

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-KSB

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended \_\_\_\_\_

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from  
November 1, 2002 to December 31, 2002  
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Commission File Number 0-30653  
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Secured Diversified Investment, Ltd.  
-----

(Name of small business issuer in its chapter)

Nevada

87-0375228  
-----

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer I.D. No.)

5030 Campus Drive, Newport Beach, California  
-----

92660  
-----

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code (949) 851-1069  
-----

Securities registered pursuant to section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

\$.001 par value, common voting shares  
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(Title of class)

Check whether the Issuer (1) filed all reports required to be filed by  
section 13 or 15(d) of the Exchange Act during the past 12 months (or for  
such shorter period that the registrant was required to file such  
report(s), and (2) has been subject to such filing requirements for the  
past 90 days. (1) Yes  No

Check if there is no disclosure of delinquent filers in response to Item  
405 of Regulation S-B is contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this form  
10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is an accelerated filer (as  
defined in Rule 12b-2 of the Act):  
Yes  No

The aggregate market value of the issuer's voting stock held as of March  
31, 2003, by non-affiliates of the issuer was approximately \$10,486.

As of March 31, 2003, the issuer had 5,979,540 shares of its \$.001 par  
value common stock outstanding.

Transitional Small Business Disclosure Format. Yes  No

Documents incorporated by reference: None

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This Form 10-KSB contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-KSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology is intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company's control. These factors include but are not limited to economic conditions generally and in the industries in which the Company may participate; competition within the Company's chosen industry, including competition from much larger competitors; technological advances and failure by the Company to successfully develop business relationships.

Item 1. Description of Business

Book Corporation of America ("Book") was incorporated under the laws of the State of Utah on November 22, 1978 for the purpose of (1) engaging primarily in the specific business of acquiring, developing, owning, selling, leasing, licensing, and otherwise dealing with literary properties and materials, copyrights, licenses, and other tangible and intangible properties in connection with artistic ideas and endeavors, and to carry on a negotiation for, production of, purchase of, sale, licensing, distribution, advertising, and promotion of all rights, privileges, and properties in the entertainment industry, including, but not limited to, all types of theatrical motion pictures, theatrical stage plays, television films, programs and commercials, radio recordings, books, and music publications and music recordings and (2) acting as principal, agent, joint venturer, partner, or in any other capacity which may be authorized or

approved by the Board of Directors of Book. Book had no "parents" or "predecessors," as those terms are defined under the federal securities laws.

In 1979, Book conducted an intrastate public offering of its common stock. On October 10, 1988, the common stock of the Book was reverse split 50 to 1, and the par value was changed from \$0.01 to \$.005 per share. Also in October 1988, Book acquired Sun Television Entertainment, Inc., bringing assets of 36 motion picture screenplays (subsequently valued at \$-0-) and motion picture production equipment was transferred to Book by Visto International, Inc.

Book filed a Form 10-SB Registration Statement with the United States Securities and Exchange Commission ("SEC") on May 18, 2000, which registration became effective on July 18, 2000.

In March 2002, control of the Company was acquired by REIT Consultants, LLC. ("REIT"), when it acquired 2,000,000 shares of Company common stock from the then controlling shareholders. REIT is a manager managed limited liability company. Ronald Robinson is the manager of REIT. REIT has five members all of which are trusts. The trustees of the trusts, which are members of REIT, are as follows: William S. Biddle is the trustee of the William S. Biddle Family Trust, which owns a 16.7% interest in REIT; Sumyie Onodera-Leonard is the trustee of the Sumyie N. Onodera Family Trust, which owns a 25% interest in REIT; Robert J. Leonard is the trustee of the Robert J. Leonard Family Trust, which owns a 25% interest in REIT. Robert J. Leonard is the spouse of Sumyie Onodera-Leonard; Clifford L. Strand is the trustee of the C.L. Strand Trust, which owns a 16.7% interest in the LLC; and Myra and Wayne Sutterfield are the trustees of the Wayne Sutterfield Family Trust which owns a 16.6% interest in REIT.

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At that time, REIT acquired the controlling interest in the Company, William Messerli, Philip Yordan and Daniel Yordan resigned as officers and directors of the Company. Ronald Robinson became the sole officer and director of the Company.

On July 23, 2002, Book held a special shareholder meeting. At the meeting, the shareholders approved a proposal to redomicile Book from Utah to Nevada and to change its name. In accordance with Nevada corporate law, a change of domicile is affected by merging the foreign corporation with and into a Nevada corporation. For the sole purpose of changing domicile from Utah to Nevada, Book formed Secured Diversified Investment, Ltd., a Nevada corporation (the "Company"). On August 9, 2002, a merger between Secured Diversified Investment, Ltd., and Book was completed. Upon completion of merger Secured Diversified Investment, Ltd., became the surviving corporation and Book was dissolved.

On September 18, 2002, the OTCBB symbol for the Company's common stock was changed from BCAM to SCDI to reflect the name change.

In addition to approving the change of domicile, the shareholders also approved amendments to the Company's Articles of Incorporation to change the par value of the Company's Common Stock from \$.005 to \$.001 and to authorize 50,000,000 shares of Preferred Stock, par value \$.01.

In September 2002, Ronald Robinson resigned as the sole officer and director of the Company and the current officers and directors were appointed to their respective positions.

Since its inception the Company has sustained continued losses and currently has liabilities in excess of current assets. In addition, through the end of the transition period, the Company had no revenue producing activities and was dependent upon its officers and directors to provide for its cash requirements. These factors indicate considerable doubt as to the Company's ability to continue as a going concern. To date the Company has been unsuccessful in its efforts to develop its entertainment business.

Because of the Company's failure to develop its entertainment business, management of the Company decided to pursue the acquisition of

ownership interests in a portfolio of real estate properties that are geographically and functionally diverse. The Company believes that by acquiring interests in properties that are geographically and functionally diverse its portfolio will be more stable and less susceptible to devaluation resulting from regional economic downturns and market shifts. The Company is currently focusing on acquiring properties in markets with strong regional economies and where a sufficient number of properties are available to help insure liquidity.

To this end, on March 31, 2003, the Company consummated an Asset Purchase Agreement with Seashore Diversified Investment Company ("Seashore"), a Maryland corporation, whereby the Company acquired certain real estate holdings from Seashore in exchange for restricted shares of its Preferred and Common Stock. Seashore is a real estate investment trust and is in the business of acquiring, selling and managing real estate holdings.

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Specifically, the Company acquired two properties, interests in two limited liability companies, and a general partnership interest in a limited partnership in exchange for 3,630,000 shares of restricted common stock of the Company and 7,370,000 shares of Series A Convertible Preferred Stock of the Company. The Company's Series A Convertible Preferred shares have the same voting rights as the Common Stock. The primary assets of the limited liability companies and the limited partnership are real estate holdings. Following is a brief description of the interests the Company has acquired.

Katella Center, Orange, California  
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The Company has acquired a 100% ownership interest in a strip mall which consists of six retail rental units totaling approximately 9,500 square feet located on Katella Avenue in Orange, California. Currently, five of the six units are rented. The Company is currently trying to rent the final unit. The rental units are of varying sizes. One tenant, a clothing manufacturer, currently occupies 45% of the strip mall. The rental rates for the individual units range from \$1.04 to \$1.41 per square foot. The strip mall is currently generating monthly net cash flow of approximately \$3,535.

The strip mall is located on approximately 35,800 square feet of leased ground owned by a non-affiliated third party. The lease has a 52-year term that expires in March 2017. The ground lease payment is currently \$3,000 per month. Commencing June 1, 2007, the annual ground lease payment shall revert to 7% of the fair market value of the land. There is a first trust deed in the amount of \$350,000, which is due and payable on August 15, 2003. The current monthly payment, which covers only interest, is \$3,500. The interest rate is 12% per annum. Late charges on late payments in the amount of \$1,080 are also due. There is also a second trust deed in the amount of approximately \$15,500. The monthly payment is \$155 per month. This payment covers only the interest on the loan. The outstanding balance is approximately \$4,800. This note has matured. The lender has verbally agreed to extend the note and no late fees are being charged at this time. The Company is currently seeking to refinance both the first and second trust deeds.

As of January 31, 2003, delinquent real property taxes in the amount of approximately \$11,800 are owed. There are also additional penalties of approximately \$2,100 due and owing. Penalties accrue at a rate of \$104 per month.

The fair market value of this strip mall is estimated to be approximately \$600,000.

Shopping Mall, Dickinson, North Dakota  
-----

The Company has acquired a 100% ownership interest in the nearly 90,000 square foot enclosed T-Rex Mall Plaza in Dickinson, North Dakota. The T-Rex Mall is approximately 75% occupied at this time. The Mall was appraised at \$3,200,000 on April 24, 2002.

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The 6.66 acres of ground on which the Mall is located was recently sold to a third party for \$1,645,000 with a leaseback of the ground from the buyer. For the first year of the ground lease, the monthly lease payment will be \$13,708. Beginning the second year, the ground lease payment will be adjusted annually in step with the consumer pricing index, but such increases shall not exceed 3% nor be less than 2% in any given year. The term of the ground lease will be 50 years. Between the 24th month and the 48th month of the lease, the Company will have the option to repurchase the ground provided the lease is still in effect and the lessor is not in default. The price to buy back the ground will be \$1,745,000. Following the 48th month, the price to repurchase the ground lease will be \$1,845,000 or ten times the next year's lease amount from the date of the exercise of the option, whichever is greater. Clifford L. Strand, a Company officer and director was paid a commission of \$25,000 in connection with the sale of the 6.66 acres underlying the Mall and subsequent lease back of that property.

The \$1,645,000 was used to pay the outstanding obligations on the Mall structure, which is now unencumbered. In connection with the acquisition of the Mall, the Company assumed obligations of Seashore to pay \$567,000 in currently unsecured debts owed by Seashore. Of these debts, \$500,000 is due to a family trust that is managed by a director of the Company. The \$67,000 obligation is due to a director of the Company for funds advanced on behalf of Seashore in connection with the Mall.

The Company is currently seeking to retain the services of a management company in Dickinson, North Dakota to manage this property.

Currently, the average rent per square foot received is approximately \$.52.

Hospitality Inn, Dickinson, North Dakota  
-----

The Company has also acquired a general partnership interest in a limited partnership. The primary asset of the limited partnership is a Hospitality Inn, formerly a Travelodge Hotel, in Dickinson, North Dakota. The general partnership interest represents a 49% interest in the limited partnership. The Inn is a 149-unit full service hotel and has the largest meeting facilities in Dickinson. A 125-seat restaurant and a 110-seat cocktail lounge are located in the Inn. The Inn is approximately 318,500 square feet.

The Inn is located just off of I-94 at exit 61 and Highway 22, and is near such attractions as the Theodore Roosevelt National Park, the Badlands, Dickinson State University, Dakota Dinosaur Museum, and a golf course.

The limited partnership purchased the Inn for \$4,000,000 in 2001. There is a first trust deed on the Inn in the amount of \$800,000.00 and a second trust deed in the amount of \$400,000.00. These notes mature August and June 2003, respectively. Both the first and second trust deeds are currently in default and payments are not being made on either trust deed.

The Inn is losing money on a monthly basis. Currently, the outstanding accounts payable total approximately \$300,000. The Inn also owes approximately \$37,000 in federal taxes. The Inn also requires approximately \$250,000 in deferred maintenance in the immediate future.

The limited partnership has entered into a contract to sell the Hospitality Inn to a third party for \$2,400,000. Following closing, the first and second trust deeds will be extinguished and the limited partnership will receive a residential lot in Poway, California valued at no less than \$1,200,000. The lot is vacant and unencumbered. Pursuant to the terms of the contract of sale, the limited partnership is required to cure the \$300,000 in accounts payable. The buyer of the Inn has agreed to help pay certain accounts payable, not to exceed \$50,000. The limited partnership will be responsible to resolve the remaining outstanding accounts payable. It is anticipated that the limited partnership will borrow against the Poway lot to raise the funds to pay this obligation.

Finally, the limited partnership agreement provides that the Company, as general partner, must buy out the limited partners for \$2,000,000 in June 2003. Some of the limited partners are officers and/or directors of the Company. At this time, the Company is negotiating a buyout of the limited partners with shares of the Company's Series B Convertible Preferred Stock. If the Company defaults on its obligation to buyout the limited partners, the Company's 49% interest in the limited partnership reverts back to the limited partnership.

Strip Mall, Spencer Springs, Las Vegas, Nevada  
-----

The Company has acquired a 50% interest in a limited liability company that owns a strip mall in the Spencer Springs area of Las Vegas, Nevada. The strip mall is located near McCarran International Airport in an area surrounded by new complexes, high end residential developments, apartments and condominium projects. It is the only retail center in the immediate area. Spencer Springs has 14 retail rental units totaling 24,336 square feet. Currently, approximately 23,136 square feet or 95% of the strip mall is occupied. The strip mall enjoys a mix of national, regional and local tenants.

The strip mall was built in the early 1990's and has been well maintained. No significant renovations are anticipated in the immediate future.

Spencer Springs is managed by Equity Group of Las Vegas, a professional property management group. The Company pays Equity Group a monthly fee of approximately \$1,740 to manage Spencer Springs. The Company anticipates the retention of Equity Group to manage the properties.

Spencer Springs has an estimated market value of \$3,750,000. The outstanding indebtedness on Spencer Springs was approximately \$2,135,000 on December 31, 2002. The note on the property matures in August 2008, with a balloon payment of approximately \$1,900,000 due on maturity. The annual interest rate on the note is 9.7%.

Pursuant to an agreement between Seashore and the other members of the limited liability company that own Spencer Springs, Seashore is required to purchase the other 50% interest in the limited liability company by August 2003 for \$1,000,000. The purchase price may be paid in cash or securities at the option of the other members, one of whom is an officer and director of the Company. If the Company is unable to meet this obligation by August 2003, the owners of the other 50% interest in the limited liability company are entitled to acquire the Company's 50% interest for \$100.

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For the year ended December 31, 2002, Spencer Springs generated net income of \$27,224. Pursuant to the limited liability company operating agreement, however, all of the depreciation on the property is retained by the managing members of the LLC, which did not include Seashore. This resulted in a taxable gain of approximately \$41,600 to Seashore even though there was only net income of \$27,224. If the Company is not successful in buying out the managing members of the limited liability company or renegotiating the operating agreement, it could be confronted with the same dilemma in the 2003 tax year of having to report a net income with no corresponding cash flow.

Decatur Square, Las Vegas, Nevada  
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The Company also acquired a 50% interest in a limited liability company that owns a strip mall known as Decatur Square. This strip mall is located on the corner of Decatur and Lake Mead Boulevard in Las Vegas, Nevada. It is in a prominent location with a high traffic count. Decatur Square is surrounded by mid to high end residential developments.

Decatur Square currently has 12 retail rental units totaling approximately 16,500 square feet. Currently, approximately 13,500 square feet or 82% of the strip mall is occupied. Upon acquisition, the Company will seek to lease the remaining unoccupied space. The units vary in size from 950 square feet to 2,000 square feet. Currently, there are three individual tenants that each rent more than 10% of our total square footage.

Decatur Square was built in 1990 and has been well maintained. No significant renovations are anticipated in the immediate future.

Decatur Square is also managed by Equity Group of Las Vegas, a professional property management group for a monthly fee of approximately \$1,000. The Company anticipates the retention of Equity Group to manage the properties.

The estimated fair market value of the property is \$1,500,000. As of December 31, 2002, the property was encumbered for approximately \$1,090,000. The rate of interest on this encumbrance is 9%.

Pursuant to the limited liability company operating agreement, the Company is required to purchase the remaining 50% interest in the limited liability company from its other five members by August 2003. The Company is negotiating an agreement with those other limited liability company members to acquire their interests for 1,552,480 shares of Series B Convertible Preferred Stock of the Company valued at \$.50 per share and \$123,760. One of the limited liability company members is the family trust which is managed by an officer and director of the Company. That trust will receive approximately 317,000 shares of the Series B Convertible Stock.

The Company is negotiating the sale of Decatur Square to an independent third party. If the property is sold, two officers and directors of the Company will receive commissions in connection with the sale in the amount of \$25,000 and \$30,000 respectively. It is anticipated that the commissions will be paid in Series B Convertible Preferred Stock valued at \$.50 per share.

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Office Building, Newport Beach, California  
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The Company also recently acquired a 18% interest in a limited liability company, Diversified Commercial Brokers, LLC for \$81,675. The remaining 82% interest in Diversified is owned by two directors of the Company. The primary asset of Diversified is an 8,685 square office building located at 5030 Campus Drive in Newport Beach, California. In November 2002, the office building was appraised at \$1,150,000. The building is currently subject to a first trust deed in the amount of \$740,000 and a second trust deed in the amount of \$110,000.

The land on which the office building sits is leased. The ground lease payment is currently \$2,340 per month. The ground lease adjusts to \$3,610 on July 1, 2004 and will adjust again to equal 8% of the market value of the leased premises on July 1, 2009. The lease expires on June 30, 2034, with two ten-year options which could extend the lease to June 30, 2054.

The office building contains twelve office suites, eleven of which are currently being rented out. It is anticipated that the final office suite will be rented in the near future. The average rent per square foot is approximately \$1.55.

The property is managed by PSG Enterprises, an unrelated third party. PSG Enterprises charges Diversified \$750 a month in management fees

With the acquisition of these and other properties, the Company hopes to become a financially viable business. Currently, however, the Company has liabilities in excess of current assets. Moreover, through the end of the transition period, the Company had no revenue producing activities and was dependent upon its officers and directors to provide for its cash requirements. These factors indicate considerable doubt as to the Company's ability to continue as a going concern.

Employees

The Company currently has four full time employees including its officers. The Company anticipates hiring up to two additional employees during the next twelve months.

## Reports to Security Holders

The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 150 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an Internet site that contains reports and other information regarding the Company which may be viewed at <http://www.sec.gov>.

### Item 2. Description of Property

The Company's executive offices are located at 5030 Campus Drive in Newport Beach, California. The Company pays \$1,000 per month for the space it leases. The Company's lease expires in January 2006.

As disclosed in Item 1 above, the Company recently acquired interests in six properties. For more information regarding these properties see Item 1, above.

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### Item 3. Legal Proceedings.

To the knowledge of management, there is no material litigation pending or threatened against the Company or its management. Further, the Company is not aware of any material pending or threatened litigation to which the Company or any of its directors, officers or affiliates are or would be a party.

### Item 4. Submission of Matters to a Vote of Securities Holders

No matters were submitted to a vote of security holders during the transition period from November 1, 2002 to December 31, 2002.

## PART II

### Item 5. Market for Common Equity and Related Stockholder Matters

Market Price of and Dividends on the Company's Common Equity and Other Shareholder Matters.

The Company's shares are currently traded on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol SCDI. As of March 31, 2003, the Company had approximately 248 shareholders holding 5,979,540 common shares. Of the issued and outstanding Common Stock, approximately 349,540 are free trading, the balance are "restricted securities" as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission. The Company has never declared a dividend on its common shares.

The published bid and ask quotations for the Company's Common Stock from the first available date through the first available price are included in the chart below. These quotations represent prices between dealers and do not include retail markup, markdown or commissions. In addition, these quotations do not represent actual transactions.

<Table>

<Caption>

	Closing Bid		Closing Ask	
	High	Low	High	Low
<S>	<C>	<C>	<C>	<C>
Oct. 4 (First Available) thru Dec. 31	.07	.03	None	None
2002				
Jan. 2 thru Mar. 28	.07	.05	None	None
Apr. 1 thru	.06	.06	None	None



June 28				
July 1 thru Sept. 30	.08	.06	None	None
Oct. 1 thru Dec 31	.08	.08	None	None

The above information was obtained from Pink Sheets, LLC, located at 304 Hudson Street, 2nd Floor, New York, New York 10013.

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Currently, none of the Company's common shares are subject to outstanding options or warrants to purchase common equity of the Company. The Company's common shares are subject to conversion of the Company's outstanding convertible preferred stock. The Company's currently outstanding 7,370,000 shares of Series A Convertible Preferred Stock cannot be converted to common shares of the Company for 36 months from the date they were issued. Thereafter, they may be converted at any time on a one share for one share basis so long as the average closing bid price per share of the Company's common stock for the five trading days immediately preceding the date of conversion is greater than or equal to the purchase price per share originally paid for the Series A shares. If the average bid price per share is lower than the purchase price paid per share, the holder of the Series A shares shall be entitled to convert at a rate equal to the purchase price divided by the common stock price. The Company has not yet issued, but anticipates issuing at least 1,552,480 shares of Series B Convertible Preferred shares. The Series B shares cannot be converted until 24 months from the date they are issued. The Series B shares are converted at the same rate as the Series A shares.

The Company has no agreements to register shares on behalf of shareholders currently holding unregistered securities. The Company has not paid, nor declared, any dividends since its inception and does not intend to declare any such dividends in the foreseeable future. The Company's ability to pay dividend is subject to limitations imposed by Nevada law.

#### Recent Sales of Unregistered Securities

On March 31, 2003, the Company issued 3,630,000 restricted Common shares and 7,370,000 restricted Series A Convertible Preferred shares to Seashore Diversified Investment Company in exchange for interests in two properties, membership interests in two limited liability companies and a general partnership interest in a limited partnership. The shares were issued without registration under the Securities Act of 1933 in reliance on an exemption from registration provided by Section 4(2) of the Securities Act, and from similar applicable state securities laws, rules and regulations exempting the offer and sale of these securities by available state exemptions. No general solicitation was made in connection with the offer or sale of these securities. No funds were received by the Company for these shares.

#### Item 6. Plan of Operations

Our plan of operations for the next twelve months is to operate the properties we recently acquired and to acquire additional ownership interests in a portfolio of properties that are geographically and functionally diverse. The Company believes that by acquiring properties that are geographically and functionally diverse its portfolio will be more stable and less susceptible to devaluation resulting from regional economic downturns and market shifts. The Company is currently focusing on acquiring properties in markets with strong regional economies and where a sufficient number of properties are available to help insure a liquid market.

In addition to real estate holdings the Company acquired from Seashore, it will seek to acquire up to twelve additional real estate properties in the next twelve months. The Company has identified potential acquisition properties in Newport Beach, California, Bismark North Dakota, Wichita, Kansas and Texas. The Company will primarily seek to acquire properties either through the issuance of its preferred and common stock or through the use of tenants in common agreements. The Company will rely on the experience and contacts of current management and the board of

directors to assist it in identifying suitable acquisition candidates.

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As of December 31, 2002, the Company had \$6,058 cash on hand and has experienced losses from inception. As of December 31, 2002, the Company had total current liabilities amounting to \$68,111. Since inception the Company has sustained continued losses and has an accumulated operating loss since inception of \$3,425,066. As of December 31, 2002, the Company had no revenue producing activities and is completely dependent upon its officers and directors to provide for its cash requirements. These factors indicate considerable doubt as to the Company's ability to continue as a going concern. Moreover, while the Company hopes to be successful in its efforts to acquire and manage real estate holdings, there is no guarantee that the Company will be successful. Many factors, some of which may be beyond the control of the Company, may make it difficult or impossible for the Company to be successful in its new business pursuits. These factors include, but are not limited to the ability of the Company to locate, identify and acquire properties that can be operated or sold at a profit; the ability of the Company to acquire properties for its securities or pursuant to tenants in common agreements, as noted herein, the Company has very limited cash or other assets available to it to use for the acquisition of properties; the ability of management to efficiently manage and operate the properties it acquires, particularly given that the Company will seek to acquire properties in diverse markets; changes in interest rates; regional economic downturns in markets where the Company owns properties or a general economic downturn across the country; and the inability of the to liquidate properties in downturning markets.

Item 7. Financial Statements

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SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Financial Statements  
December 31, 2002

/Letterhead/

INDEPENDENT AUDITOR'S REPORT  
-----

Stockholders and Directors  
Secured Diversified Investment, Ltd.

We have audited the accompanying balance sheet of Secured Diversified Investment, Ltd., as of December 31, 2002, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Secured Diversified Investment, Ltd., at December 31, 2002, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles, in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 6, the Company's recurring operating losses and lack of working capital raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ Bierwolf, Nilson & Associates  
Bierwolf, Nilson & Associates  
Salt Lake City, UT  
March 28, 2003

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SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Balance Sheet

<Table>  
<Caption>

December 31,  
2002  
-----

<S>

<C>

Assets

Current Assets	
-----	
Cash	\$ 6,058
	-----
Total Assets	\$ 6,058
	=====
Liabilities & Stockholders' Equity	
Current Liabilities	
-----	
Accounts Payable	\$ 21,347
Related Party Note Payable (Note #3)	46,764
	-----
Total Current Liabilities	68,111
Stockholders' Equity	
Preferred Shares 50,000,000 Authorized; \$0.01 Par Value, Zero Issued & Outstanding	-
Common Shares 100,000,000 Authorized; \$0.001 & \$0.005 Par Value Respectively 2,349,540 Shares Issued & Outstanding	2,350
Paid In Capital	3,051,109
Contributed Capital	61,189
Accumulated Deficit	(3,176,701)
	-----
Total Stockholders' Equity	(62,053)
	-----
Total Liabilities & Stockholders' Equity	\$ 6,058
	=====

</Table>

The accompanying notes are an integral part of these financial statements.

15

SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Statement of Operations

<Table>

<Caption>

	December 31, 2002	October 31, 2002	October 31, 2001	Accumulated
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues	\$ -	\$ -	\$ -	\$ 250,000
	-----	-----	-----	-----
Total Revenues	-	-	-	250,000
Operating Expenses				
	-----	-----	-----	-----
Bad Debt	-	-	-	200,000
Depreciation	-	-	-	200,000
Failed Offering Costs	-	-	-	5,917
General & Administrative	2,117	14,473	21,229	55,373

Production Costs	-	-	-	132,448
Professional Fees	3,200	64,381	-	67,581
Write Down of Film Inventory	-	-	-	2,563,500
Write Off of Investments & Other Assets	-	-	-	200,247
	-----	-----	-----	-----
Total Operating Expenses	5,317	78,854	21,229	3,425,066
	-----	-----	-----	-----
Operating Income (Loss)	(5,317)	(78,854)	(21,229)	(3,425,066)
Other Income (Expense)				
	-----	-----	-----	-----
Interest (Expense)	(852)	(433)	-	(1,285)
	-----	-----	-----	-----
Total Other (Expense)	(852)	(433)	-	(1,285)
	-----	-----	-----	-----
Income Tax Expense	-	-	250	350
	-----	-----	-----	-----
Net (Loss)	\$ (6,169)	\$ (79,287)	\$ (21,479)	\$ (3,176,701)
	=====	=====	=====	=====
Basic and Diluted Income (Loss) per Share	\$ (0.00)	\$ (0.03)	\$ (0.00)	
	-----	-----	-----	-----
Weighted Average Common Shares	2,349,540	2,349,540	2,349,540	

</Table>

The accompanying notes are an integral part of these financial statements.

16

SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Statements of Stockholders' Equity  
For the Period November 1, 2000 to December 31, 2002

<Table>

<Caption>

	Common Shares	Common Stock	Paid in Capital	Contributed Capital	Accumulated Deficit
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance, November 1, 2000	2,349,540	\$ 11,748	\$3,041,711	\$ -	\$ (3,069,766)
Net Loss for the Year Ended October 31, 2001	-	-	-	-	(21,479)
Balance, October 31, 2001	2,349,540	11,748	3,041,711	-	(3,091,245)
Contributions to Capital	-	-	-	61,189	-
Change in Par Value from \$.005 to \$.001	-	(9,398)	9,398	-	-
Net Loss for the Year Ended					

October 31, 2002	-	-	-	-	(79,287)
Balance, October 31, 2002	2,349,540	2,350	3,051,109	61,189	(3,170,532)
Net Loss for the Transition Period Ended December 31, 2002	-	-	-	-	(6,169)
Balance, December 31, 2002	2,349,540	\$ 2,350	\$3,051,109	\$ 61,189	\$ 3,176,701

</Table>

The accompanying notes are an integral part of these financial statements.

17

SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Statement of Cash Flows

<Table>

<Caption>

	December 31, 2002	October 31, 2002	October 31, 2001	Accumulated
<S>	<C>	<C>	<C>	<C>
Cash Flows from Operating Expenses				
Net (Loss)	\$ (6,169)	\$ (79,287)	\$ (21,479)	\$ (3,176,701)
Contributions to Capital	-	61,189	-	61,189
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities				
Depreciation	-	-	-	200,000
Write Down of Film Inventory	-	-	-	2,593,500
Changes in Operating Assets & Liabilities				
Increase in Interest Payable	(426)	426	-	-
Increase (Decrease) in Accounts Payable	815	(17,254)	21,479	21,347
Net Cash (Used) by Operating Expenses	(5,780)	(34,926)	-	(300,665)
Cash Flows from Investing Activities	-	-	-	-
Net Cash Flows from Investing Activities	-	-	-	-
Cash Flows from Financing Activities				
Proceeds from the Sale of Common Stock	-	-	-	127,500
Contributed Capital	-	-	-	60,517
Debt to Equity Conversion	-	-	-	71,942

Payments on Note Payable - Related Party	(8,236)	-	-	(8,236)
Issuance of Note Payable - Related Party	-	55,000	-	55,000
	-----	-----	-----	-----
Net Cash Provided (Used) by Financing Activities	(8,236)	55,000	-	306,723
	-----	-----	-----	-----
Increase (Decrease) in Cash	(14,016)	20,074	-	6,058
	-----	-----	-----	-----
Cash at Beginning of Period	20,074	-	-	-
	-----	-----	-----	-----
Cash at End of Period	\$ 6,058	\$ 20,074	\$ -	\$ 6,058
	=====	=====	=====	=====

Disclosures for Operating Activities

Interest	\$ -	\$ 7	\$ -	\$ 7
Taxes	-	-	-	-

Significant Noncash Transactions

Acquisition of Films and Video Cassettes as Contributed Capital	\$ -	\$ -	\$ -	\$ 2,447,000
--	------	------	------	--------------

</Table>

The accompanying notes are an integral part of these financial statements.

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SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Notes to Financial Statements  
December 31, 2002

NOTE 1 - Nature of Operations

The Company was incorporated under the laws of the state of Utah on November 22, 1978. The Company amended its Articles of Incorporation, authorizing 100,000,000 shares of common stock having a par value of \$0.001 per share.

The Articles of Incorporation grants the Company unlimited power to engage in and to do any lawful act concerning any and all lawful businesses for which corporations may be organized. The Company currently seeks to license films to television and to engage in market-by-market exploitation of the films it holds in its film inventory.

On July 23, 2002, the Shareholders approved a change in domicile from Utah to Nevada. In accordance with Nevada corporate law, a change of domicile is affected by merging the foreign corporation with and into a Nevada corporation. On September 9, 2002, a merger between Secured Diversified Investment, Ltd., and Book Corporation of America was completed. Upon completion of the merger Secured Diversified Investment, Ltd., became the surviving corporation and Book Corporation of America was dissolved.

On November 15, 2002, the Company notified the Securities and Exchange Commission of their change in fiscal year end from October to December year end. From this point forward the Company will be reporting on a regular quarterly and yearly basis.

In accordance with FASB 7 the Company is considered to be a development stage company.

NOTE 2 - Significant Accounting Policies

- A. The Company uses the accrual method of accounting.
- B. Revenues and directly related expenses are recognized in the period in which the sales are finalized with customers.
- C. The Company considers all short term, highly liquid investments, that are readily convertible to known amounts within ninety days as cash equivalents. The Company currently has no cash equivalents.
- D. Basic Earnings Per Shares are computed by dividing income available to common stockholders by the weighted average number of common shares

outstanding during the period. Diluted Earnings Per Share shall be computed by including contingently issuable shares with the weighted average shares outstanding during the period. When inclusion of the contingently issuable shares would have an antidilutive effect upon earnings per share no diluted earnings per share shall be presented.

- (e) Operating expenses and all type of income are recognized in the period in which the activities occur.
- F. Depreciation: The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is amortized over the lesser of the length of the lease of the related assets for the estimated lives of the assets. Depreciation and amortization is computed on the straight line method.

Continued  
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SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Notes to Financial Statements  
December 31, 2002

NOTE 3 - Related Party Note Payable  
-----

During the year, the Company issued a promissory note to a company whose shareholders are directors of Secured Diversified Investment, Ltd. The principal sum of the unsecured note is \$55,000. The note is due and payable on September 30, 2003 together with interest accruing on the outstanding principal balance at the rate of 9% per annum. The accrued interest is included in the principal amount of the note.

<Table>  
<Caption>

	December 31, 2002	October 31, 2002
	-----	-----
The Company has the following notes payable obligations:		
<S>	<C>	<C>
Convertible note payable to investor is due on demand plus accrued interest at a rate of 9% per annum.	\$ 46,764	\$ 55,000
	-----	-----
Totals	\$ 46,764	\$ 55,000
Less Current Maturities	(46,764)	(55,000)
	-----	-----
Total Long-Term Notes Payable	\$ -	\$ -
	=====	=====

<Caption>

Following are maturities of long-term debt for each of the next five years:

	Year	Amount
	-----	-----
2003	\$	46,764
2004		-
2005		-
2006		-
Thereafter		-
	-----	-----
Total	\$	46,764
	=====	=====

</Table>

NOTE 4 - Stockholders' Equity  
-----

During the year, the Company changed it's Articles of Incorporation to change the par value of the Company's common stock from \$.005 to \$.001 and authorized 50,000,000 shares of Preferred Stock at a par value of \$.01.

NOTE 5 - Contributed Capital  
-----

During the quarter ended April 30, 2002, an unrelated party contributed \$61,189 in cash to the Company which was used to satisfy debts incurred during the course of business, accordingly this amount has been charged to



contributed capital.

Continued  
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SECURED DIVERSIFIED INVESTMENT, LTD.  
Formerly Book Corporation of America  
Notes to Financial Statements  
December 31, 2002

NOTE 6 - Going Concern  
-----

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Currently, the Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The Company does not currently possess a financial institution source of financing and the Company cannot be certain that its existing sources of cash will be adequate to meet its liquidity requirements.

NOTE 7 - Subsequent Events  
-----

While the parties have not finalized all the terms of the agreement, it is anticipated that the Company will acquire two properties, interests in two limited liability companies, and a general partnership interest in a limited partnership in exchange for 3,630,000 shares of restricted common stock of the Company and 7,370,000 shares of Preferred Convertible Stock of the Company. The Preferred shares will have the same voting rights as the Common Stock. The primary assets of the limited liability companies and the limited partnership are real estate holdings.

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Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons.

The following table sets forth the name, age and position of each director and executive officer and the term of office of each.

<Table>

<Caption>

NAME	AGE	DIRECTOR OR POSITION	OFFICER SINCE
<S>	<C>	<C>	<C>
William Biddle	73	Director Vice President	September 2002 September 2002
Munjit Johal	47	Chief Financial Officer Secretary	September 2002 September 2002
Jay Kister	28	Director	September 2002

Sumyie Onodera-Leonard	74	Director	September 2002
Pamela Padgett	47	Director	September 2002
Clifford L. Strand	56	Chairman of the Board Chief Executive Officer President	September 2002 September 2002 September 2002
Wayne Sutterfield	66	Director	February 2003
Gernot Trolf	59	Vice President Chief Operating Officer	September 2002 September 2002

</Table>

Each director serves for a period of one year or until his successor is duly elected and qualified. Officers serve at the will of the Board of Directors.

William S. Biddle. Director and Vice President, Marketing. Mr. Biddle has over 37 years experience in the real estate industry, he is a member of the Society of Exchange Counselors. Mr. Biddle is a past recipient of the Clifford P. Weaver Memorial Award a national award for the most creative exchange. He is also a past president of National Exchange Counselors. In 1979, he received the designation of Certified Commercial Investment Member from the National Association of Realtors. Mr. Biddle currently owns two brokerages. He purchased Commercial Brokers, a commercial real estate brokerage firm in Las Vegas, Nevada, in 1993. He founded Friendly Hills Realty, a brokerage specializing in high end residential real estate in 1987. Friendly Hills Realty's principal office is located in Whittier, California.

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Munjit Johal. Chief Financial Officer and Secretary. Mr. Johal has broad experience in accounting, finance and management in the public sector. Since 1998, Mr. Johal has served as the Chief Financial Officer for Diddy Foods, Inc. Mr. Johal held the same position with Bengal Recycling from 1996 to 1997. As the Chief Financial Officer for these companies, Mr. Johal was primarily responsible for overseeing the financial affairs of these entities and ensuring that their financial statements of these were accurate and complete and complied with all applicable reporting requirements. From 1990 to 1995, Mr. Johal serves as the Executive VP for Pacific Heritage Bank in Torrance, California. Mr Johal earned his MBA degree from the University of San Francisco in 1980. He received his BS degree in History from the University of California in Los Angeles in 1978.

Jay Kister. Director. Since June 2001, Mr. Kister has been employed with Blossom Valley Mortgage, Inc. Mr. Kister currently serves as a Loan Broker. From April 1999 to June 2001, Mr. Kister was a Personal Banker for San Diego National Bank. He was primarily responsible opening and servicing commercial accounts and commercial loans. From May 1998 to April 1999, Mr. Kister worked for Bank of America performing essentially the same functions as he performed for San Diego National Bank. Mr. Kister earned a Bachelor of Arts degree in Spanish from Weber State University in Ogden, Utah in August 1997.

Sumyie Onodera-Leonard. Director. From 1967 to 1986, Mrs. Onodera-Leonard served as a professor at California State University, Los Angeles, specializing in the areas in family finance and home management. She has a BA in Business Administration and a Masters degree in Secondary Education in 1957 and 1967 respectively from California State University, Los Angeles. Mrs. Onodera-Leonard also earned a Masters degree in Home Management from Michigan State University in East Lansing, Michigan in 1961. She is also a senior gold medalist, U.S. National Champion and world-record holder in her age group in the 800 meter run.

Pamela Padgett. Director. Since 1994, Ms. Padgett has worked as a real estate broker. Since March 2002, Ms. Padgett has been affiliated with The Phoenix Group Realtors as an independent real estate agent. From 2000 through March 2002, she was affiliated as Keller Williams Realty. Ms. Padgett also works as an independent agent for Uncommon Sense Enterprises a company she founded in 1994 and continues to own.

Clifford L. Strand. Chairman of the Board of Directors, President and Chief Executive Officer. Mr. Strand has 35 years experience in the real estate industry as a broker, investor and strategist. Since January 2001, Mr. Strand has served as Senior Vice President, Interim President and President of Seashore Diversified Investment Company, a Maryland real estate investment trust, where he has been primarily responsible for managing and directing the affairs of the Company. Seashore specializes in the acquisition, disposition and management of real estate and investment properties. From 1984 to 2001, Mr. Strand was self employed as an independent real estate broker. During that time, Mr. Strand represented a diverse clientele consisting of banks, savings and loan institutions, universities, celebrities and corporations. From 1979 to 1984, Mr. Strand served as president of Capital Newport Mortgage Company, which became part of the Capital Companies. Mr. Strand has a Certificate in Real Estate from East Los Angeles Community College.

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Wayne Sutterfield. Director. For the past 35 years Mr. Sutterfield has been self employed in the real estate industry as a manager, property owner and contractor. Mr. Sutterfield has owned and managed properties in Arizona, California and North Dakota. Mr. Sutterfield is a member of the Contractors Association of America and the Plumbing, Heating and Cooling Contractors Association. Mr. Sutterfield is a graduate of California L.A. Technical College-Mechanical Engineering, Construction. Mr. Sutterfield has been a director of Seashore Diversified Investment Company since 2001.

Gernot Trolf. Vice President and Chief Operating Officer. Since 1996, Mr Trolf has served as the Chief Operating Officer of Seashore Diversified Investment Company, a real estate investment trust. As the Chief Operating Officer, Mr. Trolf was primarily responsible for overseeing the day-to-day operations of the company. In 1993, he founded and continues to own AATIC a private commodity brokerage. From 1994 to 1997, Mr. Trolf owned The Stagecoach Restaurant a continental restaurant specializing in Austrian, German and continental fare in Alpine, California. From 1994 to 1996, Mr. Trolf was the Director of Food and Beverage for the Algonquin Hotel in New York and held to same position at the Regency Hotel in New York from 1991 to 1994. Mr. Trolf was the General Manager of the Nova Park Hotel in New York from 1979 to 1982. Mr. Trolf is a former vice president of the Food & Beverage Association of America and a member of the Board of Directors of The 400,000 Committee for Austrians living abroad. Mr. Trolf speaks German, French, English, Spanish and Norwegian.

To the knowledge of management, during the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

- (1) filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- (2) was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations or other minor offenses);
- (3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting, the following activities:
  - (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliate person, director or employee of any investment company, or engaging in or continuing

any conduct or practice in connection with such activity;

(ii) engaging in any type of business practice; or

(iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;

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(4) was the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity;

(5) was found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated

(6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

Compliance with Section 16(a) of the Exchange Act

Directors and executive officers are required to comply with Section 16(a) of the Securities Exchange Act of 1934, which requires generally that such persons file reports regarding ownership of and transactions in securities of the Company on Forms 3, 4, and 5. A Form 3 is an initial statement of ownership of securities, which is to be filed by the officers and directors owning shares in the Company within 10 days after the effective date of the Company's filing on Form 10-SB. Form 4 is to report changes in beneficial ownership and is due on or before the tenth day of the month following any month in which they engage in any transaction in the Company's common stock. Form 5 covers annual statement of changes in beneficial ownership which is due 90 days after the fiscal year end of the Company.

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year, and Forms 5 and amendments thereto furnished to the Company with respect to the most recent fiscal year, it appears that the officers and directors of the Company inadvertently failed to timely file Form 5s for the fiscal year ended October 31, 2002. Those forms have been or are currently being filed.

Item 10. Executive Compensation

The following chart sets forth certain summary information concerning the compensation paid or accrued for each of the Registrant's last two completed fiscal years to the Registrant's or its principal subsidiaries' chief executive officers and each of its other executive officers that received compensation in excess of \$100,000 during such period and the expected compensation for the next twelve months.

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SUMMARY COMPENSATION TABLE

<Table>

<Caption>

Name and Principal	Annual Compensation		Long Term Compensation Awards			All Other Compensation
	Bonus	Other Annual Compen	Restr icted Stock	Options	Payouts LTIP	

Position	Year	Salary	\$	sation	Awards	/SARs	Payout	sation
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Clifford L. Strand President & Chairman of the Board of Directors	2002	-0-	-0-	-0-	-0-	-0-	-0-	-0-
William Messerli Former CEO Former Director	2002 2001 2000	-0- -0- -0-	-0- -0- -0-	-0- -0- -0-	-0- -0- -0-	-0- -0- -0-	-0- -0- -0-	-0- -0- -0-

</Table>

Compensation of Directors

None.

Employment Contracts and Termination of Employment and Change in Control Arrangements.

Currently, there are no employment contracts between the Company and any of its officers or directors. The Company, however, has formed a compensation committee and is in the process of finalizing employment with the officers of the Company.

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any person named in Cash Compensation set out above which would in any way result in payments to any such person because of his resignation, retirement, or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a change in control of the Company.

The Company has no retirement, pension, profit-sharing, insurance, or medical reimbursement plan covering its officers and directors, and does not contemplate implementing any such plan at this time. None of the officers or directors of the Company has any options or warrants to purchase shares of the Company's common stock.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of March 31, 2003, the name and the number of shares of the Registrant's Common Stock, par value of \$0.001 per share, held of record or beneficially by each person who held of record, or was known by the Registrant to own beneficially, more than 5% of the 5,979,540 issued and outstanding shares of the Company's Common Stock, and the name and shareholdings of each director and of all officers and directors as group. The following table also sets forth as of March 31, 2003, the name and the number of shares of the Registrant's Series A Convertible Preferred Stock, par value of \$.01 per share, held of record or beneficially by each person who held of record, or was known by the Registrant to own beneficially, more than 5% of the 7,370,000 issued and outstanding shares of the Company's Series A Convertible Preferred Stock. The Company's Series A Convertible Preferred Stock has the same voting rights as the Company's Common Stock.

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<Table>

<Caption>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
<S>	<C>	<C>	<C>
Common	William S. Biddle(1)(2)(4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	Munjit Johal(1) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-

Common	Jay Kister(1) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	Sumyie Onodera-Leonard(1) (2) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	Pamela Padgett(1) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	REIT Consultants, LLC(2) 1725 East Warm Springs Road Suite 10 Las Vegas, Nevada 89119	2,000,000	33%
Common	Clifford L. Strand(1) (2) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	Seashore Diversified Investment Co.(3) (4) 1000 Quail Street, Suite 190 Newport Beach, California 92660	3,630,000	61%
Common	Wayne Sutterfield(1) (2) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
Common	Gernot Trolf(1) (4) 5030 Campus Drive Newport Beach, California 92660	-0-	-0-
<hr/>			
Series			
A Preferred	Seashore Diversified Investment Co.(3) (4) 1000 Quail Street, Suite 190 Newport Beach, California 92660	7,370,000	100%
<hr/>			
Officers, Directors and Nominees as a Group:	(6 people)	-0-	-0-

</Table>

(1) Officer and/or director of the Company.

(2) The term "beneficial owner" refers to both the power of investment (the right to buy and sell) and rights of ownership (the right to receive distributions from the Company and proceeds from sales of shares). REIT Consultants, LLC ("REIT") is the registered owner of 2,000,000 shares of Company common stock. REIT is a manager managed limited liability company. Ronald Robinson is the manager of REIT. The profits and losses of the limited liability company are allocated according to the percentage ownership of the total member interests. No member has the right to demand or receive any distribution from a limited liability company in any form other than cash.

REIT has five members all of which are trusts. The trustees of the trusts, which are members of REIT, are as follows: William S. Biddle is the trustee of the William S. Biddle Family Trust, which owns a 16.7% interest in REIT; Sumyie Onodera-Leonard is the trustee of the Sumyie N. Onodera Family Trust, which owns a 25% interest in REIT; Robert J. Leonard is the trustee of the Robert J. Leonard Family Trust, which owns a 25% interest in REIT Robert J. Leonard is the spouse of Sumyie Onodera-Leonard; Clifford L. Strand is the trustee of the C.L. Strand Trust, which owns a 16.7% interest in the LLC; and Myra and Wayne Sutterfield are the trustees of the Wayne Sutterfield Family Trust which owns a 16.6% interest in REIT. These individuals, in their capacity as trustees, or spouses of trustees, could be deemed to have beneficial ownership in the number of shares of the Company owned by REIT that corresponds to the trust's percentage ownership in REIT because of the respective trust's rights of

ownership.

(3) Clifford L. Strand, the President, Chief Executive Officer and a director of the Company, is also the President of Seashore Diversified Investment Company. As such, he may be deemed to be the beneficial owner of all shares held by Seashore.

(4) Based upon representations made by Seashore, with the exception of Munjit Johal, the other officers and directors of the Company may be deemed to be the beneficial owners of at least 50% of the outstanding shares of Seashore. Therefore, each could be deemed to have an indirect beneficial ownership interest in a corresponding percentage of the Company Common and Preferred Stock owned by Seashore.

There are no contracts or other arrangements that could result in a change of control of the Company.

#### Item 12. Certain Relationships and Related Transactions

During the transition period from November 1, 2002 to December 31, 2002, the Company used one-half of a 600 square foot office condominium located at 1000 Quail Street, Suite 190, in Newport Beach California for its corporate offices. The Company paid no rent for this space pursuant to a verbal agreement with its chief executive officer, Clifford L. Strand, who held the lease on the office condominium. This free rent was of nominal value. The Company has since moved its offices and entered into a lease agreement.

Subsequent to the end of the transition period, the Company paid \$25,000 in commission to Clifford L. Strand, its CEO, President and director for services rendered in connection with the land sale and ground lease back of the 6.66 acres underlying the T-Rex Mall acquired by the Company on March 31, 2003.

Subsequent to the end of the transition period, the Company completed an Asset Purchase Agreement with Seashore. As consideration for the assets acquired, Seashore was issued 3,630,000 shares of restricted Common Stock and 7,370,000 shares of restricted Series A Convertible Preferred Stock. Seashore may be deemed to a related party to the Company through common management and control.

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PART IV

#### Item 13. Exhibits and Reports on Form 8-K

(a) Reports on Form 8-K.

On November 18, 2002, the Company filed an Amended Current Report on Form 8-K/A disclosing the reports the Company would be filing to fulfill its reporting obligations during the transition period.

(b) Exhibits. The following exhibits are included as part of this report:

Exhibit 10.1	Asset Purchase Agreement by and among Secured Diversified Investment, Ltd. and Seashore Diversified Investment Company
Exhibit 99.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### Item 14. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer has conducted an evaluation of the Company's disclosure controls and procedures as of a date (the "Evaluation Date") within 90 days before the filing of this transition report. Based on his evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the applicable Securities and Exchange Commission rules and forms.

(b) Changes in Internal Controls and Procedures. Subsequent to the Evaluation Date, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, nor were any corrective actions required with regard to significant deficiencies and material weaknesses.

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SIGNATURES

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In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf, thereunto duly authorized.

Secured Diversified Investment, Ltd.

Date: April 15, 2003

/S/ Clifford L. Strand

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Clifford L. Strand, Chief Executive Officer

Date: April 15, 2003

/S/ Munjit Johal

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Munjit Johal, Chief Financial Officer



CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Clifford L. Strand, hereby, certify that:

(1) I have reviewed this transition report on Form 10-KSB of Secured Diversified Investment, Ltd., (the "Company");

(2) Based on my knowledge, this transition report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this transition report;

(3) Based on my knowledge, the financial statements, and other financial information included in this transition report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this transition report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us by others within those entities, particularly during the period in which this transition report is being prepared;

(b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this transition report (the "Evaluation Date"); and

(c) presented in this transition report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

(6) The Company's other certifying officer and I have indicated in this transition report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003 /s/ Clifford L. Strand

\_\_\_\_\_  
Clifford L. Strand, Chief Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Munjit Johal, hereby, certify that:

(1) I have reviewed this transition report on Form 10-KSB of Secured Diversified Investment, Ltd., (the "Company");

(2) Based on my knowledge, this transition report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this transition report;

(3) Based on my knowledge, the financial statements, and other financial information included in this transition report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this transition report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:

- (a) designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us by others within those entities, particularly during the period in which this transition report is being prepared;
- (b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this transition report (the "Evaluation Date"); and
- (c) presented in this transition report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons fulfilling the equivalent function):

- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

(6) The Company's other certifying officer and I have indicated in this transition report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003

/s/ Munjit Johal

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Munjit Johal, Chief Financial Officer

ASSET PURCHASE AGREEMENT

by and among

SECURED DIVERSIFIED INVESTMENT, LTD.

and

SEASHORE DIVERSIFIED INVESTMENT COMPANY

Dated November 4, 2002

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### ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("Agreement") is dated November \_\_\_\_, 2002, by and among Secured Diversified Investment, Ltd., a Nevada corporation ("Buyer") and Seashore Diversified Investment Company, a Maryland corporation ("Seller").

### RECITALS

Seller desires to sell, and Buyer desires to purchase, the Assets of Seller for the consideration and on the terms set forth in this Agreement.

The parties desire the transaction to qualify as a tax-free reorganization under Section 368 (a) (1) (C) of the Internal Revenue Code of 1986, as amended.

The parties, intending to be legally bound, agree as follows:

#### 1. Definitions and Usage

##### 1.1 DEFINITIONS

For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

"Appurtenances"--all privileges, rights, easements, hereditaments and appurtenances belonging to or for the benefit of the Land, including all easements appurtenant to and for the benefit of any Land (a "Dominant Parcel") for, and as the primary means of access between, the Dominant Parcel and a public way, or for any other use upon which lawful use of the Dominant Parcel for the purposes for which it is presently being used is dependent, and all rights existing in and to any streets, alleys, passages and other rights-of-way included thereon or adjacent thereto (before or after vacation thereof) and vaults beneath any such streets.

"Assets"--as defined in Section 2.1.

"Assignment and Assumption Agreement"--as defined in Section 2.6(a) (ii).

"Assumed Liabilities"--as defined in Section 2.4(a) and (b).

"Balance Sheet"--as defined in Section 3.3.

"Best Efforts"--the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible, provided, however, that a Person required to use

Best Efforts under this Agreement will not be thereby required to take actions that would result in a material adverse change in the benefits to such Person of this Agreement and the Contemplated Transactions or to dispose of or make any change to its business, expend any material funds or incur any other material burden.

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"Bill of Sale"--as defined in Section 2.6(a)(i).

"Breach"--any breach of, or any inaccuracy in, any representation or warranty or any breach of, or failure to perform or comply with, any covenant or obligation, in or of this Agreement or any other Contract, or any event which with the passing of time or the giving of notice, or both, would constitute such a breach, inaccuracy or failure.

"Buyer"--as defined in the first paragraph of this Agreement.

"Buyer Indemnified Persons"--as defined in Section 11.2.

"Closing"--as defined in Section 2.5.

"Closing Date"--the date on which the Closing actually takes place.

"Code"--the Internal Revenue Code of 1986.

"Consent"--any approval, consent, ratification, waiver or other authorization.

"Contemplated Transactions"--all of the transactions contemplated by this Agreement.

"Contract"--any agreement, contract, Lease, consensual obligation, promise or undertaking (whether written or oral and whether express or implied), whether or not legally binding.

"Damages"--as defined in Section 11.2.

"Disclosure Letter" -- the disclosure letter delivered by Seller to Buyer concurrently with the execution and delivery of this Agreement.

"Effective Time"--The time at which the Closing is consummated.

"Encumbrance"--any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

"Environment"--soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

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"Environmental, Health and Safety Liabilities"--any cost, damages, expense, liability, obligation or other responsibility arising from or under any Environmental Law or Occupational Safety and Health Law, including those consisting of or relating to:

- (a) any environmental, health or safety matter or condition (including on-site or off-site contamination, occupational safety and health and regulation of any chemical substance or product);
- (b) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand or response, remedial or inspection cost or expense arising under any Environmental Law or Occupational Safety and Health Law;
- (c) financial responsibility under any Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any cleanup, removal, containment or other remediation or response actions ("Cleanup") required by any Environmental Law or Occupational Safety and

Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective or remedial measure required under any Environmental Law or Occupational Safety and Health Law.

The terms "removal," "remedial" and "response action" include the types of activities covered by the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).

"Environmental Law"--any Legal Requirement that requires or relates to:

- (a) advising appropriate authorities, employees or the public of intended or actual Releases of pollutants or hazardous substances or materials, violations of discharge limits or other prohibitions and the commencement of activities, such as resource extraction or construction, that could have significant impact on the Environment;
- (b) preventing or reducing to acceptable levels the Release of pollutants or hazardous substances or materials into the Environment;
- (c) reducing the quantities, preventing the Release or minimizing the hazardous characteristics of wastes that are generated;
- (d) assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;
- (e) protecting resources, species or ecological amenities;
- (f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil or other potentially harmful substances;
- (g) cleaning up pollutants that have been Released, preventing the Threat of Release or paying the costs of such clean up or prevention; or
- (h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"Exchange Act"--the Securities Exchange Act of 1934.

"Excluded Assets"--as defined in Section 2.2.

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"Facilities"--any real property, leasehold or other interest in real property currently owned or operated by Seller, including the Tangible Personal Property used or operated by Seller at the respective locations of the Real Property specified in Section 3.6. Notwithstanding the foregoing, for purposes of the definitions of "Hazardous Activity" and "Remedial Action" and Sections 3.20 and 11.3, "Facilities" shall mean any real property, leasehold or other interest in real property currently or formerly owned or operated by Seller, including the Tangible Personal Property used or operated by Seller at the respective locations of the Real Property specified in Section 3.6.

"GAAP"--generally accepted accounting principles for financial reporting in the United States, applied on a basis consistent with the basis on which the Balance Sheet and the other financial statements referred to in Section 3.3 were prepared.

"Governing Documents"--with respect to any particular entity, (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a limited liability company, the articles of organization and the operating agreement; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (e) all equityholders' agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equityholders of any Person; and (f) any amendment or supplement to any of the foregoing.

"Governmental Authorization"--any Consent, license, registration or permit

issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"Governmental Body"--any:

- (a) nation, state, county, city, town, borough, village, district or other jurisdiction;
- (b) federal, state, local, municipal, foreign or other government;
- (c) governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers);
- (d) multinational organization or body;
- (e) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or
- (f) official of any of the foregoing.

"Ground Lease"--any long-term lease of land in which most of the rights and benefits comprising ownership of the land and the improvements thereon or to be constructed thereon, if any, are transferred to the tenant for the term thereof.

"Ground Lease Property"--any land, improvements and appurtenances subject to a Ground Lease in favor of Seller.

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"Hazardous Activity"--the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of Hazardous Material in, on, under, about or from any of the Facilities or any part thereof into the Environment and any other act, business, operation or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm, to persons or property on or off the Facilities.

"Hazardous Material"--any substance, material or waste which is or will foreseeably be regulated by any Governmental Body, including any material, substance or waste which is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "contaminant," "toxic waste" or "toxic substance" under any provision of Environmental Law, and including petroleum, petroleum products, asbestos, presumed asbestos-containing material or asbestos-containing material, urea formaldehyde and polychlorinated biphenyls.

"Improvements"--all buildings, structures, fixtures and improvements located on the Land or included in the Assets, including those under construction.

"Indemnified Person"--as defined in Section 11.8.

"Indemnifying Person"--as defined in Section 11.8.

"Interim Balance Sheet"--as defined in Section 3.3.

"IRS"--the United States Internal Revenue Service and, to the extent relevant, the United States Department of the Treasury.

"Knowledge"--an individual will be deemed to have Knowledge of a particular fact or other matter if:

- (a) that individual is actually aware of that fact or matter; or
- (b) a prudent individual could be expected to discover or otherwise become aware of that fact or matter in the course of conducting a reasonably comprehensive investigation regarding the accuracy of any representation or warranty contained in this Agreement.

A Person (other than an individual) will be deemed to have Knowledge of a particular fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, partner, executor or trustee of that Person (or in any similar capacity) has, or at any time had, Knowledge of that fact or other matter (as set forth in (a) and (b)



above), and any such individual (and any individual party to this Agreement) will be deemed to have conducted a reasonably comprehensive investigation regarding the accuracy of the representations and warranties made herein by that Person or individual.

"Land"--all parcels and tracts of land in which Seller has an ownership interest.

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"Lease"--any Real Property Lease or any lease or rental agreement, license, right to use or installment and conditional sale agreement to which Seller is a party and any other Seller Contract pertaining to the leasing or use of any Tangible Personal Property.

"Legal Requirement"--any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty.

"Liability"--with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"LLCs" or "Limited Liability Companies" -- collectively refer to that limited liability company known as Spencer Springs, LLC, and that limited liability company known as Decatur Center, LLC, of which Seller owns 50% of each.

"LP" or "Limited Partnership" -- refers to that limited partnership known as Seascrest Hospitality, LP, of which Seller owns a 49% interest and is the general partner.

"Material Consents"--as defined in Section 7.3.

"Occupational Safety and Health Law"--any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, including the Occupational Safety and Health Act, and any program, whether governmental or private (such as those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"Order"--any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.

"Ordinary Course of Business"--an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action:

- (a) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person;
- (b) does not require authorization by the board of directors or shareholders of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature; and
- (c) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person.

"Permitted Encumbrances"--as defined in Section 3.9.

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"Person"--an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Body.

"Proceeding"--any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Purchase Price"--as defined in Section 2.3.

"Real Property"--the Land and Improvements and all Appurtenances thereto and any Ground Lease Property.

"Real Property Lease"--any Ground Lease or Space Lease.

"Record"--information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"Related Person"-- With respect to a particular individual:

- (a) each other member of such individual's Family;
- (b) any Person that is directly or indirectly controlled by any one or more members of such individual's Family;
- (c) any Person in which members of such individual's Family hold (individually or in the aggregate) a Material Interest; and
- (d) any Person with respect to which one or more members of such individual's Family serves as a director, officer, partner, member, executor or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

- (a) any Person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with such specified Person;
- (b) any Person that holds a Material Interest in such specified Person;
- (c) each Person that serves as a director, officer, partner, member executor or trustee of such specified Person (or in a similar capacity);
- (d) any Person in which such specified Person holds a Material Interest; and
- (e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) "control" (including "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall be construed as such term is used in the rules promulgated under the Securities Act; (b) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the second degree and (iv) any other natural person who resides with such individual; and (c) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

"Release"--any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the Environment or into or out of any property.

"Remedial Action"--all actions, including any capital expenditures, required or voluntarily undertaken (a) to clean up, remove, treat or in any other way address any Hazardous Material or other substance; (b) to prevent the Release or Threat of Release or to minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare or the Environment; (c) to perform pre-remedial studies and investigations or post-remedial monitoring and care; or (d) to bring all Facilities and the operations conducted

thereon into compliance with Environmental Laws and environmental Governmental Authorizations.

"Representative"--with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of that Person.

"Retained Liabilities"--as defined in Section 2.4(c).

"Schedule" -- a schedule of the Disclosure Letter.

"SEC"--the United States Securities and Exchange Commission.

"Securities Act" -- the Securities Act of 1933.

"Seller"--as defined in the first paragraph of this Agreement.

"Seller Contract"--any Contract (a) under which Seller has or may acquire any rights or benefits; (b) under which Seller has or may become subject to any obligation or liability; or (c) by which Seller or any of the assets owned or used by Seller is or may become bound.

"Space Lease"--any lease or rental agreement pertaining to the occupancy of any improved space on any Land.

"Subsidiary"--with respect to any Person (the "Owner"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred), are held by the Owner or one or more of its Subsidiaries.

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"Tangible Personal Property"--all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies, materials, vehicles and other items of tangible personal property (other than Inventories) of every kind owned or leased by Seller (wherever located and whether or not carried on Seller's books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

"Tax"--any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax-sharing agreement or any other Contract.

"Tax Return"--any return (including any information return), report, statement, schedule, notice, form, declaration, claim for refund or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

"Third Party"--a Person that is not a party to this Agreement.

"Third-Party Claim"--any claim against any Indemnified Person by a Third Party, whether or not involving a Proceeding.

"Threat of Release"--a reasonable likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

## 1.2 USAGE

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

- (i) the singular number includes the plural number and vice versa;
- (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;
- (iii) reference to any gender includes each other gender;

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(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(viii) "or" is used in the inclusive sense of "and/or";

(ix) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and

(x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

(c) Legal Representation of the Parties. This Agreement was negotiated by the parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

## 2. Sale and Transfer of Assets; Closing

### 2.1 ASSETS TO BE SOLD

Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, but effective as of the Effective Time, Seller shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase and acquire from Seller certain Real Property identified herein as the Katella Commercial Center and the T-Rex Plaza, interests in the Limited Liability Companies and a general partnership interest in the Limited Partnership, as more fully described in the schedules set forth below in this Section 2.1, and Schedules 3.6, 3.7 and 3.8 (collectively referred to herein as the "Assets"), free and clear of any Encumbrances other than Permitted Encumbrances, including property and assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, associated with the Assets, including the following (but excluding the Excluded Assets):

(a) all Real Property, including the Real Property described in Schedules 3.6 and 3.7;

(b) all Real Property Leases described in Schedule 2.1(b);

(c) all Tangible Personal Property, including those items described in Schedule 2.1(c);

(d) interests in the Limited Liability Companies described in Schedule 2.1(d);

(e) partnership interests in the Limited Partnership described in Schedule 2.1(e);

(f) all Seller Contracts, including those listed in Schedule 3.18(a), and all outstanding offers or solicitations made by or to Seller to enter into any Contract;

(g) all Governmental Authorizations and all pending applications therefor or renewals thereof, in each case to the extent transferable to Buyer, including those listed in Schedule 3.17(b);

(h) all data and Records related to the operations of Seller, the LLCs and the LP including client and customer lists and Records, referral sources, research and development reports and Records, financial and accounting Records, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and other Records which seller is required by law to retain in its possession;

(i) all insurance benefits, including rights and proceeds, arising from or relating to the Assets or the Assumed Liabilities prior to the Effective Time, unless expended in accordance with this Agreement; and

(j) all claims of Seller against third parties relating to the Assets, whether choate or inchoate, known or unknown, contingent or noncontingent, including all such claims listed in Schedule 2.1(j).

Notwithstanding the foregoing, the transfer of the Assets pursuant to this Agreement shall not include the assumption of any Liability related to the Assets unless Buyer expressly assumes that Liability pursuant to Section 2.4(a) and (b).

## 2.2 EXCLUDED ASSETS

Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of Seller after the Closing:

(a) all assets of Seller not associated with the Real Property, Appurtenances, Facilities and Improvements identified herein as the Katella Commercial Center and T-Rex Plaza Real Property; and interests in the Limited Liability Companies or interests in the Limited Partnership as set forth in Section 2.1;

(b) all minute books

(c) all of the Seller Contracts listed in Schedule 2.2(c);

(d) all other Records that Seller is required by law to retain in its possession;

(e) all currently existing claims for refund of Taxes and other governmental charges of whatever nature;

(f) all rights of Seller under this Agreement, the Bill of Sale, the Assignment and Assumption Agreement; and

the property and assets expressly designated in Schedule 2.2(g).

## 2.3 CONSIDERATION

The consideration for the Assets (the "Purchase Price") will be (a) 3,630,000 restricted Common Shares of Buyer and (b) 7,370,000 restricted Preferred Shares of Buyer to be issued as directed in Schedule 2.3.

## 2.4 LIABILITIES

(a) Assumed Liabilities Katella Commercial Center and T-Rex Plaza Real Property. On the Closing Date, but effective as of the Effective Time, with respect to the Real Property, Buyer shall assume and agree to discharge only the following Liabilities of Seller (the "Assumed Liabilities"):

(i) any Liability arising after the Effective Time under the Seller Contracts described in Schedule 3.18(a), (other than any

Liability arising under the Seller Contracts described on Schedule 2.4(a) (i) or arising out of or relating to a Breach that occurred prior to the Effective Time);

(ii) any Liability of Seller arising after the Effective Time under any Seller Contract included in the Assets that is entered into by Seller after the date hereof in accordance with the provisions of this Agreement (other than any Liability arising out of or relating to a Breach that occurred prior to the Effective Time); and

(iii) any Liability of Seller described in Schedule 2.4(a) (iii).

(b) Assumed Liabilities LLC and LP interests. On the Closing Date, but effective as of the Effective Time, with respect to the interest in the LLCs and the LP, Buyer shall assume all liabilities and obligations associated with the interests in the LLCs and the LP as of the the Effective Time.

(c) Retained Liabilities. The Retained Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. "Retained Liabilities" shall mean every Liability of Seller other than the Assumed Liabilities, including:

(i) any Liability under any Contract assumed by Buyer pursuant to Section 2.4(a) or (b) that arises after the Effective Time but that arises out of or relates to any Breach that occurred prior to the Effective Time;

(ii) any Liability for Taxes, including (A) any Taxes arising as a result of Seller's operation of its business or ownership of the Assets prior to the Effective Time, (B) any Taxes that will arise as a result of the sale of the Assets pursuant to this Agreement and (C) any deferred Taxes of any nature;

(iii) any Liability under any Contract not assumed by Buyer under Section 2.4(a) or (b), including any Liability arising out of or relating to Seller's credit facilities or any security interest related thereto;

(iv) any Environmental, Health and Safety Liabilities arising out of or relating to the operation of Seller's business or Seller's leasing, ownership or operation of real property;

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(v) any Liability of Seller incurred as a member of the LLCs or as a partner of the LP prior to the Effective Time;

(vii) any Liability to indemnify, reimburse or advance amounts to any LLC member or limited partner, director, employee or agent of Seller;

(viii) any Liability arising out of any Proceeding pending as of the Effective Time;

(ix) any Liability arising out of any Proceeding commenced after the Effective Time and arising out of or relating to any occurrence or event happening prior to the Effective Time;

(x) any Liability arising out of or resulting from Seller's compliance or noncompliance with any Legal Requirement or Order of any Governmental Body;

(xi) any Liability of Seller under this Agreement or any other document executed in connection with the Contemplated Transactions; and

(xii) any Liability of Seller based upon Seller's acts or omissions occurring after the Effective Time.

## 2.5 CLOSING

The purchase and sale provided for in this Agreement (the "Closing") will take place at the Buyer's offices at 1000 Quail Street, Suite 190, Newport Beach, California 92660, commencing at 10:00 a.m. Pacific Standard Time on November \_\_, 2002, unless Buyer and Seller otherwise agree. Subject to the provisions of Article 9, failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place determined pursuant to this Section 2.5 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement. In such a situation, the Closing will occur as soon as practicable, subject to Article 9.

## 2.6 CLOSING OBLIGATIONS

In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing:

(a) Seller shall deliver to Buyer, together with funds sufficient to pay all Taxes necessary for the transfer, filing or recording thereof:

(i) a bill of sale and assignment of contract rights for all of the Assets that are Tangible Personal Property in the form of Schedule 2.6(a)(i) (the "Bill of Sale") executed by Seller;

(ii) an assignment of all of the Assets that are intangible personal property in the form of Schedule 2.6(a)(ii), which assignment shall also contain Buyer's undertaking and assumption of the Assumed Liabilities (the "Assignment and Assumption Agreement") executed by Seller;

(iii) for each interest in Real Property identified on Schedule 3.7(a), a recordable warranty deed, an Assignment and Assumption of Lease in the form of Schedule 2.6(a)(iii) or such other appropriate document or instrument of transfer, as the case may require, each in form and substance satisfactory to Buyer and its counsel and executed by Seller;

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(iv) such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by Buyer, each in form and substance satisfactory to Buyer and its legal counsel and executed by Seller;

(v) a certificate executed by Seller as to the accuracy of their representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 7.1 and as to their compliance with and performance of their covenants and obligations to be performed or complied with at or before the Closing in accordance with Section 7.2; and

(vi) complete and accurate copies of the Governing Documents of Seller, the LLCs and the LP, and all requisite resolutions, actions or consents of Seller's board of directors and shareholders, members of the LLCs and the limited partners, as required, approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and accompanied by the requisite documents for amending the relevant Governing Documents of Seller, the LLCs or the LP required to effect such changes in form sufficient for filing with the appropriate Governmental Body.

(b) Buyer shall deliver to Seller and Shareholders, as the case may be:

(i) stock certificates evidencing 3,630,000 restricted Common Shares and stock certificates evidencing 7,370,000 restricted Preferred Shares of Buyer issued in the names and amounts set forth in Schedule 2.3;

(ii) the Assignment and Assumption Agreement executed by Buyer;

(iii) a certificate executed by Buyer as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 8.1 and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing in accordance with Section 8.2; and

(iv) copies of all requisite resolutions or actions of Buyer's board of directors approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and any other document relating to the Contemplated Transactions.

## 2.7 CONSENTS

(a) If there are any Material Consents that have not yet been obtained (or otherwise are not in full force and effect) as of the Closing, in the case of each Seller Contract as to which such Material Consents were not obtained (or otherwise are not in full force and effect) (the "Restricted Material Contracts"), or Material Consents required to transfer interests in the LLCs or the LP, Buyer may waive the closing conditions as

to any such Material Consent and either:

- (i) elect to have Seller continue its efforts to obtain the Material Consents; or
- (ii) elect to have Seller retain that Restricted Material Contract and all Liabilities arising therefrom or relating thereto.

If Buyer elects to have Seller continue its efforts to obtain any Material Consents and the Closing occurs, notwithstanding Sections 2.1 and 2.4, neither this Agreement nor the Assignment and Assumption Agreement nor any other document related to the consummation of the Contemplated

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Transactions shall constitute a sale, assignment, assumption, transfer, conveyance or delivery or an attempted sale, assignment, assumption, transfer, conveyance or delivery of the Restricted Material Contracts, and following the Closing, the parties shall use Best Efforts, and cooperate with each other, to obtain the Material Consent relating to each Restricted Material Contract as quickly as practicable. Pending the obtaining of such Material Consents relating to any Restricted Material Contract, the parties shall cooperate with each other in any reasonable and lawful arrangements designed to provide to Buyer the benefits of use of the Restricted Material Contract for its term (or any right or benefit arising thereunder, including the enforcement for the benefit of Buyer of any and all rights of Seller against a third party thereunder). Once a Material Consent for the sale, assignment, assumption, transfer, conveyance and delivery of a Restricted Material Contract is obtained, Seller shall promptly assign, transfer, convey and deliver such Restricted Material Contract to Buyer, and Buyer shall assume the obligations under such Restricted Material Contract assigned to Buyer from and after the date of assignment to Buyer pursuant to a special-purpose assignment and assumption agreement substantially similar in terms to those of the Assignment and Assumption Agreement (which special-purpose agreement the parties shall prepare, execute and deliver in good faith at the time of such transfer, all at no additional cost to Buyer).

(b) If there are any Consents not listed on Schedule 7.3 necessary for the assignment and transfer of any Seller Contracts to Buyer (the "Nonmaterial Consents") which have not yet been obtained (or otherwise are not in full force and effect) as of the Closing, Buyer shall elect at the Closing, in the case of each of the Seller Contracts as to which such Nonmaterial Consents were not obtained (or otherwise are not in full force and effect) (the "Restricted Nonmaterial Contracts"), whether to:

(i) accept the assignment of such Restricted Nonmaterial Contract, in which case, as between Buyer and Seller, such Restricted Nonmaterial Contract shall, to the maximum extent practicable and notwithstanding the failure to obtain the applicable Nonmaterial Consent, be transferred at the Closing pursuant to the Assignment and Assumption Agreement as elsewhere provided under this Agreement; or

(ii) reject the assignment of such Restricted Nonmaterial Contract, in which case, notwithstanding Sections 2.1 and 2.4, (A) neither this Agreement nor the Assignment and Assumption Agreement nor any other document related to the consummation of the Contemplated Transactions shall constitute a sale, assignment, assumption, conveyance or delivery or an attempted sale, assignment, assumption, transfer, conveyance or delivery of such Restricted Nonmaterial Contract, and (B) Seller shall retain such Restricted Nonmaterial Contract and all Liabilities arising therefrom or relating thereto.

### 3. Representations and Warranties of Seller

Seller represents and warrants to Buyer as follows:

#### 3.1 ORGANIZATION AND GOOD STANDING

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(a) Schedule 3.1(a) contains a complete and accurate list of jurisdictions of organization of Seller, the LLCs and the LP and any other



jurisdictions in which they are qualified to do business as foreign entities. Seller, the LLCs and the LP are duly organized, validly existing and in good standing under the laws of their jurisdiction of organization, with full power and authority to conduct their business as they are now being conducted, to own or use the properties and assets that they purport to own or use, and to perform all their obligations under the Seller Contracts. Seller, the LLCs and the LP are duly qualified to do business as foreign entities and are in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by them, or the nature of the activities conducted by them, requires such qualification.

(b) Complete and accurate copies of the Governing Documents of Seller, each Limited Liability Company and the LP, as currently in effect, are attached to Schedule 3.1(b).

### 3.2 ENFORCEABILITY; AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms. Upon the execution and delivery by Seller of this Agreement, the Assignment and Assumption Agreement and each other agreement to be executed or delivered by Seller at the Closing (collectively, the "Seller's Closing Documents"), each of Seller's Closing Documents will constitute the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms. Seller has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the Seller's Closing Documents to which it is a party and to perform its obligations under this Agreement and the Seller's Closing Documents, and such action has been duly authorized by all necessary action by Seller's shareholders and board of directors.

(b) Except as set forth in Schedule 3.2(b), neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) Breach (A) any provision of any of the Governing Documents of Seller, or (B) any resolution adopted by the board of directors of Seller;

(ii) Breach (A) any provision of any of the Governing Documents of the LLCs or the LP or (B) any resolution adopted by the managing members of the LLCs or the general partner of the LP;

(iii) Breach or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under any Legal Requirement or any Order to which Seller, the LLCs, the LP, or any of the Assets, may be subject;

(iv) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by Seller or that otherwise relates to the Assets or to the business of Seller;

(v) cause Buyer to become subject to, or to become liable for the payment of, any Tax;

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(vi) Breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract;

(vii) result in the imposition or creation of any Encumbrance upon or with respect to any of the Assets; or .

(viii) results in the dissolution of either of the LLCs or the LP.

(c) Except as set forth in Schedule 3.2(c), Seller, is not required to give any notice to or obtain any Consent from any Person or Entity in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

### 3.3 FINANCIAL STATEMENTS

Seller has delivered to Buyer: (a) audited balance sheets of each Limited Liability Company and the Limited Partnership as of each of their last two most recent fiscal year ends or since inception, whichever is shorter, (including the notes thereto, the "Balance Sheet"), and the related audited statements of income, changes in member or limited partner interest and cash flows for the fiscal year then ended, including in each case the notes thereto, together with the report thereon of the independent certified public accountants preparing the financial statements; and (c) an unaudited balance sheet of each Limited Liability Company and Limited Partnership as at September 30, 2002, (the "Interim Balance Sheet") and the related unaudited statements of income, and cash flows for the nine (9) months then ended, including in each case the notes thereto certified by Seller's chief financial officer. Such financial statements fairly present the financial condition and the results of operations, changes in member or limited partner interest and cash flows of each Limited Liability Company and the Limited Partnership as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP. The financial statements referred to in this Section 3.3 reflect and will reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. The financial statements have been and will be prepared from and are in accordance with the accounting Records of the LLCs and the LP. Seller has also delivered to Buyer copies of all letters from the auditors of the LLCs and the LP to their managing member or general partner during the twenty-four (24) months preceding the execution of this Agreement, together with copies of all responses thereto.

#### 3.4 BOOKS AND RECORDS

The books of account and other financial Records of Seller, the LLCs and the LP, all of which have been made available to Buyer, are complete and correct and represent actual, bona fide transactions and have been maintained in accordance with sound business practices and the requirements of Section 13(b)(2) of the Exchange Act (regardless of whether the Seller is subject to that Section or not), including the maintenance of an adequate system of internal controls. The minute books of Seller, the LLCs and the LP, all of which have been made available to Buyer, contain accurate and complete Records of all meetings held, and actions taken by, the shareholders, members, partners, the board of directors and committees of the board of directors of Seller, the LLCs or the LP and no meeting of any such interest holders, board of directors, committee, members or partners has been held for which minutes have not been prepared or are not contained in such minute books.

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#### 3.5 SUFFICIENCY OF ASSETS

Except as set forth in Schedule 3.5, the Assets (a) constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate the businesses of the LLCs and the LP in the manner presently operated by them and (b) include all of the operating assets of those entities.

#### 3.6 DESCRIPTION OF REAL PROPERTY

Schedule 3.6 contains a correct legal description, street address and tax parcel identification number of all tracts, parcels and subdivided lots which Seller is selling to Buyer, or which is owned by each LLC or the LP.

#### 3.7 DESCRIPTION OF LEASED REAL PROPERTY

Schedule 3.7 contains a correct legal description, street address and tax parcel identification number of all tracts, parcels and subdivided lots in which Seller, the LLCs or the LP have a leasehold interest and an accurate description (by location, name of lessor, date of Lease and term expiry date) of all Real Property Leases which Seller is assigning to Buyer.

#### 3.8 DESCRIPTION OF LIMITED LIABILITY COMPANY AND LIMITED PARTNERSHIP INTERESTS

Schedule 3.8 contains a description of all interests in the LLCs and

the LP that Seller is selling to Buyer.

### 3.9 TITLE TO ASSETS; ENCUMBRANCES

(a) Seller, the LLCs and the LP owns good and marketable title to the respective estates in the Real Property, free and clear of any Encumbrances, other than:

- (i) liens for Taxes for the current tax year which are not yet due and payable; and
- (ii) those described in Schedule 3.9(a) ("Real Estate Encumbrances").

True and complete copies of (A) all deeds, existing title insurance policies and surveys of or pertaining to the Real Property and (B) all instruments, agreements and other documents evidencing, creating or constituting any Real Estate Encumbrances have been delivered to Buyer. Seller warrants to Buyer that, at the time of Closing, the Real Estate shall be free and clear of all Real Estate Encumbrances other than those identified on Schedule 3.9(a) as acceptable to Buyer ("Permitted Real Estate Encumbrances").

(b) Seller, the LLCs and the LP own good and transferable title to all of the other Assets free and clear of any Encumbrances other than those described in Schedule 3.9(b) ("Non-Real Estate Encumbrances"). Seller warrants to Buyer that, at the time of Closing, all other Assets shall be free and clear of all Non-Real Estate Encumbrances other than those identified on Schedule 3.9(b) as acceptable to Buyer ("Permitted Non-Real Estate Encumbrances" and, together with the Permitted Real Estate Encumbrances, "Permitted Encumbrances").

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(c) Seller owns good and transferable title to a 50% membership interest in Spencer Springs, LLC., a 50% membership interest in Decatur Center, LLC., and a 49% interest and general partnership in Seascrest Hospitality, LP., free and clear of any Encumbrances. Seller warrants to Buyer that, at the time of Closing, all interests shall be free and clear of all Encumbrances.

### 3.10 CONDITION OF FACILITIES

(a) Use of the Real Property owned by Seller, the LLCs and the LP for the various purposes for which it is presently being used is permitted as of right under all applicable zoning legal requirements and is not subject to "permitted nonconforming" use or structure classifications. All Improvements are in compliance with all applicable Legal Requirements, including those pertaining to zoning, building and the disabled, are in good repair and in good condition, ordinary wear and tear excepted, and are free from latent and patent defects. No part of any Improvement encroaches on any real property not included in the Real Property, and there are no buildings, structures, fixtures or other Improvements primarily situated on adjoining property which encroach on any part of the Land. The Land for each owned Facility abuts on and has direct vehicular access to a public road or has access to a public road via a permanent, irrevocable, appurtenant easement benefiting such Land and comprising a part of the Real Property, is supplied with public or quasi-public utilities and other services appropriate for the operation of the Facilities located thereon and is not located within any flood plain or area subject to wetlands regulation or any similar restriction. There is no existing or proposed plan to modify or realign any street or highway or any existing or proposed eminent domain proceeding that would result in the taking of all or any part of any Facility or that would prevent or hinder the continued use of any Facility as heretofore used in the conduct of the business of Seller, the LLCs or the LP.

(b) Each item of Tangible Personal Property is in good repair and good operating condition, ordinary wear and tear excepted, is suitable for immediate use in the Ordinary Course of Business and is free from latent and patent defects. No item of Tangible Personal Property is in need of repair or replacement other than as part of routine maintenance in the Ordinary Course of Business. Except as disclosed in Schedule 3.10(b), all Tangible Personal Property used in the business of Seller, the LLCs or the

LP is in their possession.

### 3.11 NO UNDISCLOSED LIABILITIES SELLER

Except as set forth in Schedule 3.11, with respect to the Katella Commercial Center and the T-Rex Plaza, Seller has no Liabilities.

### 3.12 NO UNDISCLOSED LIABILITIES LIMITED LIABILITY COMPANIES AND LIMITED PARTNERSHIP

Except as set forth in Schedule 3.12, the LLCs and the LP have no Liability except for Liabilities reflected or reserved against in the Balance Sheets or the Interim Balance Sheets of the LLCs and the LP and current liabilities incurred in the Ordinary Course of Business of the LLCs and the LP since the date of the Interim Balance Sheet.

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### 3.13 TAXES

(a) Tax Returns. Accurate copies of all Federal and State tax returns for Seller, the LLCs and the LP for the last fiscal year are included at Schedule 3.13(a).

(b) Tax Matters. All taxes and other assessments and levies which Seller, the LLCs and the LP are required by law to withhold or to collect have been duly withheld and collected, and have been paid over to the proper government authorities or are held by Seller, the LLCs or the LP in separate bank accounts for such payment or are represented by depository receipts, and all such withholdings and collections and all other payments due in connection therewith (including, without limitation, employment taxes, both the employee's and employer's share) have been paid over to the government or placed in a separate and segregated bank account for such purpose. There are no known deficiencies in income taxes for any periods and further, the representations and warranties as to absence of undisclosed liabilities contained in Schedule 3.13 includes any and all tax liabilities of whatsoever kind or nature (including, without limitation, all federal, state, local and foreign income, profit, franchise, sales, use and property taxes) due or to become due, incurred in respect of or measured by Seller, the LLCs or the LP income or business prior to the Closing Date.

### 3.14 NO MATERIAL ADVERSE CHANGE

Since the date of the Balance Sheet, there has not been any material adverse change in the business, operations, prospects, assets, results of operations or condition (financial or other) of the LLCs or the LP, and no event has occurred or circumstance exists that may result in such a material adverse change.

### 3.15 COMPLIANCE WITH LEGAL REQUIREMENTS; GOVERNMENTAL AUTHORIZATIONS

To the knowledge of Seller and except as set forth in Schedule 3.15, neither Seller, the LLCs nor the LP are in violation of or in default with respect to any applicable law or any applicable rule, regulation, order, writ or decree of any court or any governmental commission, board, bureau, agency, instrumentality, or delinquent with respect to any report required to be filed with any governmental commission, board, bureau, agency or instrumentality which violation or default could have a material adverse effect upon the business, operations, Assets or financial condition of Seller, the LLCs or the LP.

### 3.16 LEGAL PROCEEDINGS; ETC.

Except as set forth in Schedule 3.16, there are no civil, criminal, administrative, arbitration or other such proceedings or investigations pending or, to the knowledge of Seller, the LLCs or the LP, threatened, in which, individually or in the aggregate, an adverse determination would materially and adversely affect Seller, the LLCs, LP or the Assets. Seller, the LLCs and the LP have substantially complied with, and are not in default in any material respect under, any laws, ordinances, requirements, regulations or orders applicable to their business or Assets.

## 3.17 ABSENCE OF CERTAIN CHANGES AND EVENTS

Except as set forth in Schedule 3.17, since the date of the Balance Sheets of the LLCs and the LP, there have been no material adverse changes in the condition (financial or otherwise), Assets or Liabilities of the LLCs or the LP.

## 3.18 AGREEMENTS IN FORCE AND EFFECT

(a) Schedule 3.18(a) contains an accurate and complete list, and Seller has delivered to Buyer accurate and complete copies, of:

(i) each Seller Contract that involves performance of services or delivery of goods or materials by Seller, the LLCs or the LP of an amount or value in excess of \$1,000;

(ii) each Seller Contract that involves performance of services or delivery of goods or materials to Seller, the LLCs or the LP of an amount or value in excess of \$1,000;

(iii) each Seller Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of Seller, the LLCs or the LP in excess of \$1,000;

(iv) each Seller Contract affecting the ownership of, leasing of, title to, use of or any leasehold or other interest in any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than \$1,000 and with a term of less than one year);

(v) each Seller Contract (however named) involving a sharing of profits, losses, costs or liabilities by Seller, the LLCs or the LP with any other Person;

(vi) each Seller Contract containing covenants that in any way purport to restrict the business activity or limit the freedom of Seller, the LLCs or the LP to engage in any line of business or to compete with any Person;

(vii) each power of attorney of Seller, the LLCs or the LP that is currently effective and outstanding;

(viii) each Seller Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by Seller, the LLCs or the LP to be responsible for consequential damages;

(ix) each Seller Contract for capital expenditures in excess of \$1,000 dollars;

(x) each Seller Contract not denominated in U.S. dollars; and

(xi) each amendment, supplement and modification (whether oral or written) in respect of any of the foregoing.

Schedule 3.18(a) sets forth reasonably complete details concerning such Contracts, including the parties to the Contracts, the amount of the remaining commitment of Seller, the LLCs or the LP under the Contracts and the location of the office where details relating to the Contracts are located.

(b) Except as set forth in Schedule 3.18(b):

(i) each Contract identified or required to be identified in Schedule 3.18(a) and which is to be assigned to or assumed by Buyer under this Agreement is in full force and effect and is valid and enforceable in accordance with its terms;

(ii) each Contract identified or required to be identified in Schedule 3.18(a) and which is being assigned to or assumed by Buyer is assignable by Seller, the LLCs or the LP to Buyer without the consent of any other Person; and

(iii) to the Knowledge of Seller, no Contract identified or required to be identified in Schedule 3.18(a) and which is to be assigned to or assumed by Buyer under this Agreement will upon completion or performance thereof have a material adverse affect on the Assets of Seller, or the business, assets or condition of the LLCs or the LP or the business to be conducted by Buyer with the Assets.

(c) Except as set forth in Schedule 3.18(c):

(i) Seller, the LLCs and the LP are and have been, in compliance with all applicable terms and requirements of each Seller Contract which is being assumed by Buyer;

(ii) each other Person that has or had any obligation or liability under any Seller Contract which is being assigned to Buyer is and has been, in full compliance with all applicable terms and requirements of such Contract;

(iii) no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a Breach of, or give Seller, the LLCs, the LP or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract that is being assigned to or assumed by Buyer;

(iv) no event has occurred or circumstance exists under or by virtue of any Contract that (with or without notice or lapse of time) would cause the creation of any Encumbrance affecting any of the Assets; and

(v) Seller, the LLCs or the LP have not given to or received from any other Person any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or Breach of, or default under, any Contract which is being assigned to or assumed by Buyer.

(d) There are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate any material amounts paid or payable to Seller, the LLCs or the LP under current or completed Contracts with any Person having the contractual or statutory right to demand or require such renegotiation and no such Person has made written demand for such renegotiation.

### 3.19 INSURANCE

(a) Seller has delivered to Buyer:

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(i) accurate and complete copies of all policies of insurance (and correspondence relating to coverage thereunder) to which Seller, the LLCs or the LP is a party or under which Seller, the LLCs or the LP is covered, a list of which is included in Schedule 3.19(a);

(ii) accurate and complete copies of all pending applications by Seller, the LLCs or the LP for policies of insurance; and

(iii) any statement by the auditor of the financial statements of the LLC or the LP or any consultant or risk management advisor with regard to the adequacy of said coverage or of the reserves for claims.

(b) Schedule 3.19(b) describes:

(i) any self-insurance arrangement by or affecting Seller, the LLCs or the LP including any reserves established thereunder;

(ii) any Contract or arrangement, other than a policy of insurance, for the transfer or sharing of any risk to which Seller, the LLCs or the LP is a party or which involves their business; and

(iii) all obligations of Seller, the LLCs or the LP to provide insurance coverage to Third Parties (for example, under Leases) and identifies the policy under which such coverage is provided.

(c) Except as set forth in Schedule 3.19(c):

(i) all policies of insurance to which Seller, the LLCs or the LP are a party or that provide coverage to any of them:

(A) are valid, outstanding and enforceable;

(B) are issued by an insurer that is financially sound and reputable;

(C) taken together, provide adequate insurance coverage for

the Assets and the operations of Seller, the LLCs and the LP for all risks to which Seller, the LLCs or the LP are normally exposed; and

(D) are sufficient for compliance with all Legal Requirements and Seller Contracts;

(ii) Seller, the LLCs and the LP have not received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights or (B) any notice of cancellation or any other indication that any policy of insurance is no longer in full force or effect or that the issuer of any policy of insurance is not willing or able to perform its obligations thereunder;

(iii) Seller, the LLCs and the LP have paid all premiums due, and have otherwise performed all their obligations, under each policy of insurance to which they are a party or that provides coverage to them; and

(iv) Seller, the LLCs and the LP have given notice to the insurer of all claims that may be insured thereby.

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### 3.20 ENVIRONMENTAL MATTERS

Except as disclosed in Schedule 3.20:

(a) Seller, the LLCs and the LP are, and at all times have been, in full compliance with, and have not been and are not in violation of or liable under, any Environmental Law. Neither Seller, the LLCs nor the LP has any basis to expect, nor has any of them or any other Person for whose conduct they are or may be held to be responsible received, any actual or threatened order, notice or other communication from (i) any Governmental Body or private citizen acting in the public interest or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law, or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or other property or asset (whether real, personal or mixed) in which Seller, the LLCs or the LP have or had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used or processed by Seller, the LLCs or the LP or any other Person for whose conduct they are or may be held responsible, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(b) There are no pending or, to the Knowledge of Seller, the LLCs or the LP, threatened claims, Encumbrances, or other restrictions of any nature resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law with respect to or affecting any Facility or any other property or asset (whether real, personal or mixed) in which Seller, the LLCs or the LP have or had an interest.

(c) Neither Seller, the LLCs nor the LP have any Knowledge of or any basis to expect, nor has any of them, or any other Person for whose conduct they are or may be held responsible, received, any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or property or asset (whether real, personal or mixed) in which Seller, the LLCs or the LP have or had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used or processed by Seller, the LLCs or the LP or any other Person for whose conduct they are or may be held responsible, have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(d) Neither Seller, the LLCs, the LP nor any other Person for whose conduct they are or may be held responsible has any Environmental, Health and Safety Liabilities with respect to any Facility or, to the Knowledge of Seller, the LLCs or the LP with respect to any other property or asset (whether real, personal or mixed) in which they (or any predecessor) have

or had an interest or at any property geologically or hydrologically adjoining any Facility or any such other property or asset.

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(e) There are no Hazardous Materials present on or in the Environment at any Facility or at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, aboveground or underground storage tanks, landfills, land deposits, dumps, equipment (whether movable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facility or such adjoining property, or incorporated into any structure therein or thereon. Neither Seller, the LLCs, the LP nor any Person for whose conduct they are or may be held responsible, or to the Knowledge of any of them, has permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to any Facility or any other property or assets (whether real, personal or mixed) in which Seller, the LLCs or the LP have or had an interest except in full compliance with all applicable Environmental Laws.

(f) There has been no Release or, to the Knowledge of Seller, the LLCs or the LP Threat of Release, of any Hazardous Materials at or from any Facility or at any other location where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by any Facility, or from any other property or asset (whether real, personal or mixed) in which Seller, the LLCs or the LP have or had an interest, or to their Knowledge any geologically or hydrologically adjoining property, whether by Seller, the LLCs the LP or any other Person.

(g) Seller has delivered to Buyer true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Seller, the LLCs, the LP or any other Person pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance, by Seller, the LLCs, the LP or any other Person for whose conduct they are or may be held responsible, with Environmental Laws.

(h) The Facilities do not contain any wetlands, as defined in the Clean Water Act and regulations promulgated thereunder, or similar Legal Requirements, or other especially sensitive or protected areas or species of flora or fauna.

### 3.21 IMPROPER PAYMENTS

Neither Seller, the LLCs, the LP nor any person acting on their behalf has made any payment or otherwise transmitted anything of value, directly or indirectly, to (a) any official or any government or agency or political subdivision thereof for the purpose of influencing any decision affecting the business or Assets of Seller, the LLCs or the LP or (b) any political party or any candidate for elective political office nor has any fund or other asset of Seller, the LLCs or the LP been maintained that was not fully and accurately recorded on their books of account.

### 3.22 RELATIONSHIPS WITH RELATED PERSONS

Except as disclosed in Schedule 3.22, neither Seller, the LLCs, the LP nor any Related Person of any of them have or have had, any interest in any property (whether real, personal or mixed and whether tangible or intangible) used in or pertaining to the business of Seller, the LLCs or the LP. Neither Seller, the LLCs, the LP nor any Related Person of any of them owns, or has owned, of record or as a beneficial owner, an equity interest or any other financial or profit interest in any Person that has

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(a) had business dealings or a material financial interest in any transaction with Seller, the LLCs or the LP, other than business dealings or transactions disclosed in Schedule 3.22, each of which has been conducted in the Ordinary Course of Business with Seller, the LLCs or the LP at substantially prevailing market prices and on substantially prevailing market terms or (b) engaged in competition with Seller, the LLCs



or the LP ("Competing Business") in any market presently served by Seller, except for ownership of less than one percent (1%) of the outstanding capital stock of any Competing Business that is publicly traded on any recognized exchange or in the over-the-counter market. Except as set forth in Schedule 3.22, neither Seller, the LLCs, the LPs nor any Related Person of any of them is a party to any Contract with, or has any claim or right against, the other.

### 3.23 BROKERS OR FINDERS

Neither Seller, the LLCs, the LP nor any of their Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with the Contemplated Transactions.

### 3.24 SECURITIES LAW MATTERS

(a) Seller represents and warrants to Buyer that the shares of Buyer being acquired pursuant to this Agreement are being acquired for Seller's own account and for investment and not with a view to the public resale or distribution of such shares within the meaning of Section 2(11) of the Securities Act. Seller further acknowledges that the shares being issued have not been registered under the Securities Act and are "restricted securities" as that term is defined in Rule 144 promulgated under the Securities Act and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available.

(b) Seller confirms that Buyer has made available to Seller and its Representatives the opportunity to ask questions of the officers and management of Buyer and to acquire such additional information about the business and financial condition of Buyer as Seller has requested, and all such information has been received.

(c) Seller represents and warrants to Buyer that it is and on the Closing Date will be the record and beneficial owner and holder of the interests in each LLC and the LP, and that each of those interests is free and clear of all Encumbrances. There are no Contracts relating to the sale or transfer of any of those interests. None of the outstanding membership interests in the LLCs or the partnerships in the LP were issued in violation of the Securities Act, or any other Legal Requirement.

### 3.25 DISCLOSURE

(a) No representation or warranty or other statement made by Seller, the LLCs or the LP in this Agreement, the Disclosure Letter, any supplement to the Disclosure Letter or otherwise in connection with the Contemplated Transactions contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading.

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(b) Neither Seller, the LLCs nor the LP have Knowledge of any fact that has specific application to them (other than general economic or industry conditions) and that may materially adversely affect the assets, business, prospects, financial condition or results of operations of Seller, the LLCs, the LP or the Assets that has not been set forth in this Agreement or the Disclosure Letter.

## 4. Representations and Warranties of Buyer

Buyer represents and warrants to Seller as follows:

### 4.1 ORGANIZATION AND GOOD STANDING

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, with full corporate power and authority to conduct its business as it is now conducted.

### 4.2 AUTHORITY; NO CONFLICT

(a) This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. Upon the execution and delivery by Buyer of the Assignment and Assumption Agreement and each other agreement to be executed or delivered by Buyer at Closing (collectively, the "Buyer's Closing Documents"), each of the Buyer's Closing Documents will constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its respective terms. Buyer has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the Buyer's Closing Documents and to perform its obligations under this Agreement and the Buyer's Closing Documents, and such action has been duly authorized by all necessary corporate action.

(b) Neither the execution and delivery of this Agreement by Buyer nor the consummation or performance of any of the Contemplated Transactions by Buyer will give any Person the right to prevent, delay or otherwise interfere with any of the Contemplated Transactions pursuant to:

- (i) any provision of Buyer's Governing Documents;
- (ii) any resolution adopted by the board of directors or the shareholders of Buyer;
- (iii) any Legal Requirement or Order to which Buyer may be subject; or
- (iv) any Contract to which Buyer is a party or by which Buyer may be bound.

Prior to execution of this Agreement, Buyer will obtain any necessary Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

#### 4.3 LEGAL PROCEEDINGS

There is no pending Proceeding that has been commenced against Buyer and that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions. To Buyer's Knowledge, no such Proceeding has been threatened.

#### 4.4 BROKERS OR FINDERS

Neither Buyer nor any of its Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Contemplated Transactions.

### 5. Covenants of Seller Prior to Closing

#### 5.1 ACCESS AND INVESTIGATION

Between the date of this Agreement and the Closing Date, and upon reasonable advance notice received from Buyer, Seller shall (a) afford Buyer and its Representatives (collectively, "Buyer Group") full and free access, during regular business hours, to the personnel, properties (including subsurface testing), Contracts, Governmental Authorizations, books and Records and other documents and data of Seller, the LLCs and the LP, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Seller; (b) furnish Buyer Group with copies of all such Contracts, Governmental Authorizations, books and Records and other existing documents and data as Buyer may reasonably request; (c) furnish Buyer Group with such additional financial, operating and other relevant data and information as Buyer may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Buyer, with Buyer's investigation of the properties, Assets and financial condition related to Seller, the LLCs and the LP. In addition, Buyer shall have the right to have the Real Property and Tangible Personal Property of the LLCs and the LP, as well as those of the Katella Commercial Center and the T-Rex Plaza inspected by Buyer Group, at Buyer's sole cost

and expense, for purposes of determining the physical condition and legal characteristics of the aforementioned Real Property and Tangible Personal Property. In the event subsurface or other destructive testing is recommended by any of Buyer Group, Buyer shall be permitted to have the same performed.

#### 5.2 OPERATION OF THE BUSINESS OF SELLER, THE LIMITED LIABILITY COMPANIES AND THE LIMITED PARTNERSHIP

Between the date of this Agreement and the Closing, Seller, the LLCs and the LP shall:

- (a) conduct their business only in the Ordinary Course of Business;
- (b) except as otherwise directed by Buyer in writing, and without making any commitment on Buyer's behalf, use their Best Efforts to preserve intact their current business organization, keep available the services of their managing members or general partner and agents and maintain their relations and good will with tenants, landlords, creditors, employees, agents and others having business relationships with it;

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- (c) confer with Buyer prior to implementing operational decisions of a material nature;
- (d) otherwise report periodically to Buyer concerning the status of their business, operations and finances;
- (e) make no material changes in management personnel without prior consultation with Buyer;
- (f) maintain the Assets in a state of repair and condition that complies with Legal Requirements and is consistent with the requirements and normal conduct of business;
- (g) keep in full force and effect, without amendment, all material rights relating to their businesses;
- (h) comply with all Legal Requirements and contractual obligations applicable to the operations of their businesses;
- (i) continue in full force and effect the insurance coverage under the policies set forth in Schedule 3.19 or substantially equivalent policies;
- (j) cooperate with Buyer and assist Buyer in identifying the Governmental Authorizations required by Buyer to operate its business from and after the Closing Date and either transferring existing Governmental Authorizations of Seller, the LLCs or the LP to Buyer, where permissible, or obtaining new Governmental Authorizations for Buyer;
- (k) upon request from time to time, execute and deliver all documents, make all truthful oaths, testify in any Proceedings and do all other acts that may be reasonably necessary or desirable in the opinion of Buyer to consummate the Contemplated Transactions, all without further consideration; and
- (l) maintain all books and Records of Seller, the LLCs and the LP relating to their business in the Ordinary Course of Business.

#### 5.3 NEGATIVE COVENANT

Except as otherwise expressly permitted herein, between the date of this Agreement and the Closing Date, Seller shall not, without the prior written Consent of Buyer, (a) take any affirmative action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in Sections 3.14 or 3.17 would be likely to occur; (b) make any modification to any material Contract or Governmental Authorization; or (c) enter into any compromise or settlement of any litigation, proceeding or governmental investigation relating to the Assets, the business of Seller, the LLCs, the LP or the Assumed Liabilities.

#### 5.4 REQUIRED APPROVALS

As promptly as practicable after the date of this Agreement, Seller, the LLCs and the LP shall make all filings required by Legal Requirements to be made by them in order to consummate the Contemplated Transactions. Seller, the LLCs and the LP also shall cooperate with Buyer and its Representatives with respect to all filings that Buyer elects to make or, pursuant to Legal Requirements, shall be required to make in connection with the Contemplated Transactions. Seller, the LLCs and the LP also shall

cooperate with Buyer and its Representatives in obtaining all Material Consents.

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#### 5.5 NOTIFICATION

Between the date of this Agreement and the Closing, Seller, the LLCs or the LP shall promptly notify Buyer in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a Breach of any of Seller's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Seller's discovery of, such fact or condition. During the same period, Seller, the LLCs and the LP also shall promptly notify Buyer of the occurrence of any Breach of any covenant of Seller, the LLCs or the LP in this Article 5 or of the occurrence of any event that may make the satisfaction of the conditions in Article 7 impossible or unlikely.

#### 5.6 NO NEGOTIATION

Until such time as this Agreement shall be terminated pursuant to Section 9.1, Seller shall not directly or indirectly solicit, initiate, encourage or entertain any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to or consider the merits of any inquiries or proposals from any Person (other than Buyer) relating to any business combination transaction involving Seller, including the sale of Assets by Seller (other than in the Ordinary Course of Business). Seller shall notify Buyer of any such inquiry or proposal within twenty-four (24) hours of receipt or awareness of the same by Seller.

#### 5.7 BEST EFFORTS

Seller shall use its Best Efforts to cause the conditions in Article 7 and Section 8.3 to be satisfied.

#### 5.8 CURRENT EVIDENCE OF TITLE

(a) As soon as is reasonably possible, and in no event later than \_\_\_\_\_ (\_\_) Business Days after the date of this Agreement, Seller shall furnish to Buyer, at Seller's expense, for each parcel, tract or subdivided land lot of Real Property or Ground Lease Property associated with the Katella Commercial Center and the T-Rex Plaza:

(i) from \_\_\_\_\_ (the "Title Insurer"):

(A) title commitments issued by the Title Insurer to insure title to all Land, Improvements, insurable Appurtenances, if any, and Ground Lease Property in the amount of that portion of the Purchase Price allocated to the Real Property, covering the Real Property, naming Buyer as the proposed insured and having an effective date after the date of this Agreement, wherein the Title Insurer shall agree to issue an ALTA 1992 form owner's policy of title insurance (each a "Title Commitment"); and

(B) complete and legible copies of all recorded documents listed as Schedule B-1 matters to be terminated or satisfied in order to issue the policy described in the Title Commitment or as special Schedule B-2 exceptions thereunder (the "Recorded Documents"); and

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(ii) a survey of the Real Property made after the date of this Agreement by a land surveyor licensed by the state in which the Facility is located and bearing a certificate, signed and sealed by the surveyor, certifying to Buyer and the Title Insurer that:

(A) such survey was made (1) in accordance with "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys," jointly established and adopted by ALTA and ACSM in 1992, and includes

Items 1-4, 6, 7(a), 7(b)(1), 7(c), 8-11 and 13 of Table A thereof, and (2) pursuant to the Accuracy Standards (as adopted by ALTA and ACSM and in effect on the date of said certificate) of an "Urban" survey; and

(B) such survey reflects the locations of all building lines, easements and areas affected by any Recorded Documents affecting such Real Property as disclosed in the Title Commitment (identified by issuer, commitment number, and an effective date after the date hereof) as well as any encroachments onto the Real Property or by the Improvements onto any easement area or adjoining property (each a "Survey"); and

(iii) complete and current searches in the name of Seller and other appropriate parties of all Uniform Commercial Code Financing Statements records maintained by the Secretary of State of the state in which Seller is incorporated, the state in which Seller maintains its principal place of business, each state in which a Facility is located, each jurisdiction in which a filing would be required in order to perfect a security interest in the Assets, the clerk or recorder of deeds (or other governmental office where real property documents are filed for recording) of each county in which any Facility is located and wherever else Seller or Buyer, based upon its investigation, is aware that a Uniform Commercial Code Financing Statement has been filed, together with such releases, termination statements and other documents as may be necessary to provide reasonable evidence that all items of Intangible Personal Property, Tangible Personal Property and fixtures to be sold under this Agreement are free and clear of Encumbrances, other than as permitted under this Agreement.

(b) Each Title Commitment shall include the Title Insurer's requirements for issuing its title policy, which requirements shall be met by Seller on or before the Closing Date (including those requirements that must be met by releasing or satisfying monetary Encumbrances, but excluding Encumbrances that will remain after Closing and those requirements that are to be met solely by Buyer).

(c) If any of the following shall occur (collectively, a "Title Objection"):

(i) any Title Commitment or other evidence of title or search of the appropriate real estate records discloses that any party other than Seller has title to the insured estate covered by the Title Commitment;

(ii) any title exception is disclosed in Schedule B to any Title Commitment that is not one of the Permitted Real Estate Encumbrances or one that Seller specifies when delivering the Title Commitment to Buyer as one that Seller will cause to be deleted from the Title Commitment concurrently with the Closing, including (A) any exceptions that pertain to Encumbrances securing any loans that do not constitute an Assumed Liability and (B) any exceptions that Buyer reasonably believes could materially and adversely affect Buyer's use and enjoyment of the Real Property described therein; or

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(iii) any Survey discloses any matter that Buyer reasonably believes could materially and adversely affect Buyer's use and enjoyment of the Real Property described therein;

then Buyer shall notify Seller in writing ("Buyer's Notice") of such matters within ten (10) business days after receiving all of the Title Commitment, Survey and copies of Recorded Documents for the Facility covered thereby.

(d) Seller shall use its Best Efforts to cure each Title Objection and take all steps required by the Title Insurer to eliminate each Title Objection as an exception to the Title Commitment. Any Title Objection that the Title Company is willing to insure over on terms acceptable to Seller and Buyer is herein referred to as an "Insured Exception." The Insured Exceptions, together with any title exception or matters disclosed by the Survey not objected to by Buyer in the manner aforesaid shall be

deemed to be acceptable to Buyer.

(e) Nothing herein waives Buyer's right to claim a breach of Section 3.9(a) or to claim a right to indemnification as provided in Section 11.2 if Buyer suffers Damages as a result of a misrepresentation with respect to the condition of title to the Real Property.

## 6. Covenants of Buyer Prior to Closing

### 6.1 REQUIRED APPROVALS

As promptly as practicable after the date of this Agreement, Buyer shall make, or cause to be made, all filings required by Legal Requirements to be made by it to consummate the Contemplated Transactions. Buyer also shall cooperate, and cause its Related Persons to cooperate, with Seller (a) with respect to all filings Seller, the LLCs or the LP shall be required by Legal Requirements to make and (b) in obtaining all Consents identified in Schedule 3.2(c), provided, however, that Buyer shall not be required to dispose of or make any change to its business, expend any material funds or incur any other burden in order to comply with this Section 6.1.

### 6.2 BEST EFFORTS

Buyer shall use its Best Efforts to cause the conditions in Article 8 and Section 7.3 to be satisfied.

## 7. Conditions Precedent to Buyer's Obligation to Close

Buyer's obligation to purchase the Assets and to take the other actions required to be taken by Buyer at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Buyer, in whole or in part):

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### 7.1 ACCURACY OF REPRESENTATIONS

(a) All of representations and warranties of Seller the LLCs and the LP contained in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the time of the Closing.

(b) Each of the representations and warranties in Sections 3.2(a) and 3.3, and each of the representations and warranties in this Agreement that contains an express materiality qualification, shall have been accurate in all respects as of the date of this Agreement, and shall be accurate in all respects as of the time of the Closing.

### 7.2 SELLER'S PERFORMANCE

All of the covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been duly performed and complied with in all material respects.

### 7.3 CONSENTS

Each of the Consents identified in Schedule 7.3 (the "Material Consents") shall have been obtained and shall be in full force and effect.

### 7.4 ADDITIONAL DOCUMENTS

Seller shall have caused the documents and instruments required by Section 2.6(a) and the following documents to be delivered (or tendered subject only to Closing) to Buyer:

(a) The articles of incorporation and all amendments thereto of the Articles of Incorporation of Seller, the Articles of Organization and all amendments thereto of the LLCs, and the Partnership Agreement of the LP.

(b) A statement from the holder of each note and mortgage listed on Schedule 2.4(a)(iii), if any, dated the Closing Date, setting forth the principal amount then outstanding on the indebtedness represented by such note or secured by such mortgage, the interest rate thereon and a statement to the effect that Seller, the LLCs or the LP as obligor under such note or mortgage, is not in default under any of the provisions thereof;

(c) Releases of all Encumbrances on the Assets, other than Permitted Encumbrances, including releases of each mortgage of record and reconveyances of each deed of trust with respect to each parcel of real property included in the Assets; and

(d) Such other documents as Buyer may reasonably request for the purpose of:

(i) evidencing the accuracy of any of Seller's representations and warranties;

(ii) evidencing the performance by Seller of, or the compliance by Seller with, any covenant or obligation required to be performed or complied with by Seller, the LLCs or the LP;

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(iii) evidencing the satisfaction of any condition referred to in this Article 7; or

(iv) otherwise facilitating the consummation or performance of any of the Contemplated Transactions.

#### 7.5 NO PROCEEDINGS

Since the date of this Agreement, there shall not have been commenced or threatened against Buyer, or against any Related Person of Buyer, any Proceeding (a) involving any challenge to, or seeking Damages or other relief in connection with, any of the Contemplated Transactions or (b) that may have the effect of preventing, delaying, making illegal, imposing limitations or conditions on or otherwise interfering with any of the Contemplated Transactions.

#### 7.6 NO CONFLICT

Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time), contravene or conflict with or result in a violation of or cause Buyer or any Related Person of Buyer to suffer any adverse consequence under (a) any applicable Legal Requirement or Order or (b) any Legal Requirement or Order that has been published, introduced or otherwise proposed by or before any Governmental Body.

#### 7.7 TITLE INSURANCE

Buyer shall have received unconditional and binding commitments to issue policies of title insurance consistent with Section 5.8, dated the Closing Date, in an aggregate amount equal to the amount of the Purchase Price allocated to the Real Property, deleting all requirements listed in ALTA Schedule B-1, amending the effective date to the date and time of recordation of the deed transferring title to the Real Property to Buyer with no exception for the gap between closing and recordation, deleting or insuring over Title Objections as required pursuant to Section 5.8, attaching all endorsements required by Buyer in order to ensure provision of all coverage required pursuant to Section 5.8 and otherwise in form satisfactory to Buyer insuring Buyer's interest in each parcel of Real Property or interest therein to the extent required by Section 5.8.

#### 7.8 GOVERNMENTAL AUTHORIZATIONS

Buyer shall have received such Governmental Authorizations as are necessary or desirable to allow Buyer to operate the Assets from and after the Closing.

#### 7.9 ENVIRONMENTAL REPORT

Buyer shall have received an environmental site assessment report with respect to the Facilities of Seller, the LLCs and the LP, which report shall be acceptable in form and substance to Buyer in its sole discretion.

#### 7.10 ANCILLARY AGREEMENTS

The relevant Persons shall have entered into ancillary agreements in form and substance as set forth in Schedule 7.10 hereto.

#### 8. Conditions Precedent to Seller's Obligation to Close

Seller's obligation to sell the Assets and to take the other actions required to be taken by it at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller in whole or in part):

##### 8.1 ACCURACY OF REPRESENTATIONS

All of Buyer's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the time of the Closing as if then made.

##### 8.2 BUYER'S PERFORMANCE

All of the covenants and obligations that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been performed and complied with in all material respects.

##### 8.3 CONSENTS

Each of the Consents identified in Schedule 8.3 shall have been obtained and shall be in full force and effect.

##### 8.4 ADDITIONAL DOCUMENTS

Buyer shall have caused the documents and instruments required by Section 2.6(b) and the following documents to be delivered (or tendered subject only to Closing) to Seller:

(a) such documents as Seller may reasonably request for the purpose of

(i) evidencing the accuracy of any representation or warranty of Buyer,

(ii) evidencing the performance by Buyer of, or the compliance by Buyer with, any covenant or obligation required to be performed or complied with by Buyer; or

(iii) evidencing the satisfaction of any condition referred to in this Article 8.

##### 8.5 NO INJUNCTION

There shall not be in effect any Legal Requirement or any injunction or other Order that (a) prohibits the consummation of the Contemplated Transactions and (b) has been adopted or issued, or has otherwise become effective, since the date of this Agreement.

#### 9. Termination

##### 9.1 TERMINATION EVENTS

By notice given prior to or at the Closing, subject to Section 9.2, this Agreement may be terminated as follows:

(a) by Buyer if a material Breach of any provision of this Agreement has been committed by Seller or Shareholders and such Breach has not been waived by Buyer;



(b) by Seller if a material Breach of any provision of this Agreement has been committed by Buyer and such Breach has not been waived by Seller;

(c) by Buyer if any condition in Article 7 has not been satisfied as of the date specified for Closing in the first sentence of Section 2.5 or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement), and Buyer has not waived such condition on or before such date;

(d) by Seller if any condition in Article 8 has not been satisfied as of the date specified for Closing in the first sentence of Section 2.5 or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of Seller or the Shareholders to comply with their obligations under this Agreement), and Seller has not waived such condition on or before such date; or

(e) by mutual consent of Buyer and Seller;

## 9.2 EFFECT OF TERMINATION

Each party's right of termination under Section 9.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 9.1, all obligations of the parties under this Agreement will terminate, except that the obligations of the parties in this Section 9.2 and Article 12 (except for those in Section 12.5) will survive, provided, however, that, if this Agreement is terminated because of a Breach of this Agreement by the nonterminating party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

## 10. Additional Covenants

### 10.1 REMOVING EXCLUDED ASSETS

On or before the Closing Date, Seller shall remove all Excluded Assets from all Facilities and other Real Property to be occupied by Buyer. Such removal shall be done in such manner as to avoid any damage to the Facilities and other properties to be occupied by Buyer and any disruption of the business operations to be conducted by Buyer after the Closing. Any damage to the Assets or to the Facilities resulting from such removal shall be paid by Seller at the Closing. Should Seller fail to remove the Excluded Assets as required by this Section, Buyer shall have the right, but not the obligation, (a) to remove the Excluded Assets at Seller's sole cost and expense; (b) to store the Excluded Assets and to charge Seller all storage costs associated therewith; (c) to treat the Excluded Assets as unclaimed and to proceed to dispose of the same under the laws governing unclaimed property; or (d) to exercise any other right or remedy conferred by this Agreement or otherwise available at law or in equity. Seller shall promptly reimburse Buyer for all costs and expenses incurred by Buyer in connection with any Excluded Assets not removed by Seller on or before the Closing Date.

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### 10.2 REPORTS AND RETURNS

Seller shall promptly after the Closing prepare and file all reports and returns required by Legal Requirements relating to the business of the Seller, LLCs and the LP as conducted using the Assets, to and including the Effective Time.

### 10.3 ASSISTANCE IN PROCEEDINGS

Seller will cooperate with Buyer and its counsel in the contest or defense of, and make available its personnel and provide any testimony and access to its books and Records in connection with, any Proceeding involving or relating to (a) any Contemplated Transaction or (b) any action, activity, circumstance, condition, conduct, event, fact, failure to act, incident, occurrence, plan, practice, situation, status or transaction on or before the Closing Date involving Seller, the LLCs, the LP or their businesses or the Assets.

#### 10.4 CUSTOMER AND OTHER BUSINESS RELATIONSHIPS

After the Closing, Seller will cooperate with Buyer in its efforts to continue and maintain for the benefit of Buyer those business relationships of Seller existing prior to the Closing and relating to the business to be operated by Buyer after the Closing, including relationships with lessees, lessors, regulatory authorities, customers, suppliers and others, and Seller will satisfy the Retained Liabilities in a manner that is not detrimental to any of such relationships. Seller will refer to Buyer all inquiries relating to such business. Neither Seller nor any of its officers, employees, agents or shareholders shall take any action that would tend to diminish the value of the Assets after the Closing or that would interfere with the business of Buyer to be engaged in after the Closing, including disparaging the name or business of Buyer.

#### 10.5 RETENTION OF AND ACCESS TO RECORDS

After the Closing Date, Buyer shall retain for a period consistent with Buyer's record-retention policies and practices those Records of Seller delivered to Buyer. Buyer also shall provide Seller, the LLCs, the LP, and their Representatives reasonable access thereto, during normal business hours and on at least three days' prior written notice, to enable them to prepare financial statements or tax returns or deal with tax audits. After the Closing Date, Seller shall provide Buyer and its Representatives reasonable access to Records that are Excluded Assets, during normal business hours and on at least three days' prior written notice, for any reasonable business purpose specified by Buyer in such notice.

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#### 10.6 FURTHER ASSURANCES

Subject to the proviso in Section 6.1, the Parties shall cooperate reasonably with each other and with their respective Representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the Contemplated Transactions.

### 11. Indemnification; Remedies

#### 11.1 SURVIVAL

All representations, warranties, covenants and obligations in this Agreement, the certificates delivered pursuant to Section 2.6 and any other certificate or document delivered pursuant to this Agreement shall survive the Closing and the consummation of the Contemplated Transactions, subject to Section 11.7. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations.

#### 11.2 INDEMNIFICATION AND REIMBURSEMENT BY SELLER

Seller will indemnify and hold harmless Buyer, and its Representatives, shareholders, attorneys, and Related Persons (collectively, the "Buyer Indemnified Persons"), and will reimburse the Buyer Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees and expenses) or diminution of value, whether or not involving a

Third-Party Claim (collectively, "Damages"), arising from or in connection with:

(a) any Breach of any representation or warranty made by Seller, the LLCs of the LP in (i) this Agreement to the Disclosure Letter, (iv) the certificates delivered pursuant to Section 2.6 (for this purpose, each such certificate will be deemed to have stated that the representations and warranties of Seller, the LLCs and the LP contained in this Agreement fulfill the requirements of Section 7.1 as of the Closing Date, unless the certificate expressly states that the matters disclosed in a supplement have caused a condition specified in Section 7.1 not to be satisfied), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Seller or either Shareholder pursuant to this Agreement;

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(b) any Breach of any covenant or obligation of Seller, the LLCs or the LP in this Agreement or in any other certificate, document, writing or instrument delivered by Seller pursuant to this Agreement;

(c) any Liability arising out of the ownership or operation of the Assets prior to the Effective Time other than the Assumed Liabilities;

(d) any brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any Person with Seller, the LLCs or the LP (or any Person acting on their behalf) in connection with any of the Contemplated Transactions;

(e) any Liability arising out of the ownership or operation of the Assets after the Effective Time other than the Retained Liabilities; or

(f) any Retained Liabilities.

#### 11.3 INDEMNIFICATION AND REIMBURSEMENT BY SELLER ENVIRONMENTAL MATTERS

In addition to the other indemnification provisions in this Article 11, Seller will indemnify and hold harmless Buyer and the other Buyer Indemnified Persons, and will reimburse Buyer and the other Buyer Indemnified Persons, for any Damages (including costs of cleanup, containment or other remediation) arising from or in connection with:

(a) any Environmental, Health and Safety Liabilities arising out of or relating to: (i) the ownership or operation by any Person at any time on or prior to the Closing Date of any of the Facilities, Assets or the business of Seller, the LLCs or the LP or (ii) any Hazardous Materials or other contaminants that were present on the Facilities or Assets at any time on or prior to the Closing Date; or

(b) any bodily injury (including illness, disability and death, regardless of when any such bodily injury occurred, was incurred or manifested itself), personal injury, property damage (including trespass, nuisance, wrongful eviction and deprivation of the use of real property) or other damage of or to any Person or any Assets in any way arising from or allegedly arising from any Hazardous Activity conducted by any Person with respect to the business of Seller, the LLCs, the LP or the Assets prior to the Closing Date or from any Hazardous Material that was (i) present or suspected to be present on or before the Closing Date on or at the Facilities (or present or suspected to be present on any other property, if such Hazardous Material emanated or allegedly emanated from any Facility and was present or suspected to be present on any Facility, on or prior to the Closing Date) or (ii) Released or allegedly Released by any Person on or at any Facilities or Assets at any time on or prior to the Closing Date.

Buyer will be entitled to control any Remedial Action, any Proceeding relating to an Environmental Claim and, except as provided in the following sentence, any other Proceeding with respect to which indemnity may be sought under this Section 11.3. The procedure described in Section 11.8 will apply to any claim solely for monetary damages relating to a matter covered by this Section 11.3.

## 11.4 INDEMNIFICATION AND REIMBURSEMENT BY BUYER

Buyer will indemnify and hold harmless Seller, and will reimburse Seller, for any Damages arising from or in connection with:

- (a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;
- (b) any Breach of any covenant or obligation of Buyer in this Agreement or in any other certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;
- (c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Buyer (or any Person acting on Buyer's behalf) in connection with any of the Contemplated Transactions; or
- (d) any Assumed Liabilities.

## 11.5 LIMITATIONS ON AMOUNT--SELLER

Seller shall have no liability (for indemnification or otherwise) with respect to claims under Section 11.2(a) until the total of all Damages with respect to such matters exceeds Five Thousand Dollars (\$5,000) and then only for the amount by which such Damages exceed Five Thousand Dollars (\$5,000). However, this Section 11.5 will not apply to claims under Section 11.2(b) through (f) or to matters arising in respect of Sections 3.9, 3.13, 3.20, 3.22, 3.23 or 3.24 or to any Breach of any of the representations and warranties of Seller, the LLCs or the LP of which the Seller had Knowledge at any time prior to the date on which such representation and warranty is made or any intentional Breach by Seller of any covenant or obligation, and Seller will be jointly and severally liable for all Damages with respect to such Breaches.

## 11.6 LIMITATIONS ON AMOUNT--BUYER

Buyer will have no liability (for indemnification or otherwise) with respect to claims under Section 11.4(a) until the total of all Damages with respect to such matters exceeds Five Thousand Dollars (\$5,000) and then only for the amount by which such Damages exceed Five Thousand Dollars (\$5,000). However, this Section 11.6 will not apply to claims under Section 11.4(b) through (d) or matters arising in respect of Section 4.4 or to any Breach of any of Buyer's representations and warranties of which Buyer had Knowledge at any time prior to the date on which such representation and warranty is made or any intentional Breach by Buyer of any covenant or obligation, and Buyer will be liable for all Damages with respect to such Breaches.

## 11.7 TIME LIMITATIONS

(a) If the Closing occurs, Seller will have liability (for indemnification or otherwise) with respect to any Breach of (i) a covenant or obligation to be performed or complied with prior to the Closing Date (other than those in Sections 2.1 and 2.4(c) and Article 10, as to which a claim may be made at any time) or (ii) a representation or warranty (other than those in Sections 3.9, 3.13, 3.20, 3.22, 3.23 and 3.24, as to which a claim may be made at any time), only if on or before the expiration of the applicable statute of limitations for the action, taking into account any applicable tolling provisions, Buyer notifies Seller of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by Buyer.

(b) If the Closing occurs, Buyer will have liability (for indemnification or otherwise) with respect to any Breach of (i) a covenant or obligation to be performed or complied with prior to the Closing Date or

(ii) a representation or warranty (other than that set forth in Section 4.4, as to which a claim may be made at any time), only if on or before the expiration of the applicable statute of limitations for the action, taking into account any applicable tolling provisions, Seller notifies Buyer of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by Seller.

#### 11.8 THIRD-PARTY CLAIMS

(a) Promptly after receipt by a Person entitled to indemnity under Section 11.2, 11.3 (to the extent provided in the last sentence of Section 11.3) or 11.4 (an "Indemnified Person") of notice of the assertion of a Third-Party Claim against it, such Indemnified Person shall give notice to the Person obligated to indemnify under such Section (an "Indemnifying Person") of the assertion of such Third-Party Claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such Third-Party Claim is prejudiced by the Indemnified Person's failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 11.8(a) of the assertion of a Third-Party Claim, the Indemnifying Person shall be entitled to Participate in the defense of such Third-Party Claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the Third-Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such Third-Party Claim and provide indemnification with respect to such Third-Party Claim), to assume the defense of such Third-Party Claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Article 11 for any fees of other counsel or any other expenses with respect to the defense of such Third-Party Claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such Third-Party Claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a Third-Party Claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that

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Third-Party Claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such Third-Party Claims may be effected by the Indemnifying Person without the Indemnified Person's Consent unless (A) there is no finding or admission of any violation of Legal Requirement or any violation of the rights of any Person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such Third-Party Claims effected without its Consent. If notice is given to an Indemnifying Person of the assertion of any Third-Party Claim and the Indemnifying Person does not, within ten (10) days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person will be bound by any determination made in such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a Third-Party Claim may adversely affect it or its Related Persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle such Third-Party Claim, but the Indemnifying Person will not be bound by any determination of any Third-Party Claim so defended for the purposes of this Agreement or any compromise or settlement effected without its Consent (which may not be unreasonably withheld).

(d) Notwithstanding the provisions of Section 13.4, Seller hereby

consents to the nonexclusive jurisdiction of any court in which a Proceeding in respect of a Third-Party Claim is brought against any Buyer Indemnified Person for purposes of any claim that a Buyer Indemnified Person may have under this Agreement with respect to such Proceeding or the matters alleged therein and agree that process may be served on Seller with respect to such a claim anywhere in the world.

(e) With respect to any Third-Party Claim subject to indemnification under this Article 11: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other Person fully informed of the status of such Third-Party Claim and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

(f) With respect to any Third-Party Claim subject to indemnification under this Article 11, the Parties agree to cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all Confidential Information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its Best Efforts, in respect of any Third-Party Claim in which it has assumed or participated in the defense, to avoid production of Confidential Information (consistent with applicable law and rules of procedure), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any Third-Party Claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

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#### 11.9 OTHER CLAIMS

A claim for indemnification for any matter not involving a Third-Party Claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice.

#### 11.10 INDEMNIFICATION IN CASE OF STRICT LIABILITY OR INDEMNITEE NEGLIGENCE

THE INDEMNIFICATION PROVISIONS IN THIS ARTICLE 11 SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED UPON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW OR SECURITIES OR OTHER LEGAL REQUIREMENT) AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED UPON THE PERSON SEEKING INDEMNIFICATION.

### 12. General Provisions

#### 12.1 EXPENSES

Except as otherwise provided in this Agreement, each party to this Agreement will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expense of its Representatives. Seller will pay all amounts payable to the Title Insurer in respect of the Title Commitments, copies of exceptions and the Title Policy, including premiums (including premiums for endorsements) and search fees. If this Agreement is terminated, the obligation of each party to pay its own fees and expenses will be subject to any rights of such party arising from a Breach of this Agreement by another party.

#### 12.2 PUBLIC ANNOUNCEMENTS

Any public announcement, press release or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Buyer determines. Except with the prior consent of Buyer or as permitted by this Agreement, neither

Seller, the LLCs, the LP nor any of their Representatives shall disclose to any Person (a) any information about the Contemplated Transactions, including the status of such discussions or negotiations, the execution of any documents (including this Agreement) or any of the terms of the Contemplated Transactions or the related documents (including this Agreement). Seller and Buyer will consult with each other concerning the means by which Persons having dealings with Seller will be informed of the Contemplated Transactions, and Buyer will have the right to be present for any such communication.

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### 12.3 NOTICES

All notices, Consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, e-mail address or person as a party may designate by notice to the other parties):

Seller: SDIC

\_\_\_\_\_  
Attention: Mr. Trolf

\_\_\_\_\_  
Fax no.: (603) 507-8250

\_\_\_\_\_  
E-mail address: seashoresd@aol.com  
\_\_\_\_\_

Buyer: SDI. Ltd.

\_\_\_\_\_  
Attention: C. Strand

\_\_\_\_\_  
Fax no.: (949) 851-1688

\_\_\_\_\_  
E-mail address:  
\_\_\_\_\_

### 12.4 JURISDICTION; SERVICE OF PROCESS

Any Proceeding arising out of or relating to this Agreement or any Contemplated Transaction may be brought in the courts of the State of California, or, if it has or can acquire jurisdiction, in the United States District Court for the Central District of California, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the Proceeding shall be heard and determined only in any such court and agrees not to bring any Proceeding arising out of or relating to this Agreement or any Contemplated Transaction in any other court. The parties agree that either or both of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any Proceeding referred to in the first sentence of this section may be served on any party anywhere in the world.

### 12.5 ENFORCEMENT OF AGREEMENT

Seller acknowledges and agrees that Buyer would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any Breach of this Agreement by Seller, the LLCs or then LP could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which Buyer may be entitled, at law or in equity, it shall be

entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent Breaches or threatened Breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

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#### 12.6 WAIVER; REMEDIES CUMULATIVE

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

#### 12.7 ENTIRE AGREEMENT AND MODIFICATION

This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter (including any letter of intent and any confidentiality agreement between Buyer and Seller) and constitutes (along with the Exhibits and other documents delivered pursuant to this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by the party to be charged with the amendment.

#### 12.8 ASSIGNMENTS, SUCCESSORS AND NO THIRD-PARTY RIGHTS

No party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other parties, except that Buyer may assign any of its rights and delegate any of its obligations under this Agreement to any Subsidiary of Buyer. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 12.8.

#### 12.9 SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

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#### 12.10 CONSTRUCTION

The headings of Articles and Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Articles," "Sections," "Schedules" and "Exhibits" refer to the corresponding Articles, Sections, Schedules and Exhibits of this Agreement.

#### 12.11 TIME OF ESSENCE



With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

12.12 GOVERNING LAW

This Agreement will be governed by and construed under the laws of the State of California without regard to conflicts-of-laws principles that would require the application of any other law.

12.13 EXECUTION OF AGREEMENT

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

<Table>

<Caption>

"Buyer"	"Seller"	
Secured Diversified Investment, Ltd. <S>	Seashore Diversified Investment Company <C>	

By: /s/ Clifford L. Strand ----- Clifford L. Strand, President	By: /s/ Sherwood Bohart ----- Sherwood Bohart, Director	
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</Table>

"LP"

Seascrest Hospitality, L.P.

By: /s/ Sherwood Bohart  
\_\_\_\_\_  
Seashore Diversified Investment Company, General Partner

"LLCs"

Spencer Springs, LLC

By: /s/ William Biddle  
\_\_\_\_\_  
William Biddle, Managing Member

Decatur Center, LLC

By: /s/ William Biddle

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William Biddle, Managing Member

EXHIBIT 99.1

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Transition Report of Secured Diversified Investment, Ltd., on Form 10-KSB for the transition period from November 1, 2002 to December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Clifford L. Strand, Chief Executive Officer and Munjit Johal Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: April 15, 2003

/S/ Clifford L. Strand

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Clifford L. Strand, Chief Executive Officer

Date: April 15, 2003

/S/ Munjit Johal

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Munjit Johal, Chief Financial Officer