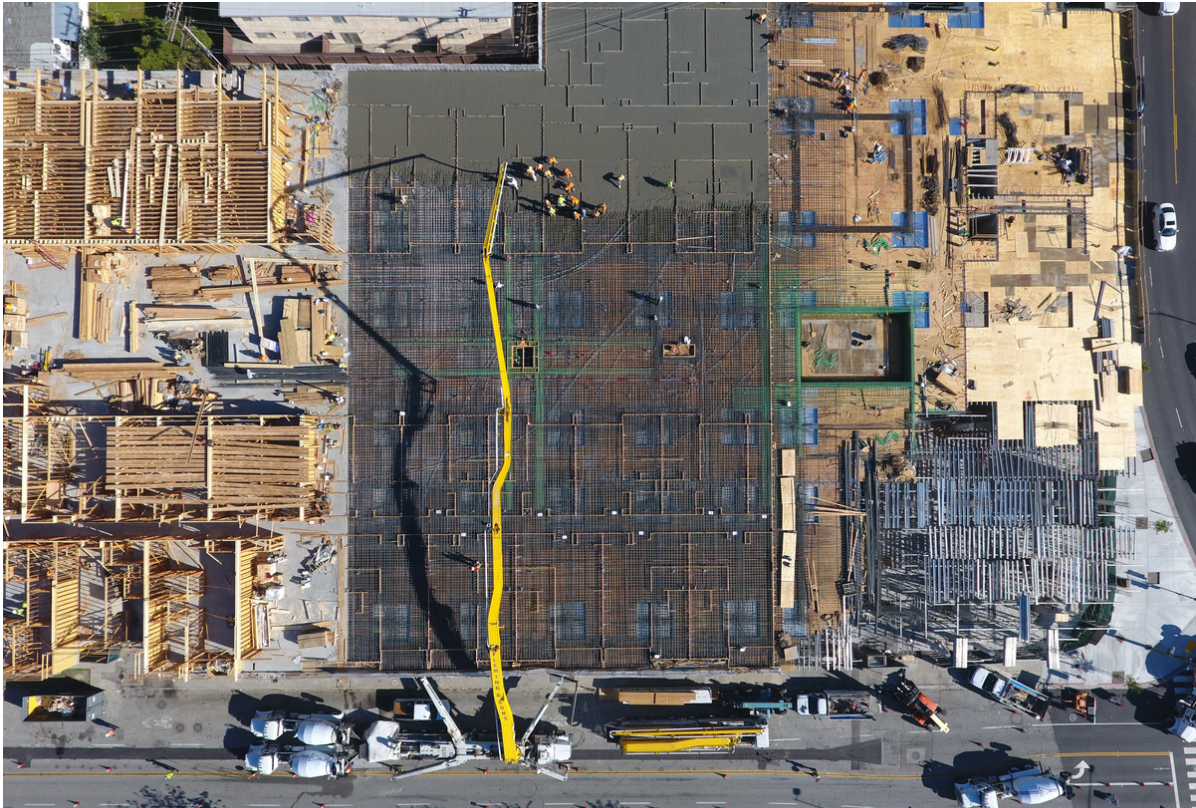


AS DEVELOPERS AND OWNERS

We build projects that withstand the test of time. We begin budgeting at the start of the design process, utilizing our development team to assess the project's economic potential and align construction costs with projected income. Our construction expertise enables us to create realistic and accurate cost models that help us evaluate design alternatives, providing insight into aesthetics, economic feasibility, and overall project performance.

AS ARCHITECTS

We believe that design matters. Iconic designs not only enhance the aesthetic value of a project but are also functional for daily life. Our primary objective is to ensure that the occupants and end-users of our products enjoy a high quality of life balanced against cost. We understand the interplay between design excellence and cost-effectiveness which ensures that our buildings have tangible value for our clients.



AS CONTRACTORS

We are keenly aware of the ever-changing marketplace and the dynamics of labor and material costs across different regions. This real-time cost information is integrated into our process to ensure the most efficient design. We use data-centric methods from development through construction. It allows us to provide accurate quantity take-offs and construction scheduling in real-time, which is especially valuable during times of economic inflation and market fluctuations.

35 YEARS

Experience in the business

\$1 BILLION

Cumulative project valuation

\$1.5 BILLION

Projected project pipeline

60+ PROJECTS

Completed to date

II. EXECUTIVE SUMMARY



Adept Ontario Lot A

Introducing Adept Ontario – a unique, residential project that blends living, dining, and entertainment to create an exceptional lifestyle destination in Southern California's fastest-growing metro region.

Adept Urban is developing a mixed-use residential project, ultimately consisting of up to 2,000 residential units, 130,000 SF of retail shopping and dining, and 75,000 SF of public outdoor space adjacent to Ontario's Toyota Arena.

The city of Ontario is proposing an entertainment district adjacent to Adept Ontario, which will include up to 350,000 SF of restaurants, vibrant venues featuring live music and performances, a 2,500-seat performing arts center, and a 300-key hotel.

The city of Ontario has approved **\$1.1B** to invest in a performing arts center, open spaces, and other amenities in the area surrounding Adept Ontario.

OPPORTUNITY



Aerial View of Lot A

Presented herein is the investment opportunity to partner in **Lot A**, which consists of 384 units and 26,000 SF of retail space. Lots B, C, D, and subsequent lots could be incorporated into this investment package.

The project achieves a 34.4% gross unlevered / 38.2% levered IRR over approximately 3.5 years. The investment strategy is consistent with Adept’s development philosophy of investing in strong markets that offer opportunities to leverage returns on early-stage ground-up development prior to the market’s maturation.

384

Units

26,000 SF

Retail space

INVESTMENT THESIS AND HIGHLIGHTS



The city of Ontario has designated Adept Ontario as its **new city center**.

Lot A is **fully entitled and permit-ready**, allowing construction to start immediately upon funding.

Advantageous land cost terms reduce front-end capital requirements eliminating risk exposure on exit.

The Development Agreement **prohibits local rent control** for the life of the project.

The Development Agreement **locks in permit fees** at the 2022 fee rates.

No construction cost escalation. Adept provides a fixed-price construction contract mitigating risk.

No land escalation or entitlement success fees.

Adept Ontario is **adjacent to the Toyota Arena**, an 11,000-seat, 225,000 SF sports and entertainment arena that attracts over 2 million visitors annually.

The city has proposed building a **performing arts center with a 2,500-seat theater** directly adjacent to the Toyota Arena and Lot A.

Well-situated location served by the I-10 and I-15 freeways, **less than two miles from the Ontario International Airport**, without being under the flight path, and within three miles of the Riverside – Los Angeles Metrolink Station.

Adept Ontario **borders Rancho Cucamonga**, an affluent city in the Inland Empire where the median household income is nearly \$100,000.

Adept Ontario will be **the focal point of the fastest-growing city in the Inland Empire**. Ontario is projected to double in population by 2035.



PROJECT AND INVESTMENT OVERVIEW

Project Type	Mixed-use: Multifamily and Retail
Scope	Ground-up Development
Site Location	Ontario, CA Inland Empire
Total Site Area	4.83 acres
Total Building Area	400,000 SF
Program	384 units 26,000 SF Retail Space
Project Duration	28 months construction 9 months lease up
Total Construction Loan	\$94,810,000 (60%)
Total Equity	\$63,210,000 (40%)
Total Sources	\$158,020,000 (Approx.)
Land Costs	\$570,000*
Hard Costs	\$120,320,000
Soft Costs	\$37,130,000
Total Uses	\$158,020,000
Capital Partner Equity (LP)	\$44,250,000 (70% of total equity)
Sponsor Equity (GP)	\$18,960,000 (30% of total equity)
Assumed Const. Loan Interest Rate	9.00%
Trended Yield on Cost	8.30%
Project Exit Cap Rate	5.00%
Development Spread	330 bps
Untrended Yield on Cost	7.55%
Project Level Returns	
Levered IRR	38.2%
Gross Multiple	2.78
Project Profit	\$112,800,000

*Represents total ground lease payment amount until stabilization

III. DEVELOPMENT OVERVIEW



Toyota Arena Plaza



Outdoor dining next to the water



Amenity pool deck

The financial metrics of this memorandum refer to Lot A only.

Stabilization is expected within approximately 3.5 years, which includes 28 months of construction and a 9-month lease-up period.

LOT A IS FULLY ENTITLED AND PLAN CHECKED

Lots A, B, C and D include 694 fully entitled units with ground floor retail and outdoor amenities. Lot A (384 units) is nearing building permit issuance. Lot B has an additional 89 units in the entitlement process. Lot C has been submitted for building permits, and Lot D will be submitted in 2024.

60,000 SF OF COMMERCIAL SPACE

Lots A, B, C and D include 60,000 SF of ground floor commercial space, built alongside an open courtyard with multimedia screens and up to 3,700 SF of kiosk space.

MARKETING & ADVERTISING

The Adept Ontario entitlement also grants substantial signage rights for marketing and advertising. The signage will provide advertising space, entertainment, and art displays contributing to the area's vibrancy. The electronic signage is expected to generate significant foot traffic for the benefit of the project.



ADVANTAGEOUS LAND ACQUISITION TERMS

In line with the city of Ontario's visionary approach, they've offered competitive land acquisition terms that are structured to enhance the project's robust profitability. Adept Ontario features a 55-year city ground lease and a flexible Purchase Option that can be utilized at project inception, stabilization, or in the future.

This model minimizes land costs during and after construction relative to income. The Purchase Option ensures straightforward ownership at a feasible price.

From December 2022, Lot A's ground lease costs \$10,417 per month (\$125,000 annually), with a shift to 2% of net operating income at stabilization.

The Purchase Option starts at \$5,466,500 (\$14,236 per door). It can be exercised any time before, during, or after construction. Ontario city subordinates the lease to the first trust deed.

This Purchase Option is similar to a favorable interest-only loan, with a fixed price until Year 4 or Certificate of Occupancy. Adept secures the land akin to a 4-year, 2.3%-financed interest-only loan, reducing upfront land cost and risk. Normally, land cost is 10% - 15% of total development cost.

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LOT A UNIT MIX

STUDIO: 88
1 BED: 181
2 BED: 115
TOTAL: 384

LOT A
384-UNIT MIXED-USE DEVELOPMENT

4.83 ACRES

LAND

400,000 SF

BUILDING AREA

28 MONTHS

CONSTRUCTION DURATION

75,000 SF

PUBLIC OPEN SPACE

26,000 SF

RENTABLE RETAIL

9 MONTHS

LEASE UP

285,000 SF

NET RESIDENTIAL

477

TOTAL PARKING STALLS

SPRING 2024

CONSTRUCTION START

IV. MARKET - SUBMARKET



City of Ontario - the heart of the Inland Empire

The Inland Empire ranks as the **12th most populous metropolitan area in the U.S.** The region is slightly smaller than the Boston Metropolitan Area yet larger than the San Francisco and Seattle Metropolitan Areas. It is the only Southern California region that has observed population growth since the Covid Pandemic.

50% of state's hires¹

Home to 50% of California's total hires over the past 3 years, the Inland Empire accounts for **5% of all U.S. employment growth.**

#4 industrial market in U.S.

The Inland Empire is **America's 4th largest industrial market**, close to Los Angeles, the nation's largest industrial market.

1.7 million workers

It is the **15th largest job market in the nation** consisting of 1.7 million workers, with more to come as major companies either expand their footprint or relocate to the region.

1. Lansner, Jonathan. "Riverside, San Bernardino Counties Are US Job-Creation Leader." Orange County Register, 3 Feb. 2023, www.ocregister.com/2023/02/03/riverside-san-bernardino-counties-are-us-job-creation-leader/.



Adept Ontario's unique inclusion of studio apartments taps into an untouched segment of the Ontario market. Currently, only one other development in the area offers studios, and its exceptional performance underscores their demand.

Situated in proximity to vibrant entertainment, multi-level bars, sports events, parks, pool decks, restaurants, and upscale amenities, Adept Ontario appeals to a young and/or single demographic seeking studio living. The rise of remote work trends reveals a willingness among young individuals to trade unit size for enriched amenities.

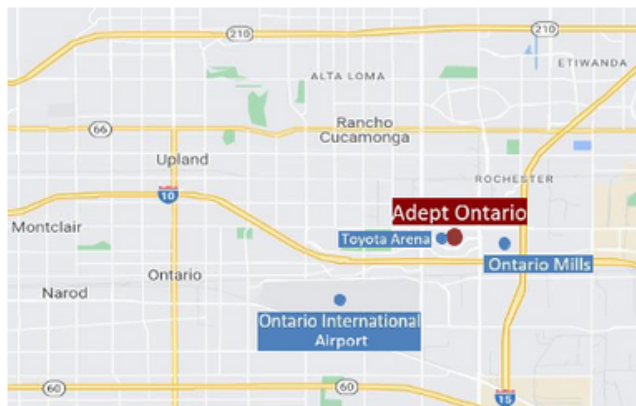
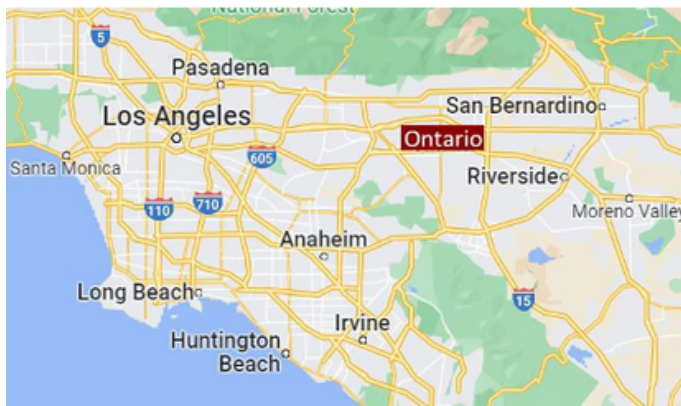
Priced at an estimated **\$2,000 per unit**, Adept Ontario's studio apartments cater to entry-level professionals earning \$70-80k annually, fulfilling an underserved need for solo luxury living. This targeted salary range aligns with local entry-level compensation and affords young professionals the chance to reside in a thriving amenity-rich locale without roommates.

The scarcity of studio apartments in the area forces young professionals into shared living, leaving them without a solo living option. Adept Ontario steps in as the leading supplier of premium studio apartments, expertly addressing this demand void.

The **project's proximity to 13 universities and 10 colleges** ensures a consistent influx of young professionals entering the job market annually. Beyond serving as upscale homes for these professionals, Adept Ontario's studio apartments will also alleviate student housing shortages for nearby institutions.

Adept's 35 years of Southern California development experience demonstrates our commitment to providing luxury amenities and a vibrant lifestyle at Adept Ontario, without unreasonably high rents. Our focus on resident priorities, honed in the competitive Southern California market, ensures a price point that aligns with investor goals while maintaining resident affordability.

LOCATION



Ontario, the fastest-growing city in the Inland Empire, is located 30 miles east of Downtown Los Angeles and is one of the earliest established cities in the region. Adept Ontario is served by the I-10 and I-15 freeways, is within 1.6 miles of Ontario International Airport, and is within 3 miles of the Riverside – Los Angeles Metrolink Station, which will also be the terminus for the high-speed rail line to Las Vegas. Adept Ontario is adjacent to the boundary of Ontario and Rancho Cucamonga, an affluent city in the Inland Empire where the median household income is nearly \$100,000.

DEMAND

This subregion has become the fastest-growing job market in Southern California due to its relative affordability, resulting in an increase in developments capitalizing on this growth. The area's explosive rent and home price growth can be attributed to its top-rated schools, the Ontario International Airport, numerous distribution hubs, and office parks.

“Overall net apartment absorption is forecast to total 2,091 units in 2023, approximately 25% greater than the average annual net absorption in the five years preceding the pandemic. The heightened demand will trail deliveries, leading to projected end-of-year apartment occupancy of 96.1%, on par with the pre-pandemic average. Monthly effective rent is expected to increase 3.4% this year, approximating historical annual rent appreciation.”²



2. <https://base.berkadia.com/wp-content/uploads/2023/01/Berkadia-2023-Forecast-National-Apartment-Research-Report.pdf>

EMPLOYMENT

Inland Empire businesses and institutions employed some 1.7 million workers in the second quarter of 2022, up 5.5% year-over-year and 2.0% higher than the pre-pandemic peak in January 2020.³ Ontario's population is more than 185,000 and is expected to increase rapidly in the coming decades, making it one of the 100 largest cities in the U.S. More than 12,000 businesses operate in Ontario, providing more than 124,000 jobs. The city's pro-business climate has helped retain and attract new businesses.



Major employers near Adept Ontario

12,000+

Businesses in Ontario

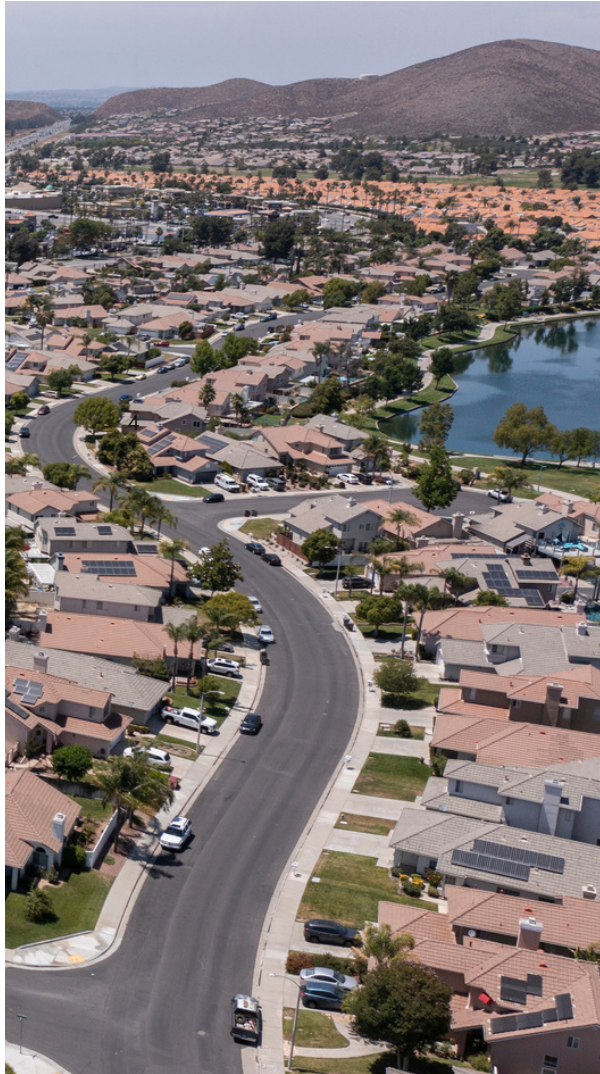
5.5%

Job growth year-over-year

The Ontario International Airport is the 9th busiest airport in the U.S. measured by air cargo volume with major carriers like **Amazon, FedEx, and UPS**, and provides nearly 28,000 direct and indirect jobs. **Coca-Cola, Costco, Home Depot, Toyota, Uline, and 3M** have found greater Ontario to be the perfect location for their distribution centers. Ontario is Prime Healthcare's headquarters operating 43 hospitals that employ 43,000 people in over 14 states. Inland Empire Health Plan - less than one mile from Adept Ontario - is the largest employer in Rancho Cucamonga, with 2,315 employees.

3. <https://base.berkadia.com/wp-content/uploads/2022/08/Berkadia-Mid-Year-2022-Report-Inland-Empire.pdf>

THE GROWING CITY



Historical trends indicate Inland Empire's population will grow more rapidly than the U.S. as a whole retaining its position as the 12th largest metro area in the nation. The region has seen its labor force grow by nearly 50% since 2001, compared to less than 12% for the rest of California.⁴

This growth has reinforced the continued interest of many developers, such as Lewis Apartment Communities, which has built more in the area to meet the growing demand. Lewis Apartment Communities is currently in lease-up with The Homecoming at the Resort (867 units) and is also building a 96,000 SF retail center. Other developments include Paseos (800 units) and Vineyards, a 925-unit mixed-use property. All of these projects have been successful to lease up ahead of schedule.

These developments will create a community around Adept Ontario attracting new residents and commercial investment. With no current definitive town center, Adept Ontario will establish a central destination much like the transformative effect the Americana Lifestyle Center has had on the city of Glendale, CA.

CITY SPENDING

Embracing its growth, the city of Ontario has deployed impactful investments and has plans for further capital deployments for city improvements. Thus far, the city has invested **\$400 million** to redesign and double the size of the Ontario Convention Center, located less than 2.5 miles from Adept Ontario. It has submitted a **\$75 million** offer to purchase land and develop a new public parking structure. The city of Ontario has specific plans to invest **\$1.1 billion** in the area surrounding Adept Ontario.

4. "Riverside County vs. San Bernardino County: A Look at Employment and the Labor Force." San Bernardino Sun, 25 Nov. 2022, www.sbsun.com/2022/11/25/riverside-county-vs-san-bernardino-county-a-look-at-employment-and-the-labor-force/.

ONTARIO

INTERNATIONAL AIRPORT



Adept Ontario is located less than 2 miles from ONT. The site is not under the airport's flight path.

ONT has been the fastest-growing airport in the U.S. for five consecutive years. Passenger volume has grown 5.1% per year since 2016 when the airport returned to local control. It generates \$17.8 billion in economic output and supports 27,800 jobs.⁵

In 2023, ONT served **more than 6.4 million airline travelers**, reaching its highest passenger volume since 2008, with more than 70 daily departures to 25 destinations throughout the U.S., Mexico, Central America, and Taiwan.

Simultaneously, ONT moves more than 750,000 tons of cargo, maintaining its position as a major commerce and logistics hub. In 2023, ONT passenger volume surged 12%, exceeding pre-pandemic levels for the second consecutive year. December 2023 marked the 34th consecutive month in which ONT posted year-over-year increases in passenger volume.⁶

Private industry leaders are optimistic about Ontario's future and have committed significant investments. **"FedEx Express has unveiled a \$290 million project** at Ontario International Airport with innovative automated technologies designed to improve service efficiencies. FedEx Ground has made considerable investments in the Inland Empire region with plans to spend over \$90 million. UPS has opened its Western Regional Air Hub in Ontario to process over 400,000 packages daily, and Amazon has spent over \$19 billion in the Inland Empire since 2010 and is developing its largest warehouse globally in the city of Ontario."⁷

5. <https://www.flyontario.com/press/ontario-international-named-fastest-growing-airport-us-fifth-straight-year>

6. <https://www.flyontario.com/press/ontario-international-airport-outperformed-pre-pandemic-levels>

7. <https://www.flyontario.com/sites/default/files/2022-11/ONT-Economic-Report-2022.pdf>

 TOYOTA
A R E N A



Adept Ontario is adjacent to the Toyota Arena, an 11,000-seat, 225,000 SF sports and entertainment complex. It is home to the NHL Kings affiliate Ontario Reign (American Hockey League Team), Ontario Clippers (NBA G League team), and Ontario Fury (Soccer League Team). Rarely unutilized, the arena hosts over 300 events annually, including concerts and shows with some of the world's most popular performers.

Adept Ontario will integrate with the arena, providing outdoor space, retail stores, restaurants, and signage, creating a welcoming and entertaining environment for residents and visitors.



11,000

Seats

330

Events per year

2.5 million+

Attendees per year

OTHER ENTERTAINMENT

Within 2 miles of Adept Ontario is the Auto Club Speedway, K1 Speed (an indoor go-kart track), iFly (indoor skydiving), and Top Golf. Located 5 miles from Adept Ontario, the Ontario Museum of History and Art and the Chaffey Community Museum of Art highlight the region's history and culture, providing venues for year-round exhibitions and shows.

PROSPECTIVE ENTERTAINMENT DISTRICT

Adjacent to Adept Ontario, the city plans to create, finance, and build a state-of-the-art entertainment district with an array of upscale bars and a variety of dining options. The city has envisioned this district with up to 30 multi-level bars, each floor offering a distinct energy to cater to everyone's preferences. This area would include the proposed 2,500-seat performing arts center and 300-key hotel.



ENTERTAINMENT DISTRICT PROPOSED BY CITY

2,500

Seat Theater

30

Multi-level bars

300

Key hotel



2,500-SEAT THEATER PROPOSED BY CITY

OUTDOORS

Just 5 minutes west of Adept Ontario is Cucamonga-Guasti Regional Park, a 150-acre park with two lakes for fishing and pedal boats, water slides and pools, and plenty of open spaces with picnic shelters and cabanas. At the foothills of the San Bernardino Mountains, Adept Ontario is a 30-minute drive to Mount Baldy's scenic hiking trails.



SHOPPING AND DINING

In addition to the planned restaurants and stores at Adept Ontario, residents are a 15-minute walk from Ontario Mills, a 2 million SF mall filled with a diverse selection of restaurants and stores, attracting 28 million visitors each year, **about 10 million more than Disneyland**.⁸ Other shopping and dining options within walking distance include Target, In-N-Out Burger, Benihana, and more.



8. Nisperos, N. (2016, November 12). Does Ontario Mills really attract more visitors than Disneyland?. Daily Bulletin. <https://www.dailybulletin.com/2016/11/12/does-ontario-mills-really-attract-more-visitors-than-disneyland/>

V. INVESTMENT ANALYSIS

CASH ON CASH – PROJECT LEVEL

PERMANENT LOAN ASSUMPTIONS

- Expected to occur at stabilization
- 5.50% annual interest rate
- 1.25 DSCR
- 8.5% debt yield
- 30-year amortization

PERMANENT LOAN CALCULATION

\$149,861,807	Net Loan Proceeds
(\$87,351,020)	Construction Loan Balance*
(\$7,271,005)	Remaining City Fees
\$55,239,782	Permanent Loan Proceeds

*Construction loan will be paid down during lease up

Year	Net Operating Income Before Debt Service (Less CapEx)	Annual Mortgage Payment	Annual Free Cash Flow	Annual Cash on Cash Return
Year 5	\$13,370,903	(\$10,340,037)	\$3,030,866	38.05%
Year 6	\$13,717,537	(\$10,340,037)	\$3,377,501	42.40%
Year 7	\$14,073,768	(\$10,340,037)	\$3,733,732	46.87%
Year 8	\$14,439,858	(\$10,340,037)	\$4,099,822	51.46%
Year 9	\$14,816,077	(\$10,340,037)	\$4,476,041	56.19%
Year 10	\$15,202,703	(\$10,340,037)	\$4,862,666	61.04%
Year 11	\$15,522,471	(\$10,340,037)	\$5,182,434	65.05%
Year 12	\$15,891,997	(\$10,340,037)	\$5,551,960	69.69%
Year 13	\$16,311,580	(\$10,340,037)	\$5,971,543	74.96%
Year 14	\$16,742,756	(\$10,340,037)	\$6,402,719	80.37%
Year 15	\$17,185,841	(\$10,340,037)	\$6,845,804	85.93%

APARTMENT MARKET COMPARABLES (RENT)

The Homecoming at the Resort and Vineyards at Ontario are the most relevant comparables within the area. Adept is closely monitoring rent trends at both of these projects as these are currently in the lease-up phase.

Adept can achieve higher rents per SF than the market comparables because:

- **A destination center with unique amenities and entertainment.** Much like The Americana in Glendale, CA, Adept Ontario will demand a premium over the market.
- **Smaller units.** With increased relocation to Inland Empire, smaller units and studios, will be in high demand. Our overall average rents are lower than the comparables.
- **Better finishes and build quality.** Adept has a history of achieving higher rents than the competition for 35 years due to its high-end finishes and superior build quality.

Unit Type	Avg SF	# of Units	Today's Avg Asking Rent/SF	Today's Avg Asking Rent/Unit	Amenities
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Adept Ontario Proforma

All Studios	430	88	\$ 5.17	\$ 2,222	Restaurants & Stores
All 1 Beds	682	181	\$ 3.75	\$ 2,554	Clubhouse & Open Space
All 2 Beds	1,080	115	\$ 3.06	\$ 3,303	Fitness Centers & Pools
Totals	743	384	\$ 3.63	\$ 2,702	EV Charging Stations



Vineyards at Ontario (Built 2023)

All Studios	480	36	\$ 4.31	\$ 2,068	Outdoor Lounges
All 1 Beds	673	229	\$ 3.42	\$ 2,299	Fitness Centers & Pools
All 2 Beds	972	652	\$ 3.00	\$ 2,916	Creative Office Space
All 3 Beds	1,185	8	\$ 3.02	\$ 3,574	Dog Park
Totals	881	925	\$ 3.11	\$ 2,736	EV Charging Stations



Homecoming at the Resort (Built 2022)

All 1 Beds	849	438	\$ 3.27	\$ 2,778	Clubhouse
All 2 Beds	1,209	374	\$ 2.71	\$ 3,278	Pool
All 3 Beds	1,726	55	\$ 2.33	\$ 4,029	Fitness Studio
Totals	1,060	867	\$ 2.90	\$ 3,073	Dog Park



Paseos (Built 2018)

All 1 Beds	691	80	\$ 2.94	\$ 2,034	Fitness Centers
All 2 Beds	996	600	\$ 2.38	\$ 2,366	Dog Park
All 3 Beds	1,195	120	\$ 2.33	\$ 2,790	Library
Totals	995	800	\$ 2.41	\$ 2,396	



Arte (Built 2019)

All 1 Beds	778	108	\$ 2.85	\$ 2,217	Fitness Centers
All 2 Beds	1,128	68	\$ 2.41	\$ 2,720	Dog Park
All 3 Beds	1,467	6	\$ 2.28	\$ 3,342	Library
Totals	931	182	\$ 2.62	\$ 2,442	



Vistara (Built 2016)

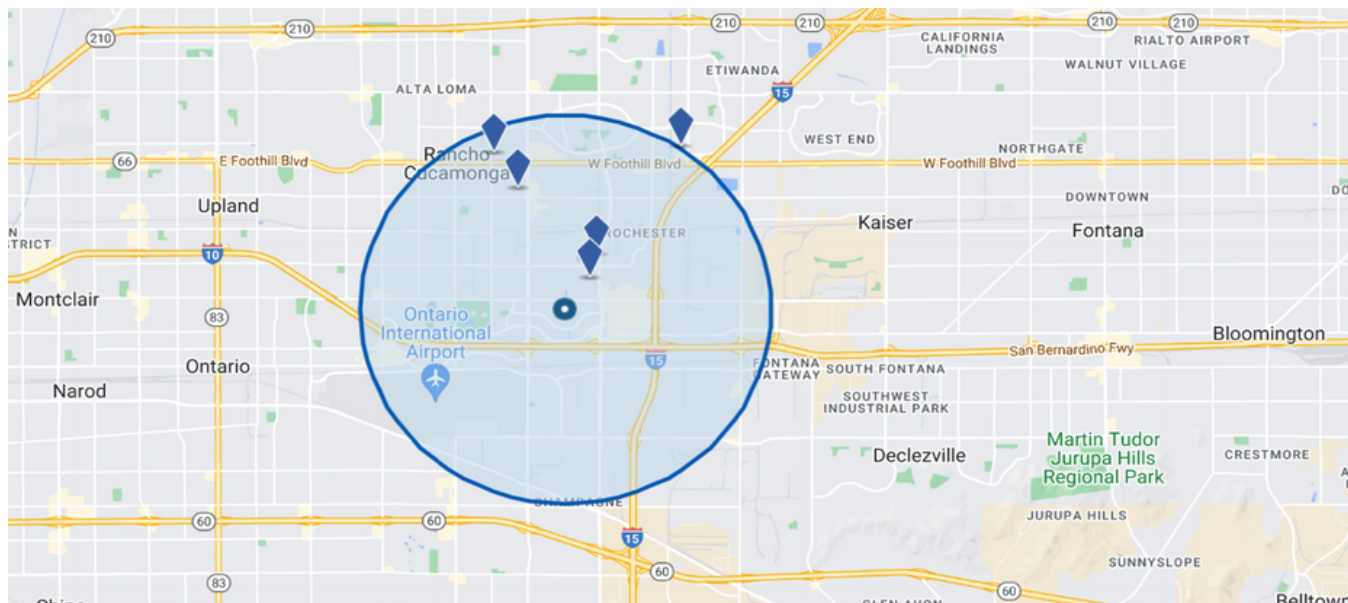
All 1 Beds	792	144	\$ 3.07	\$ 2,432	Clubhouse
All 2 Beds	1,076	139	\$ 2.69	\$ 2,891	24 Hour Fitness Club
All 3 Beds	1,402	15	\$ 2.46	\$ 3,453	Golf Putting
Totals	955	298	\$ 2.82	\$ 2,697	

APARTMENT MARKET COMPARABLES (SALES)

The below summarizes apartment sales (over 100 units) within three miles of the project within the past four years as of 2024.

- *Arte was purchased in a 1031 exchange for \$68M at the start of the pandemic with a vacancy of 24%. There is currently a waiting list for potential residents.*

Property Address	Number of Units	Year Built / Renovated	Class	Sale Price	Price / Unit	Vacancy at Sale	Sale Date	Buyer
The Village on 5th	264	2006	B	\$97,000,000	\$367,424	4.0%	07/28/2022	Greystar Real Estate Partners
Avana Rancho Cucamonga	624	1988 / 2017	B	\$216,330,000	\$346,688	N/A	09/08/2021	Ivanhoe Cambridge (Quebec, Canada)
Solamonte	521	2001	A	\$226,560,000	\$434,856	9.3%	09/01/2021	Western National Group
Victoria Arbors	319	2006	A	\$137,600,000	\$431,348	4.7%	06/29/2021	MG Properties
Arte Apartments	182	2019	A	\$68,000,000	\$373,626	24.2%	03/18/2020	Providence Capital Group Inc.



Comparable Map

CONDOMINIUM SALES

Nuvo Piemonte is a newly finished, 72-unit condominium development by The New Home Company adjacent to Lot D. All units have already been sold/closed. The figures on the table to the right are from their website.

Unit Type	Unit Count	SF	Pricing
2 Bed 2.5 Bath	16	Up to 1,360	Mid \$500,000s
2 Bed 2.5 Bath	16	Up to 1,494	High \$500,000s
3 Bed 3.5 Bath	20	Up to 1,654	Mid \$600,000s
4-5 Bed 3.5-4 Bath	20	Up to 2,202	Low \$700,000s

EXIT CAP RATE SENSITIVITY

Since 2020, four and five-star apartment properties in Greater Ontario Rancho Cucamonga have sold with a sub 4.25% cap rate. CoStar forecasts the cap rate for Greater Ontario Rancho Cucamonga will peak in 2025 at 4.95% and will decrease to 4.25% in 2027, the year in which Lot A of Adept Ontario is projected to be sold. The proforma uses a 5.0% cap rate.

CAP RATE SENSITIVITY

	4.00%	4.50%	5.00%	5.50%
Gross Sales Proceeds	\$328,023,093	\$296,297,376	\$270,916,803	\$250,150,880
Residential Price Per Unit	\$555,256	\$493,561	\$444,205	\$403,823
Total Project Profit	\$169,628,782	\$138,061,694	\$112,808,024	\$92,145,930

RENT ESCALATION SENSITIVITY

The proforma projects an annual rent escalation of 2.5%, supported by the following factors:

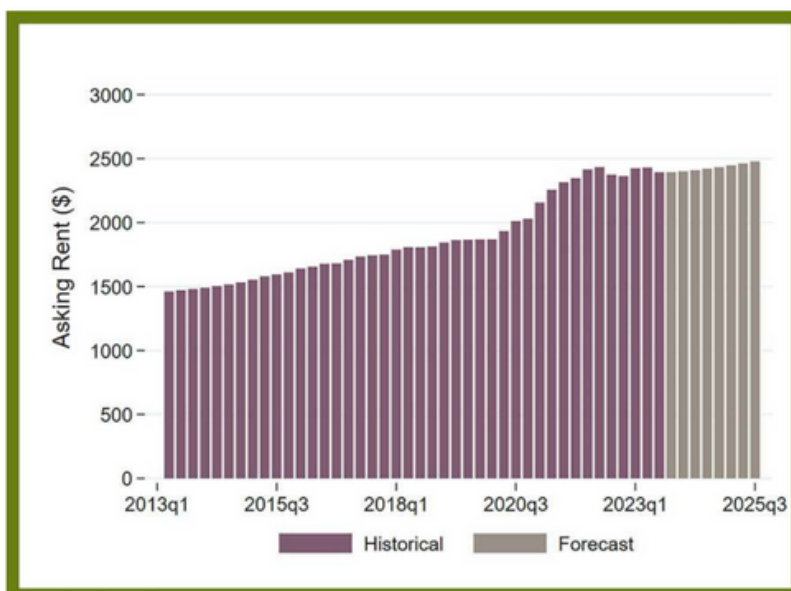
- Greater Ontario Rancho Cucamonga has seen an influx of demand, causing the YoY to be 8.8% and 16.6% for 2020 and 2021, respectively.
- Greater Ontario Rancho Cucamonga has seen a steady rent growth above 3.0% YoY for eight consecutive years before Covid.
- Greater Ontario Rancho Cucamonga rent escalation rate has been at 2.5% over the inflation rate in the past five years.
- Based on Costar’s forecast, rent growth for Greater Ontario Rancho Cucamonga region for 2024 will remain flat, but will increase by 4.0% annually from 2025 to 2028.

Multifamily Rent Escalation

	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Total Project Profit	\$103,395,338	\$108,055,958	\$112,808,024	\$117,653,183	\$122,593,109	\$127,629,507
Project Levered IRR	35.8%	37.0%	38.2%	39.4%	40.6%	41.8%
Project Multiple	2.64x	2.71x	2.78x	2.86x	2.94x	3.02x

Retail rent growth remains at 2.5% throughout the sensitivity analysis.

Chino-Rancho Cucamonga · Asking Rents · Rent Growth · Inland Empire, 2013-2025



CONSTRUCTION LOAN SENSITIVITY

With banks being more conservative in their underwriting process, the proforma assumes a 60% loan-to-cost and a 9.0% annual interest rate. The sensitivity tables reflect varied debt-to-equity ratios and interest rates.

Loan-to-Cost Sensitivity

	50.00%	55.00%	60.00%	65.00%	70.00%
Total Project Profit	\$115,976,870	\$114,459,395	\$112,808,024	\$111,005,659	\$109,025,897
Project Levered IRR	33.5%	35.7%	38.2%	41.2%	45.0%
Project Multiple	2.50x	2.63x	2.78x	2.98x	3.25x

Sensitivity analysis assumes a 9.0% construction loan interest rate.

Construction Loan Interest Rate Sensitivity

	7.00%	8.00%	9.00%	10.00%	11.00%
Total Project Profit	\$115,361,743	\$114,082,361	\$112,808,024	\$111,539,076	\$110,275,858
Project Levered IRR	39.3%	38.7%	38.2%	37.6%	37.1%
Project Multiple	2.86x	2.82x	2.78x	2.75x	2.72x

Sensitivity analysis assumes a 60% Loan-to-Cost.

VI. RISK MITIGATION

SUPERIOR BUILD QUALITY

The Sponsor and design teams have a long history of building “condo-quality” multifamily developments throughout Southern California. The project will be a “Class A” building in a desirable and convenient location, with the highest build quality compared to any recently completed competing project.

NO ENTITLEMENT RISK / SHOVEL READY

Lots A, B, C, and D have been entitled for 694 units. The development team is working closely with the city on the project and is in constant contact with all relevant aspects of the local government and community. Further information is available upon request.

DIFFERENTIATED PRODUCT

Multifamily residential projects currently being developed in the area are designed and built with larger units, appealing to a different audience than Adept Ontario. The Sponsor believes that a younger rental demographic will be attracted to the area due to the integration of the Toyota Arena and its surrounding amenities. Adept Ontario will be uniquely positioned to accommodate the younger rental demand by incorporating smaller units, particularly studios.

WELL-DESIGNED MIXED-USE PROPERTY

Situated adjacent to the existing Toyota Arena, the project features open spaces, dining options, shops, and amenities next to the city of Ontario’s proposed entertainment district. This mix is expected to attract both long-term and younger residents, which will enable premium pricing for the development.

PROVEN TRACK RECORD

With over 35 years of construction and mixed-use development experience, Adept is highly respected, uniquely qualified, and well-positioned for the project. Adept’s expertise is strong in Southern California, where it has completed over 60 projects while overcoming challenges that would bring other companies to a standstill. Currently, Adept has over half a billion dollars in project valuation under construction or design. Adept will serve as the Sponsor, the General Contractor, and the Designer for the project providing a team of experts with diverse backgrounds and decades of professional experience ranging from government relations and project design to construction and development. Adept’s unique vertically integrated project development model has a proven track record of reliable ROI even during economic downturns from 2008 through 2012.

VERTICAL INTEGRATION

Adept’s design and construction teams are vertically integrated, from planning and design, to entitlements and permitting, to the pouring of foundation concrete, to the finished product with interior design. This level of integration is unique in the development community and has consistently reduced project risk. It leads to shorter construction times, much higher certainty of on-time delivery, and reduction in potential cost overruns.

RISK FACTORS AND RISK MITIGATION



1 ENTITLEMENT / SHOVEL READY

The project is fully entitled.



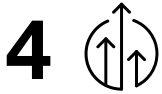
2 CONSTRUCTION LOAN

The Sponsor is currently in negotiations with several lenders, both existing and new relationships. The Sponsor has conservatively underwritten loan terms based on soft quotes. (See sensitivities).



3 CONSTRUCTION COST OVERRUN

Adept Construction, as General Contractor, will sign a fixed-price construction contract with the Company. The General Contractor will absorb cost overruns. The Sponsor has budgeted a 5% contingency for hard cost overruns in keeping with the previous experience of the Sponsor.



4 COMPETITION OVERSUPPLY

Despite moderate construction deliveries per the CoStar forecast through 2027, absorption and vacancy remain steady, resulting in a stabilized occupancy greater than 95%. (See Appendix 1). The Sponsor has consistently outperformed competitors by creating superior quality projects with the consumer in mind. (See Building Quality – Page 35).



5 RECESSION

A protracted recession would slow rent growth and slow absorption. (See sensitivities). The project has multiple exit options: sale at stabilization or long-term hold. With these options, the project is hedged against recession risks.



6 SUPPLEMENTAL REVENUE

As Adept Ontario becomes a destination for lifestyle and entertainment, signage will be placed in an area with high levels of foot traffic. Adept utilized a conservative underwriting strategy to project kiosk revenues in relation to market comparables.

VII. PROJECT SPONSOR AND PROJECT TEAM



At Adept, our team is focused on delivering financially successful projects to our investors while always considering the end user's needs. Our approach to real estate development and community building provides a better delivery system. Where others see problems, we find solutions, whether navigating a cumbersome entitlement process, understanding or structuring complex land transactions, or redesigning projects for higher efficiency and buildability.

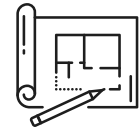
Based in Pasadena, California, Adept is a vertically integrated development company with 35 years of experience that offers end-to-end solutions in planning, architecture, design, construction, and interior design.

Our success is a direct result of combining our unique team of experts and a business model which provides complete transparency and total control of the development process from start to finish. Adept's integrated services structure eliminates the conflicts inherent in the conventional developer-architect-contractor relationship, which can result in cost overruns, project delays, and other complications affecting investor returns. This unique approach produces repeat clients, satisfied investors, and projects that create and enhance a higher quality of life experience for the end user. For the past projects, Adept has not passed any hard cost escalation to investors.

Our team of experts can identify challenging and complex projects and turn them into profitable ventures. This approach enhances investor returns by reducing costs, achieving necessary entitlements and approvals, improving livability, and ultimately increasing project value. Nearly half of Adept's projects come to us from owners who have run into issues and need experts who can untangle complex situations. This proven track record enables Adept to protect our investors' money during the investment duration and limit risk exposure.

INTERIOR DESIGN

Obsessively focused on the end-user and good design, we ensure unparalleled quality control and attention to detail throughout every step of the project.



CONSTRUCTION

Delivering exceptional value by optimizing cost-efficiency and maximizing resource utilization internally.



ARCHITECTURE AND DESIGN

Leveraging comprehensive in-house expertise to create innovative and customized solutions for each client's unique vision and requirements.



DEVELOPMENT

Providing clients with a single point of contact for all their development needs, simplifying the decision-making process.



ADEPT ESG – ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

We believe that our projects must enhance the quality of life for all, which can only be accomplished by creating a positive impact on the environment and the communities within which our projects are built. We have committed to integrating key Environmental, Social, and Governance (“ESG”) principles into our business practices and projects.

ENVIRONMENTAL

Adept will minimize environmental impacts in every regard possible. Adept’s development projects seek to cause the least disruption possible, be it through the adaptive reuse of existing buildings and historic resources or by applying greater thought to our project design and construction. Our team is mindful of projects’ challenges from both a financial and sustainable perspective and is attuned to implementing intelligent solutions to deliver buildable projects that address both aspects.

This perspective is rooted in our experience as a contractor, our perspective as architects, and our philosophy as developers. We believe there is a need for housing, but the answer is not going “out” but strategically going “up,” delivering innovative and creative in-fill projects.

From a contractor’s perspective, we understand that construction can be disruptive, but some strategies and sequences can be deployed to help mitigate on-the-ground disruptions. Architecturally our teams consider not only materials but also setting and how best to site and orient a project to take advantage of natural environmental features such as sun exposure, prevailing breeze, and natural vistas.

Energy consumption to heat and cool a building is the most significant operational factor contributing to greenhouse gases, above and beyond construction traffic emissions. The consumption of energy, be it to run HVAC units, computers, light one’s home, or the common areas, requires a draw of electricity demands. Adept’s strategy for confronting this issue is multifold and applies the selection of materials and construction techniques that help keep units at a constant.

First, this project will benefit from using dual-paned, Low-E glass that reflects harmful UV rays while minimizing heat transfers. It is essential that our units be well-lit through natural sources, and the selection of efficient windows is critical.

Akin to windows relative to temperature transfer is our process of insulating exterior, interior, and party walls. Typically, developers opt out of insulating interior walls to the extent that we do, but we believe that is done in error. Not only does insulation help with temperature control but also with sound transmission, making for a higher-quality environment.

When it comes to building operations, energy consumption for heating and cooling is the most significant factor contributing to greenhouse gases. Adept Urban has implemented a multi-faceted strategy to address this issue, including selecting materials and construction techniques that help keep units at a constant temperature. For example, we use dual-paned, Low-E glass to reflect harmful UV rays while minimizing heat transfers, and we prioritize natural lighting through the selection of efficient windows. We also insulate exterior, interior, and party walls to control temperature and sound transmission, creating a higher-quality environment.

Given Southern California's susceptibility to droughts, our designs consider strategies to capture natural rainfall and recharge underground water tables. We prioritize native landscaping and low-flow fixtures and have implemented a rainwater collection system that routes water into subsurface gravel pits for percolation into local aquifers. Additionally, our project location is ideal for commuters utilizing alternate means of transportation, with easy access to bus stations and the Ontario East Riverside Line Station.

SOCIAL

At Adept, we prioritize social responsibility and building positive relationships with our clients, employees, and communities. We work with companies that share our values, and we treat our stakeholders with fairness and respect. Our governance policies ensure the highest integrity, procedures, and guidelines for interactions with employees, residents, vendors, and investors, leading to greater efficiencies and improved results. We maintain an independent, objective, and diverse advisory board to better understand market forces and prioritize ESG, maximizing long-term value for our stakeholders.

GOVERNANCE

Adept Urban prioritizes key governance policies to ensure honesty, integrity, and proper procedures are followed for all stakeholders, including owners, directors, and managers. Our focus on operations, accounting, and resident experience improves efficiency, results, and investment performance. To achieve this, we have an independent, diverse advisory board that advises us on how to better serve our investors and the communities where we build our projects. With a diverse team, we can better understand market forces and changes. We prioritize ESG to maximize long-term value for our stakeholders and assure you that we are efficient, honest, and responsible with your priorities when you invest with us. Adept's fully-integrated suite of architecture, development, and construction services provides a one-stop shop for its clients and investors.

To date, Adept has completed \$1 billion in projects and is carrying a projected \$1.5 billion pipeline.

COMPARISON WITH COMPETITION

BUILDING QUALITY

This chart compares building quality in Adept's products to other products. While adding extra expense to this project, we believe that building a better-quality product makes the end product more attractive to the consumer (renter or buyer). Adept has always built to condo-level finishes. We believe that a sophisticated apartment renter would find a high-quality offering appealing and would be willing to pay a premium for better fixtures, appliances, and finishes. While high-quality rental offerings are recently becoming more common in Downtown Los Angeles, they are not yet typical throughout affluent Southern California neighborhoods. As such, we believe the Adept Ontario offering will stand out on several fronts.



	ADEPT'S APARTMENT PRODUCT	OTHER PRODUCTS ON THE MARKET
Interior wall insulation	All interior walls	Only some interior walls
Paint finish	Smooth/light orange peel	Medium/heavy orange peel
Windows	Oversized height	Standard height
Doors	Solid core doors	Hollow doors
Cabinets	Concealed handle design	Traditional design
Fixtures	Modern design	Traditional design
Kitchen island	Built-in kitchen island	None
Kitchen countertop	Stone	Formica or tile
Living room/bedroom light	Surface-mounted LED light	Fanlight
Bathtub tile	Upgraded Surrounds	Regular surrounds
Bathroom light	Pendant light	Surface-mounted linear light

REPRESENTATIVE ADEPT PROJECTS

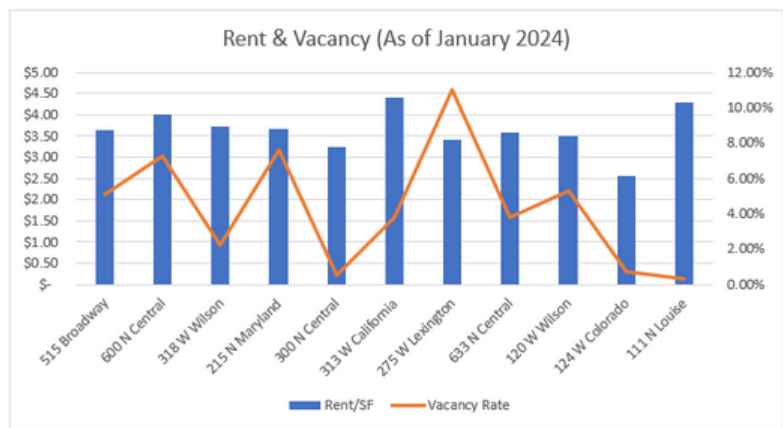


Selected Adept Project		Location	Scope/ Units	Total Sq. Ft.	Type	Project Status
Development						
1	127 W Pomona	Monrovia, CA	232	252,100	Apt	Construction
2	Vestalia	Glendale, CA	186	220,000	Apt	Complete
3	388 Phase	Pasadena, CA	105	121,656	Condo	Complete
4	520 Central	Glendale, CA	98	210,000	Apt	Complete
5	521 Orange					Construction
6	Colorado 77	Pasadena, CA	77	180,000	Condo	Complete
7	555 S Arroyo	Pasadena, CA	-	430,000	Mixed-use	Entitlement
8	Thatcher	Pasadena, CA	77	155,000	Apt	Design/Development
9	J Grant	Pasadena, CA	50	53,500	Condo	Complete
10	Livingston	Pasadena, CA	39	35,000	Condo	Complete
11	Burton	Pasadena, CA	34	30,600	Condo	Complete
12	Boston Centennial	Pasadena, CA	33	14,000	Condo	Complete
13	482 Arroyo	Pasadena, CA	28	40000	Condo	Complete
Third Party Architecture/Design and Construction						
14	Ontario Office Master Plan	Ontario, CA	-	-	Office	Design/Development
15	Hastings Village	Pasadena, CA	-	-	-	Design/Development
16	Milpitas	Milpitas, CA	380	325,000	Apt	Design/Development
17	83 N Lake	Pasadena, CA	54	118,000	Condo	Design/Development
18	San Gabriel MOB	San Gabriel, CA	-	-	-	Design/Development
19	San Gabriel	San Gabriel, CA	49	-	Condo/Apt	Construction
20	Shopping Center	Rowland Heights, CA	-	-	-	Construction

REPRESENTATIVE CASE STUDY – BROADWAY VESTALIA BY ADEPT

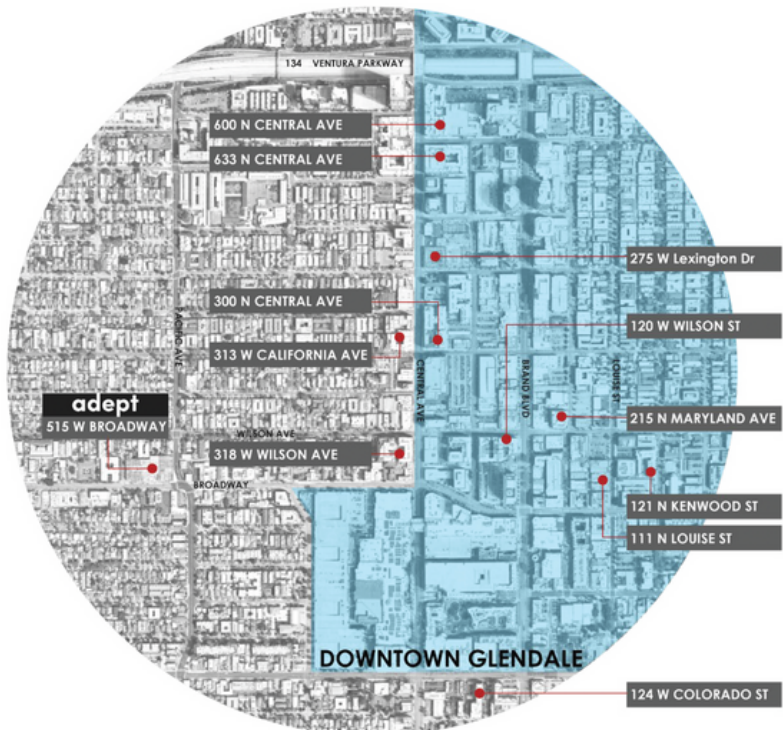
Adept’s Vestalia in Glendale, at 515 W Broadway, is an example of high-quality construction enhancing project performance. The map below shows 12 major apartment projects built within the Glendale area in the last five years. Location-wise, Vestalia is in a Class B location compared to competitors in Downtown Glendale’s Class A locations.

As of January 2024, Vestalia’s rental rate is at \$3.65/SF with a 5.1% vacancy rate. This rent is comparable to the competition considering its relatively inferior location, while its vacancy rate is in line with the market. Moreover, Vestalia has a Google review score of 4.3, among the highest of all 12 projects.



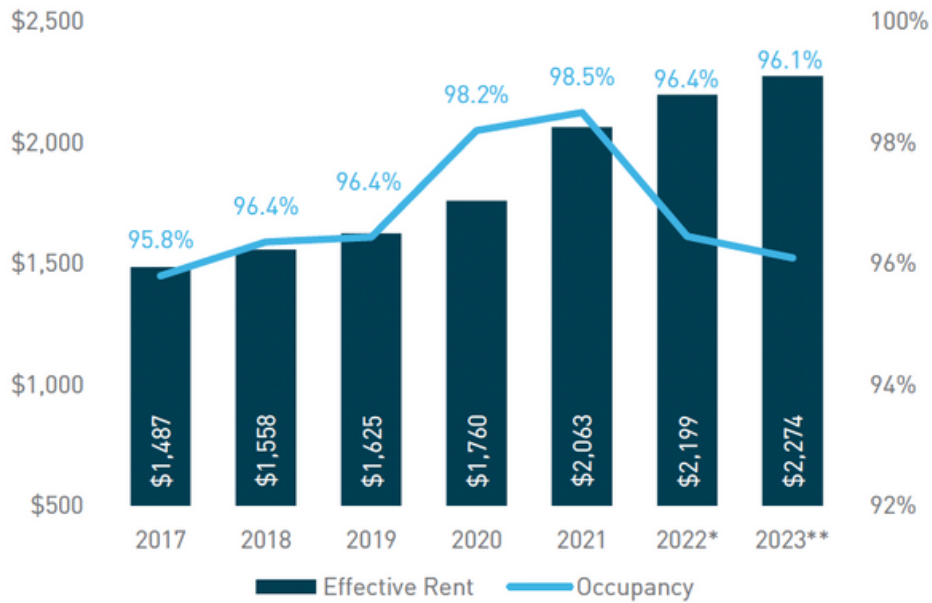
GOOGLE REVIEW SCORES (AS OF JANUARY 2024)

515 W Broadway	4.3
600 N Central	4.5
318 W Wilson	4.6
215 N Maryland	4.4
300 N Central	4.1
121 N Kenwood	4.2
313 W California	3.9
275 W Lexington	3.8
633 N Central	3.4
120 W Wilson	3.3
111 N Louise	3.2
124 W Colorado	3.0



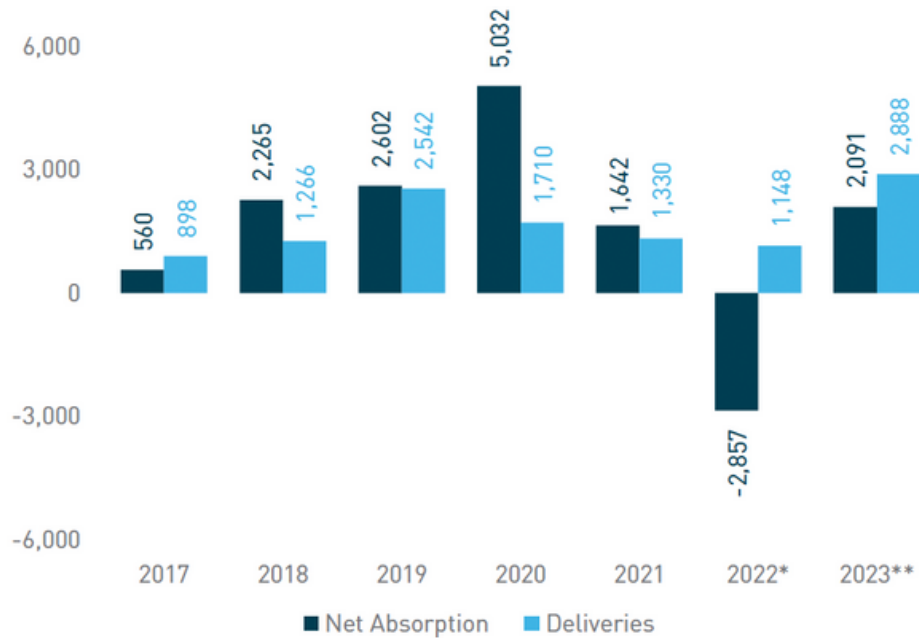
VIII. APPENDIX 1 – BERKADIA REPORT

Effective Rent & Occupancy



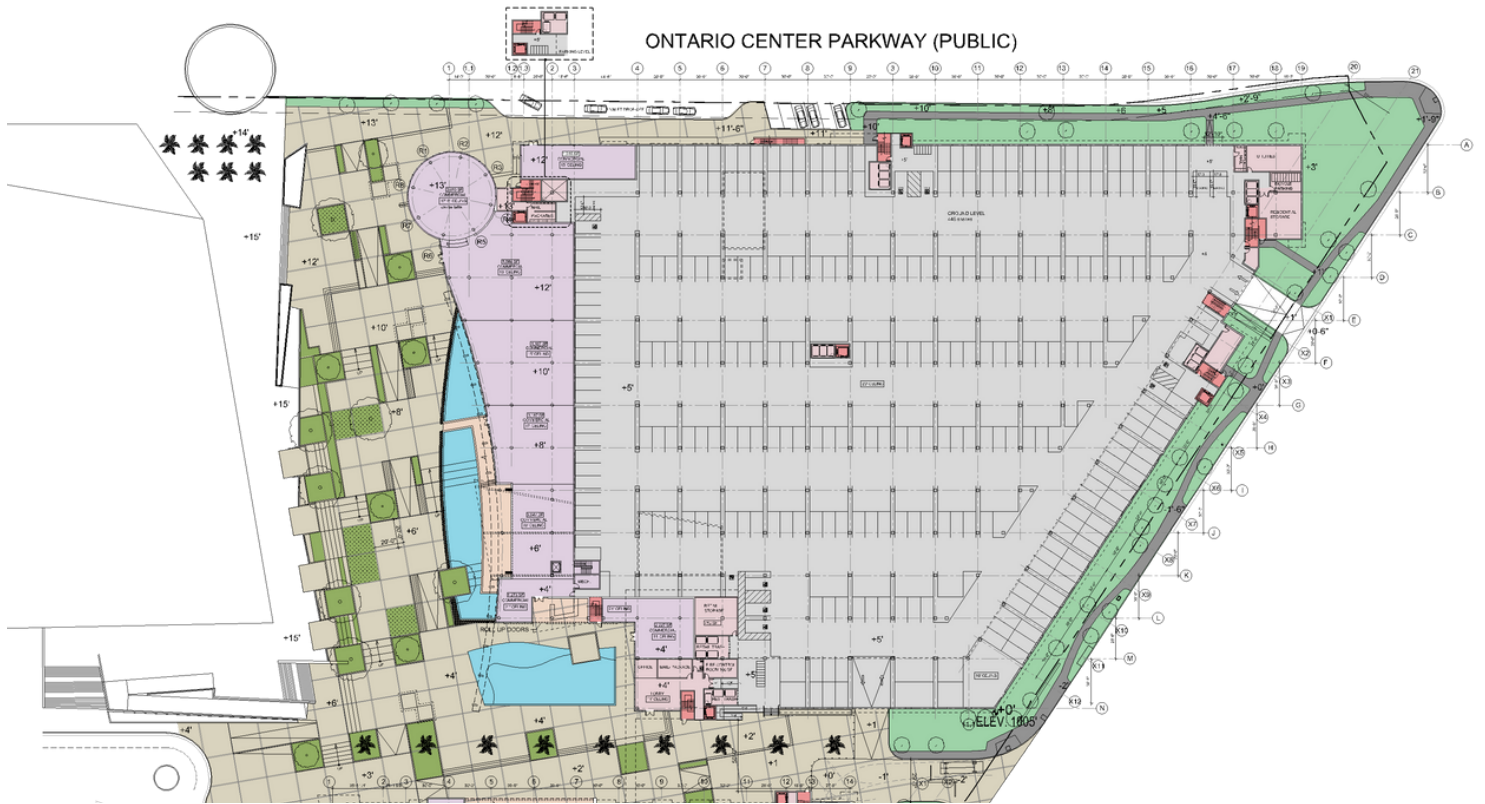
*Projected **Forecast

Absorption & Deliveries



*Projected **Forecast

VIII. APPENDIX 2 – BUILDING FLOOR PLAN



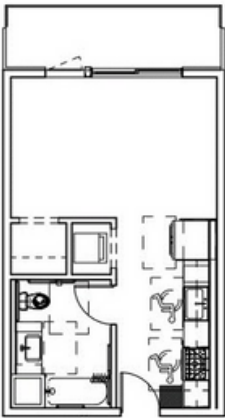
VIII. APPENDIX 2 – BUILDING FLOOR PLAN (CONT'D)



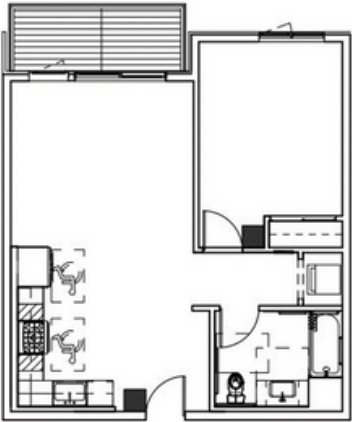
VIII. APPENDIX 2 – BUILDING FLOOR PLAN (CONT'D)



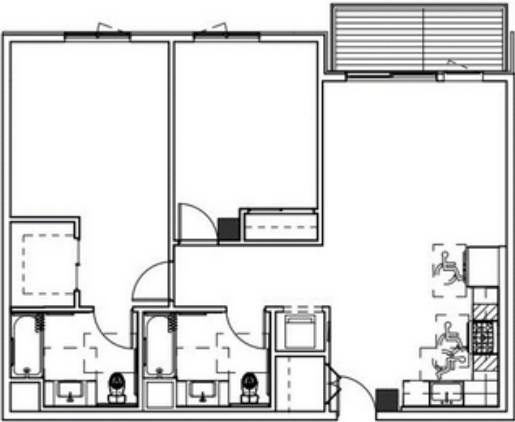
VIII. APPENDIX 3 – TYPICAL UNIT PLANS



Studio
Avg SF: 430



1-Bedroom
Avg SF: 682



2-Bedroom
Avg SF: 1,080



THANK YOU

WWW.ADEPTURBAN.COM