



US Development Opportunities Fund 1 Ltd.

10th Investors Report- January 2011



US DEVELOPMENT OPPORTUNITIES FUND 1 - DADELAND TOSCANO

General Sales and Pricing Report

As of 24 January 2011, 335 units have been sold, representing 84.6% of the 396-unit total project inventory. One unit is under contract and 60 units are available for sale. Average pricing on the settled units has been USD 294 per square foot. Dadeland has had seven condominium units sales closed since the last report in September 2010. Based on these results and a gradually improving residential marketplace in metropolitan Miami, the Asset Managers (Overland Realty Capital or "OC") have improved their forecasted sales slightly from three to four per month going forward.

Dadeland Sales Update (as of 24 January 2011)

Total Units	Settled Units	Contracted Units	Available Units
396	335	1	60

Summary of Settled and Available Units (as of 24 January 2011)

	Number	Size	SF	Avg. Price (USD)	Price / SF
Settled Unit	335	1,159	388,265	340,397	294
Contracted Unit	1	687	687	200,000	291
Available Unit	60	1,081	64,860	326,555	302
TOTAL	396				295

Outstanding Finance

All outstanding finance relating to the Project was settled in September 2008.

Investor Distribution to date

The last distribution to investors was on April 6, 2010. The Investment Manager made a distribution to investors for a total amount of USD 3.5 million constituting partial repayment of capital. The distribution was equivalent to 10.35% of the invested capital. After applying the proceeds of the 4th distribution, the total capital returned to investors to date amounts to 65.85% as detailed below:

(In USD)

Modaraba Summary			Date of Distribution	% of the Modaraba Capital
Modaraba Capital		48,420,000		100%
Repayment of Capital:				
- Distribution 1	6,536,700		September 2006	
- Distribution 2	4,842,000		February 2007	
- Distribution 3	15,494,400		April 2007	
- Distribution 4	3,527,772		April 2010	
Total Repayments	30,400,872			
Net Proceeds to Modaraba Investors		30,400,872		65.85%

Dadeland Exit

Based on the current sales momentum, OC expects a full sell off by the end of the first quarter of 2012. However, all such projections are subjective to a number of variables; chief amongst them is the continuation of the current sales momentum. OC strongly believes that the best and most reliable course of action at this point is to continue with a customary sales effort, one-by-one, and not a bulk sale, heavy discounts or auction.

We would revisit the projections with OC in May 2011 to have their updated view on the sales momentum and in terms of the complete exit from Dadeland.

U.S. Housing Outlook – December 2010

Home sales surged higher in the last month of 2010 as buyers took advantage of near record low mortgage rates despite the holiday season, according to information by the National Association of Realtors ("NAR"). The existing sales of single family homes, townhouses and condominiums rose 12.3%, the fifth increase in the last six months. Despite the troubled economy, the surge in home sales demonstrates that the U.S. housing market is making inroads towards a recovery pushed by near record low mortgage rates, and lower home prices. The rise shows a seasonally adjusted annual rate of 5.28 million units in December from 4.70 million last November.

According to NAR, the sales pattern in H2 2010 clearly showed a recovery and the market is expected to get much closer to an adequate, sustainable level. A full recovery with a sustained rise in home prices, however, in the entire U.S. housing market is unlikely to develop until businesses start hiring more workers, and consumer confidence over the economy and the housing market in particular improves.

According to NAR, the national median existing home price for all housing types dipped 1% in December 2010 below a year ago to USD 168,000, demonstrating widespread weakness in housing prices. Bank servicing companies have resumed the process to foreclose on homes in 23 states where foreclosures were stalled for a time due to the robo-signing scandal.

Distressed home sales, including foreclosures and bank assisted short sales rose to 36% of the market's share during the month of December, a 4% climb over a year ago. In the West, a 16.7% surge in home sales for the month reached an annual level of 1.33 million properties, but was still marginally below last year's pace. Existing sales also surged 13% in the Northeast in December, but were under year ago levels when the federal government home buyer tax credit was in effect. Midwest sales were also up by 11% as the median home price also improved in the region by 3.3% for the year, according to NAR figures. The median price of a home in the Midwest is now USD 139,700. In the South, sales also saw an uptick for the month, increasing 10.1% to an annual pace of 1.97 million in December but are 2.5% below a year ago.

According to independent projections, Portland, Maine leads the best 25 housing market forecast in during 2011, followed by Kansas City, Kansas; the two areas of the country that are suffering through less foreclosures than much of the rest of the U.S.

While Housing prices can go either ways, depending on the pace of economic recovery, one important angle to keep in mind that one of the reasons housing prices stabilized in 2010 was the tax credit (worth \$8,000 for first-time home buyers and \$6,500 for repeat home buyers) which helped boost home sales. As of September 2010, this tax credit is over.

Another factor which may drive house prices downwards in 2011 is bank-repossessed real estate or homes where foreclosure is imminent. The estimates on the total number of these properties vary from just under two million up to seven million. These 'shadow properties' can take years to clear from the market. Until these bank-owned properties are reduced, a strong downward pressure would continue to exist.

Local Market Outlook, Miami

Home and condominium sales are making a major rebound in Miami, one of the U.S. most severely devastated housing markets. Condominium sales rose 29% over 2009 in December 2010, clearly demonstrating that the South Florida market is making strides into a real estate recovery, despite tight mortgage lending standards.

Developers constructed more than 35,000 new condominiums during the real estate boom, the largest number of units built during any one period in the region's history. Fueled by lower priced foreclosures and bank assisted short sales, Florida residential sales increased 4% in 2010 over the previous year.

Enjoyed for its warm sunny climate, Florida is the largest vacation home and second home market in the U.S. As housing prices continue to decline in the overwhelming majority of the state, mortgage holders are increasingly walking away from homes. Other homeowners are unable to afford monthly payments with high unemployment and under-employment at some of the highest rates in the nation.

Florida received the second highest number of foreclosure filings in the U.S. in 2010, according to RealtyTrac with 485,286 homeowners being served with some form of foreclosure paperwork filings.

For the month of December only agents sold 985 condominiums in the Miami area compared to 766 in 2009. Prices that have dropped as much as 70% on some units from the markets peak are encouraging the rise in sales as units become more affordable. However, dozens of condominium developments remain partially constructed in the Miami Beach area, where builders left units fenced off as developers had financing pulled by bankers and hedge funds at the height of the financial crisis. Tens of thousands of similar developments and single family home subdivisions remain idled as vacant partially improved dirt developments from California across the country to Florida in the wake of the real estate crash.

The unintended fuel of the housing recovery in Florida and many other especially hard hit regions of the country are lower priced foreclosures and short sales, which compose the largest number of sales. Condominium units sold for the year spiked 43% in Miami to 9,778 in 2010 over 2009. Single family home sales increased nearly equally as well.

The market is expected to experience inroads towards better pricing stability in 2011 with fewer homes and condominiums listed for sale, but will have to sell-off the surplus inventory of new vacant condominiums before a bottom to the market is achieved. The number of homes and condominiums being sold in some area's of the region are rising as bargain hunters buy up the deals.

Condominium sales market conditions for Dadeland/Toscano

In Dade County (which includes both the Kendall neighborhood and all of the City of Miami), sales activity as a whole improved throughout calendar year 2010. Monthly sales increased from 1,295 in December 2009, to 1,617 in June 2010, to 1,851 in December 2010; this represents a 42.9% increase. In terms of sales closings, the total number of settlements increased by 14.6% from December 2009 to December 2010 (from 1,097 to 1,257 units). At the same time, inventory is declining. The total number of units declined by 6.5% during 2010, from 16,169 to 15,116.

The average price per square foot fell a bit from the second to third quarters of 2010, with the USD 202- USD 216 PSF prices of the second quarter yielding to USD 155- USD 184 PSF prices of the third quarter. More recently, average sales prices have increased, with December 2010 average pricing of USD 194 PSF.

The average days on market of individual units has remained about the same during the past 12 to 15 months. Encouragingly, the number has fallen from 112 to 118 days (January through April 2010) to 95 to 103 days (September through December 2010).

The percentage representing transacted pricing to list (asking) pricing has remained constant during the past 15 months, remaining in the 90% to 93% range throughout.

The average price per unit among sold units fell considerably from the first half of 2010 (during which time sales averaged between USD 215,000 and USD 265,000 per unit) to a market bottom of USD 178,000 in August 2010. Since that time, average pricing has risen in three of the past four months, to USD 237,000 in December 2010.

All of this data seems to indicate a market nadir that occurred about five months ago, with the market re-establishing itself at levels seen at this time last year (if not better). OC is hopeful in carrying the momentum of sales that began November 2010, and continue selling units briskly at the project.

Conclusion

We are working closely with OC to ensure that the sale of the remaining units is expedited efficiently. As discussed earlier, once we have revisited the projections with OC in May 2011, we would inform the investors accordingly of the Fund's extension.

Project Description - Toscano Condominiums (Dadeland)

Dadeland is a 25-story, 396 unit condominium project situated on 4.0 acres of land in the Dadeland area of Kendall, Florida. The luxury high-rise includes approximately 40,000 sq ft of ground floor retail and a structured parking garage.

Site Information

Completed	2007
Land Size	4.0 acres
Density	99 units per acre
No. of Buildings	3 interconnected
Parking	510 spaces

Community Amenities

Clubhouse & Gym
Swimming Pool
Individual Storage Units
Business Center
Party Room

Unit Features

Washer/Dryer Provided
Air Conditioning
Refrigerator
Microwave Oven
Roman-style bathtub
Cable TV
Dishwashers
Disposals
Ceiling Fans



Sample Unit at Dadeland Toscano



Pool area at Dadeland Toscano