

## Diversified Pacific Opportunity Fund I, LLC, offers liquidity to the residential and commercial real estate markets in the Inland Empire.

The Fund, whose Managing Member is Diversified Pacific Development Group, LLC, is investing in a broad base of real estate related assets over the next ten years. The Fund is making purchases of undervalued real estate assets during the current downturn in the market and is attracting capital from institutional investors to increase its overall purchasing power.

Acquisitions that produce near term cash flow and returns are being acquired as well as those with long term, significant appreciation potential.

The Fund is investing in loans secured by real property, and participating in joint ventures involving real property. Business activities also include obtaining entitlements necessary for the development of real property which is not fully entitled, owning, holding for investment, financing, refinancing, selling, exchanging, disposing of, and otherwise realizing the economic benefit from the real estate assets, and performing homebuilding, construction, sales and marketing activities related to those assets.

The unprecedented decrease in home values and the glut of defaults and foreclosures has forced many home builders and speculative investors out of the market. This has led to a further reduction in property values. Real estate assets are becoming increasingly available at substantial discounts. The value of these assets is expected to appreciate as the economic health of the industry and the troubled markets recover during the next real estate cycle upswing. Furthermore, the value of some of the assets may be increased by obtaining or enhancing their entitlements through development. The Fund expects that, as it sells its real estate assets back into the marketplace, profits will be generated that will produce additional returns to the investors.

Banks and other traditional sources for real estate development capital have come under increasing financing pressure in the current liquidity crisis. Lenders continue to liquidate underperforming assets in order to strengthen and sustain their capital position and we expect this trend to continue. The Funds's acquisition of these assets, if properly priced, could produce near term cash flow with the potential for excellent long term rates of return.

Acquisitions of fully entitled and developed land will offer the Fund the potential for lower risk investments with corresponding short term, moderate rates of returns. Similarly, raw land and partially entitled land is expected to become available. Due to the entitlement and economic risk associated with purchasing raw land, prospective purchases will be targeted to achieve higher rates of return commensurate with this risk profile.

Commercial, industrial and office facilities have been constructed at a record pace over the last two years in many markets, as the real estate industry, with its related support businesses, (e.g. mortgage companies, escrow companies and title companies) boomed. Many of these companies have now downsized significantly to control costs, or simply closed their doors. Like the homebuilding industry, this market segment is now in a declining economic cycle. The resultant surplus of inventory combined with the current reduction in overall tenant demand for space, has created an attractive market in which to acquire fully constructed buildings at or below replacement cost. These acquisitions are expected to create a stable stream of income with the potential for long term capital appreciation.

## Acquisition Focus

Acquisitions will be focused on troubled markets and will include raw and entitled land, finished residential lots, completed commercial developments and real estate related loans. Over the past decade many regions enjoyed strong economic growth including the Inland Empire region of Southern California in which we are based. Due to its proximity to the major job markets in Los Angeles and Orange Counties this region grew rapidly, and at an unsustainable rate. The market dictates our strategy and the characteristics found in the Inland Empire region are also evident in many other troubled markets throughout the nation. The region now serves as a working model for our strategies.

The Fund has already acquired all of the outstanding loans of Diversified Builder Services, Inc, a wholly owned subsidiary of PFF Bancorp. The loan portfolio includes First Trust Deeds, Second Trust Deeds as well as non-real estate secured loans primarily made to real estate developers. This investment is expected to generate near term cash flow with the opportunity for excellent long term returns on portions of the portfolio that may be converted to real property.

Liquidity is key in a down cycle and the ability to leverage in an up cycle will keep the Fund well positioned to capitalize as more opportunities arise. The Fund manages its profitability on an annual basis to make modest profits in its early years.

## Competitive Edge

Understanding economic cycles is vital, and using that knowledge to work towards a 10-year horizon is a key part of our overall strategy.

The Fund possesses a deep understanding of market conditions based upon historical performance and local perception of specific submarkets. Understanding a region's specific needs and goals from all perspectives is a critical element in analyzing prospective purchases.

The management team and Board of Directors is comprised of business and industry leaders who have a wealth of experience dealing with the public agencies that govern land use. This gives the Fund a strategic competitive edge in acquiring and improving the value of real estate assets. With its headquarters in Southern California, the Fund is well positioned, both geographically and strategically, to be sought out as a preferred "local" partner over competing funds.

## Experienced Management

Diversified Pacific is the Managing Member of the Fund and is responsible for its operation. The Fund has a Board of Directors which approves all major decisions including all investments as well as the sale or encumbrance of any of the Fund's Real Estate Assets.

While other builders floundered during the recent downward spiral in real estate, the Managing Members positioned Diversified Pacific to capitalize on the market collapse. It prudently liquidated its non performing real estate assets in 2005, took those monies and used them to raise more. Now, the Fund's strong liquidity, allows it to negotiate from a position of strength while acquiring a portfolio that will sustain solid growth. The Management Team are experts at identifying and acquiring troubled real state assets in down markets. In addition, successful relationships established over decades in the region and around the country have contributed to the Fund's rapid acceptance in the financial services sector.