

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 10-QSB**

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2005

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period to \_\_\_\_\_

Commission File Number: 000-30653

**Secured Diversified Investment, Ltd.**

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

80-0068489

(IRS Employer Identification No.)

5030 Campus Drive, Newport Beach, California, 92660

(Address of principal executive offices)

(949) 851-1069

(Issuer's telephone number)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days  Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 15,627,139 shares of Common Stock as of September 30, 2005.

Transitional Small Business Disclosure Format (check one): Yes  No

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

The Company's unaudited consolidated financial statements included in this Form 10-QSB are as follows:

- (a) [Unaudited Consolidated Balance Sheet as of September 30, 2005.](#) [F-1](#)
- (b) [Unaudited Consolidated Statements of Operations for the three and nine month periods ended September 30, 2005 and 2004;](#) [F-2](#)
- (c) [Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2005 and 2004; and](#) [F-3](#)
- (d) [Notes to Unaudited Consolidated Financial Statements](#) [F-5](#)

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-QSB. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2005 are not necessarily indicative of the results that can be expected for the full year.

**SECURED DIVERSIFIED INVESTMENT, LTD.****Consolidated Balance Sheet****September 30, 2005**

(Unaudited)

**ASSETS**

Properties, net of accumulated depreciation of \$114,128	\$	1,875,342
Equipment, net of accumulated depreciation of \$5,038		812
Cash and cash equivalents		11,745
Note Receivable		47,500
Restricted cash		70,708
Prepaid and other assets		28,487
<b>Total Assets</b>	\$	<u>2,034,594</u>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

Mortgages Payable	\$	1,391,346
Mortgages Payable, related parties		273,630
Notes Payable, related parties		165,763
Interest Payable		50,220
Accounts Payable, accrued expenses and other liabilities		687,697
<b>Total Liabilities</b>		<u>2,568,655</u>

Minority Interest		115,053
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**STOCKHOLDERS' DEFICIT**

Series A Preferred Stock, 7,500,000 shares authorized, \$0.01 par value, 7,078,350 issued & outstanding		71,097
Series B Preferred Stock, 20,000,000 shares authorized, \$0.01 par value, 6,000,340 issued & outstanding		1,609
Series C Preferred Stock, 22,500,000 shares authorized, \$0.01 par value, 250,000 shares issued & outstanding		2,500
Common Stock, 100,000,000 shares authorized, \$0.001 par value, 15,627,139 issued and outstanding		15,218
Unissued Shares		192,500
Paid In Capital		8,574,351
Accumulated Deficit		<u>(9,506,389)</u>
		<u>(649,114)</u>
<b>Total Liabilities &amp; Stockholders' Deficit</b>	\$	<u>2,034,594</u>

see accompanying footnotes

**SECURED DIVERSIFIED INVESTMENT, LTD**  
**Consolidated Statements of Operations**  
(Unaudited)

	<b>Three Month Periods</b>		<b>Nine Month Periods ended</b>	
	<b>Ended</b>		<b>September 30</b>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>REVENUES</b>				
Rental Income	\$ 146,593	\$ 234,709	\$ 430,244	\$ 707,286
<b>OPERATING EXPENSES</b>				
General and Administrative Expenses	<u>668,152</u>	<u>589,205</u>	<u>2,091,217</u>	<u>2,336,535</u>
Operating Loss	(521,559)	(354,496)	(1,660,973)	(1,629,249)
Other Income and (Losses)				
Gain (Loss) on Equity Investment	5,839	(8,050)	42,043	(12,339)
Interest Expense	(48,706)	(78,418)	(156,119)	(238,926)
Interest Income	538	1,016	27,840	8,562
Minority Interest	10,095	(11,890)	32,977	(14,876)
Impairment of real estate investment	-	(27,039)	-	(27,039)
Other	<u>(7,907)</u>	<u>12,524</u>	<u>653,885</u>	<u>(8,735)</u>
Total Other Income and Losses	<u>(40,141)</u>	<u>(111,857)</u>	<u>600,626</u>	<u>(293,353)</u>
Net Income (Loss) from continuing operations	(561,700)	(466,353)	(1,060,348)	(1,922,602)
Discontinued Operations:				
Gain (Loss) from discontinued operations (including gain or (loss) on disposal)	<u>52,485</u>	<u>(197,217)</u>	<u>342,646</u>	<u>(355,302)</u>
<b>NET INCOME (LOSS)</b>	<u>(509,215)</u>	<u>(663,570)</u>	<u>(717,702)</u>	<u>(2,277,904)</u>
Basic and diluted income per common share				
	\$ <u>(0.03)</u>	<u>(0.07)</u>	<u>(0.05)</u>	<u>(0.26)</u>
Net loss per share				
Basic and diluted weight average shares				
	<u>15,627,139</u>	<u>8,890,207</u>	<u>15,272,406</u>	<u>8,665,674</u>

see accompanying footnotes

**SECURED DIVERSIFIED INVESTMENT, LTD**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine Month periods ended</b>	
	<b>September 30</b>	
	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (717,702)	\$ (2,277,904)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation and Amortization	33,888	122,572
Consulting prepaid expense	140,000	
Minority interest	(32,977)	(14,879)
Impairment of real estate investment	-	27,039
Gain (Loss) on equity investment	(42,043)	12,339
Gain (Loss) on disposal of subsidiary	(342,646)	-
Issuance of shares for consulting services	167,033	837,430
Issuance of shares for loan fees	-	53,000
Loss on sale of note receivable	7,500	-
Increase (decrease) in assets and liabilities		
Receivables	45,023	32,463
Inventory	-	4,218
Note Receivable	-	400,000
Prepaid expenses	2,573	(104)
Accounts payable, accrued expenses	(130,945)	614,334
Net cash used by operating activities	<u>\$ (870,295)</u>	<u>\$ (189,492)</u>
<b>Cash flow from investing activities:</b>		
Collection of note receivable	642,500	98
Purchase equipment and tenant improvements	(1,464)	(407,202)
Decrease in restricted cash	403,766	0
Proceeds from sale of real estate	76,500	400,000
Proceeds from sale of subsidiary interest, net of investment	352,646	-
Net cash provided (used) by investing activities	<u>\$ 1,473,949</u>	<u>\$ (7,104)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from stock issuance	-	45,000
Minority interest	-	22,238
Payment of line of credit	(396,920)	
Payment of mortgage payable	(15,944)	
Proceeds from notes payable - related party	50,000	205,000
Payments on notes payable - related party	(854)	(314,580)
Proceeds from notes payable	-	225,000
Payments on notes payable	(251,980)	(41,878)
Net cash provided (used) by financing activities	<u>\$ (615,698)</u>	<u>\$ 140,780</u>
Net (decrease) in cash	(12,045)	(55,816)
Cash, beginning period	23,790	125,545
Cash, end of period	<u>\$ 11,745</u>	<u>\$ 69,729</u>



Supplemental disclosures:

Cash paid for interest	\$ <u>156,119</u>	\$ <u>226,993</u>
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Non-cash investing and financing activities:

Property acquired through stock issuances, net of debt	\$ <u>-</u>	\$ <u>367,500</u>
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Property acquired through stock issuances, net of debt	\$ <u>-</u>	\$ <u>33,930</u>
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Stock issued to director for note payable	\$ <u>-</u>	\$ <u>25,000</u>
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Stock issued for loan fees	\$ <u>-</u>	\$ <u>53,000</u>
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Conversion of note to stock	\$ <u>10,976</u>	\$ <u>-</u>
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**see accompanying footnotes**



SECURED DIVERSIFIED INVESTMENT, LTD.  
Notes to Unaudited Consolidated Financial Statements  
September 30, 2005

NOTE 1 - Basis of presentation and Going Concern

*Basis of presentation:*

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The audited consolidated financial statements for the year ended December 31, 2004 were filed on May 18, 2005 with the Securities and Exchange Commission and is hereby referenced. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

*Going concern:*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principle, which contemplate continuation of the Company as a going concern. However, the Company has accumulated deficit of \$9,506,389 as of September 30, 2005. The Company reported a net loss of \$717,702 on September 30, 2005. The continuing losses continue to adversely affect the Company's liquidity and ability to operate. The Company continues to face serious significant business risks including, but not limited to, its ability to maintain vendor and supplier relationships by making timely payments when due.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management intends to sell certain properties, which are currently in escrow, and refinance existing properties to recapitalize the Company. There are no assurances that the refinancing or sales of the properties will occur or that the cash it generates will be adequate to meet the Company's cash requirements, which will affect the Company's ability to continue to operate. The Company intends to continue with efforts to raise additional funds through a private placement of its securities. However, there are no assurances that the Company will be successful in this or any of its endeavors or become financially viable and continue as a going concern.

NOTE 2 - Nature of Operations

The Company was incorporated under the laws of the state of Utah on November 22, 1978. 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 effected by merging the foreign corporation with and into a Nevada corporation. On August 9, 2002, a merger between the Company and Book Corporation of America was completed. Upon completion of the merger Book Corporation of America was dissolved. On September 18, 2002, the OTCBB symbol for the Company's common stock was changed from BCAM to SCDI. The shareholders also approved amendments to the Company's Articles of

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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 \$0.01. On November 15, 2002, the Company changed its fiscal year end from October 31 to December 31.

During 2002, the Company began pursuing the acquisition of ownership interests in real estate properties that are geographically and functionally diverse in order to be more stable and less susceptible to devaluation resulting from regional economic downturns and market shifts. Currently, the Company owns shopping centers in Dickinson, North Dakota; Las Vegas, Nevada; and Orange, California; the Company also owns a single story office building in Newport Beach, California, and a vacant lot in Dickinson, North Dakota. The Company is currently focusing on acquiring properties in markets with strong regional economies. However, there are no certainties that the Company will be able to acquire any properties unless it raises capital.

NOTE 3 - Significant Accounting Policies

**Consolidation.** The accompanying consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries, which include Diversified Commercial Brokers (DCB) LLC (53.8%), Decatur Center LLC (100%) - an inactive company. All material inter-company transactions and balances have been eliminated.

**Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; for example, the estimated useful lives of assets and the fair value of real property. Accordingly, actual results could differ from those estimates.

**Credit and concentration risk.** The Company maintains deposit accounts in numerous financial institutions. From time to time, cash deposits may exceed Federal Deposit Insurance Corporation limits. The Company maintains a certificate of deposit, in excess of federal deposit insurance limits, as collateral for a line of credit.

**Revenue recognition.** The Company's revenues are derived from rental income. Rental revenues are recognized in the period services are provided. Brokerage commission fees are recognized when revenue is received.

**Cash and cash equivalents.** 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 such investments.

**Restricted cash.** The Company is required by a lender to maintain a \$70,000 deposit in a bank account at the lenders financial institution. The deposit and 1st trust deed on real property serve as collateral for the loan. The deposit is returnable subject to the borrower meeting certain payment and financial reporting conditions.

**Property and equipment.** Property and equipment are depreciated over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated life of the asset. Depreciation and amortization is computed on the straight-line method. Repairs and maintenance are expensed as incurred.

**Investments.** The equity method of accounting is used for all investments in associated companies in which the company's interest is 20% or more. Under the equity method, the Company recognizes its

SECURED DIVERSIFIED INVESTMENT, LTD.  
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share in the net earnings or losses of these associated companies as they occur rather than as dividends are received. Dividends received are accounted for as a reduction of the investment rather than as dividend income. Losses from the equity investments reduce receivables from the associated companies.

**Fair value.** The carrying value for cash, prepaid, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. Based upon the borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of long-term debt approximates its carrying value.

**Long-lived assets.** Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

**Issuance of shares for service.** The Company accounts for the issuance of equity instruments to acquire goods and services. The stocks were valued at the average fair market value of the freely trading shares of the Company as quoted on OTCBB on the date of issuance.

**Loss per share.** Basic loss per share is based on the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. At December 31, 2004 and 2003, all potential common shares are excluded from the computation of diluted loss per share, as the effect of which was antidilutive.

**Reclassification.** For comparative purposes, prior period's consolidated financial statements have been reclassified to conform to report classifications of the current period. As a result of discontinued and disposed operations cash, at beginning of period, was adjusted to exclude discontinued and disposed operations for purposes of the Consolidated Statements of Cash Flow.

**Advertising.** The Company expenses advertising costs as incurred.

**Segment Reporting.** Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

SECURED DIVERSIFIED INVESTMENT, LTD.  
Notes to Unaudited Consolidated Financial Statements  
September 30, 2005

Following is a summary of segment information by geographic unit for the nine months ended September 30, 2005:

	<u>CA</u>	<u>NV</u>	<u>ND</u>	<u>TOTAL</u>
Sales & Rental Income	\$228,469	\$0	\$201,775	\$430,244
Net income (loss)	(653,111)	0	(64,591)	(717,702)
Total Assets	1,988,294	0	46,300	2,034,594
Capital Expenditure	0	0	0	0
Depreciation and amortization	33,888	0	0	33,888

Following is a summary of segment information by geographic unit for the nine months ended September 30, 2004:

	<u>CA</u>	<u>NV</u>	<u>ND</u>	<u>TOTAL</u>
Sales & Rental Income	\$236,348	\$291,059	\$1,442,421	\$1,969,828
Net income (loss)	(1,832,005)	23,727	(469,626)	(2,277,904)
Total Assets	1,715,283	2,699,880	812,936	5,228,099
Capital Expenditure	0	0	0	0
Depreciation and amortization	33,400	63,537	25,635	122,572

**Recent accounting pronouncements.** In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's first quarter of fiscal 2006. The Company believes that the adoption of this standard will have no material impact on its financial statements.

In December 2004, the FASB issued SFAS Statement No. 153, "Exchanges of Nonmonetary Assets." The Statement is an amendment of APB Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The Company believes that the adoption of this standard will have no material impact on its financial statements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." The EITF reached a consensus about the criteria that should be used to determine when an investment is considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss and how that criteria should be applied to investments accounted for under SFAS No. 115, "ACCOUNTING IN CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES." EITF 03-01 also included accounting considerations subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. Additionally, EITF 03-01 includes new disclosure requirements for investments that are deemed to be temporarily impaired. In September 2004, the Financial Accounting

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Standards Board (FASB) delayed the accounting provisions of EITF 03-01; however the disclosure requirements remain effective for annual reports ending after June 15, 2004. The Company will evaluate the impact of EITF 03-01 once final guidance is issued.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." This statement applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless this would be impracticable. This statement also makes a distinction between "retrospective application" of an accounting principle and the "restatement" of financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We are evaluating the effect the adoption of this interpretation will have on its financial position, cash flows and results of operations.

In June 2005, the EITF reached consensus on Issue No. 05-6, Determining the Amortization Period for Leasehold Improvements ("EITF 05-6") EITF 05-6 provides guidance on determining the amortization period for leasehold improvements acquired in a business combination or acquired subsequent to lease inception. The guidance in EITF 05-6 will be applied prospectively and is effective for periods beginning after June 29, 2005. EITF 05-6 is not expected to have a material effect on its consolidated financial position or results of operations.

NOTE 4 - Property and Equipment

The Company acquires income-producing real estate assets in the normal course of business.

		<u>Estimated Life</u>
Buildings and improvements	1,968,802	39 years
Leasehold improvements	20,668	2-10 years
Furniture, fixture and equipment	5,850	3-7 years
	<u>1,995,320</u>	
	<u>(119,166)</u>	
	<u>\$ 1,876,154</u>	

Depreciation expense at September 30, 2005 and 2004 was \$33,888 and \$122,572 respectively. No interest was capitalized in either period.

NOTE 5 - Related Party Transactions

*Seashore Diversified Investment Company (SDIC)*. Certain of the Company's directors and officers were also directors, officers and shareholders of SDIC. During 2004 and 2003, SDIC advanced monies to the Company under a revolving note, bearing interest at 9%. The advance is due on demand. At September 30, 2005, the outstanding balance totaled \$165,763 with \$30,762 in accrued interest.

*C. Wayne Sutterfield (Sutterfield)*. At September 30, 2005, the Company owed Sutterfield, a director and significant shareholder, two notes, \$67,000 and \$71,630 secured by 3rd trust deeds on 5030 Campus. The

SECURED DIVERSIFIED INVESTMENT, LTD.  
Notes to Unaudited Consolidated Financial Statements  
September 30, 2005

notes bear interest at 8% and are due in 2006. Sutterfield is a minority owner in DCB LLC. In addition to the interest payment on the 3rd trust deeds, the Company, pursuant to the terms of the operating agreement, pays Sutterfield a preferred return on his investment. There is also \$19,457 in accrued interest payable. The Company retains the right to acquire all his interests. Pursuant to the operating agreement, the Company is responsible for any cash flow deficiencies. On August 12, 2005, Sutterfield also advanced the Company \$50,000 to cure financial shortfalls with the T-Rex Plaza Mall. The monies were advanced for a period of 90 days and bear an interest rate of 18%. The advance is secured by the Company's interest in 5030 Campus Drive and other company assets.

*Prime Time Auctions, Inc (Prime Time)*. Prime Time is a shareholder of the Company. To date there are two outstanding loans due Prime Time totaling \$85,000 all of which bears interest at 15%, secured by the underlying property, and maturing through 2005.

*William S. Biddle (Biddle)*. In December 2004, the Company sold 37% interest in its Spencer Springs subsidiary to Biddle and Robert Leonard (major shareholders) for \$200,000. In March 2005, the Company sold its remaining interest in Spencer Springs to Biddle for \$577,777, which is comprised of \$300,000 in cash and a promissory note for \$277,777 accruing interest at 3% per annum, all due and payable on October 28, 2007. The note is secured by a \$950,000 second trust deed on a shopping center located in Las Vegas, Nevada, formerly owned by the Company (Spencer Springs). On May 2, 2005, Biddle paid off the outstanding obligation plus all interest.

*Robert Leonard (Leonard)*. Leonard, a significant shareholder of the Company, acquired the Company's entire interest in Nationwide Commercial Brokers, Inc. for \$50,000 in July 2005.

NOTE 6 - Notes Payable - Related Parties

Unsecured note, bearing interest at 9%, interest only, due on demand	\$ 165,875
Note, bearing interest at 18%, interest accruing, due November 12, 2005	<u>50,000</u>
	\$215,875
Total Notes Payable	

Interest expense on the notes payable - related parties amounted to \$12,307 and \$8,689 for the nine-month periods ended September 30, 2005 and 2004, respectively, and \$4,886 and \$3,520 for the three-month periods ended September 30, 2005 and 2004, respectively.

NOTE 7 - Notes Payable

On July 29, 2005, the Company repaid its line of credit in the amount of \$395,000 plus accrued interest. The line of credit was repaid with the certificate of deposit in the amount of \$400,000 securing the line of credit

NOTE 8 - Mortgages Payable

Mortgage note, bearing interest at 11.5%, due on June 25, 2006, secured by  
1<sup>st</sup>

SECURED DIVERSIFIED INVESTMENT, LTD.  
Notes to Unaudited Consolidated Financial Statements  
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trust deed on Katella Center	\$ 370,000
Mortgage note, bearing interest at the "1 year constant maturity treasury rate" plus 3.5%, adjusting annually, currently 5.875%, principal and interest monthly, maturing February 2, 2013, secured by 1 <sup>st</sup> trust deed on 5030 Campus	686,489
Mortgage note, bearing interest at 8%, due on Feb. 4, 2008, secured by 2 <sup>nd</sup> trust deed on 5030 Campus	110,000
Mortgage note, bearing interest at 12%, due on July 19, 2006, secured by 1 <sup>st</sup> trust deed on T-Rex Plaza Mall	<u>224,857</u>
Total mortgages payable	<u>\$ 1,391,346</u>

NOTE 9 - Mortgages Payable - Related Parties

Mortgage note, bearing interest at 8%, due on Feb. 17, 2006, secured by 2 <sup>nd</sup> trust deed on T-Rex Plaza Mall	\$ 67,000
Mortgage note, bearing interest at 8%, due on Dec. 31, 2006, secured by 3 <sup>rd</sup> trust deed on 5030 Campus	71,630
Mortgage note, bearing interest at 15%, due on Nov 19, 2005, secured by 1 <sup>st</sup> trust deed on vacant lot, Dickinson, North Dakota	60,000
Mortgage note, bearing interest at 15%, due on July 1, 2005, secured by 2 <sup>nd</sup> trust deed on Katella Center	<u>25,000</u>
Total mortgages payable- related parties	<u>\$ 223,630</u>

Interest expense on the Mortgages payable - related parties amounted to \$16,815 and \$15,486 for the nine-month periods ended September 30, 2005 and 2004, respectively, and \$4,816 and \$4,934, respectively, for the three-month periods ended September 30, 2005 and 2004.

NOTE 10 - Stockholders' Equity

In February 2003, the Company created three series of preferred stock, all of which are convertible at the option of the holder: (1) Series A consisting of 7,500,000 shares with a par value of \$0.01, a liquidation preference of \$1.00 per share, convertible into an equal number of common shares 36 months after issuance, with the same voting rights as common stock; (2) Series B consisting of 20,000,000 shares with a par value of \$0.01, a liquidation preference of \$0.50 per share, and convertible into an equal number of common shares 24 months after issuance; and (3) Series C consisting of 22,500,000 shares with a par value of \$0.01, a liquidation preference of \$3.00 per share, and convertible into an equal number of common shares 24 months after issuance. In the event the price of common stock is less than the purchase price of the preferred stock on the conversion date, the holder is entitled to convert at a rate equal to the purchase price divided by the common stock price.

On August 19, 2004, the Company obtained a written consent from the holders of a majority of its outstanding shares of Common Stock and Series B Preferred Stock to amend the Certificate of Designation. Such consent amends the terms of the Series B Preferred Stock to permit the Board of

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Directors to permit conversion of the Series B Preferred Stock into Common Stock prior to the expiration of the two-year prohibition on conversion. All 250,000 shares of Series C Preferred Stock also consented to the amendment. The amendment to the Certificate of Designation became effective October 28, 2004. After approval to amend the Certificate of Designation, 5,839,479 shares of Series B Preferred Stock were converted to Common Stock.

During the current reporting period the Company issued the following shares:

On May 17, 2005, the Company issued 18,750 shares of restricted common stock and 31,250 shares of Preferred Series A preferred stock for previously transacted real estate.

On May 23, 2005, the Company issued 25,000 restricted shares of common stock for public relations services.

On June 7, 2005, the Company issued 43,905 restricted shares of common stock for debt repayment.

On June 7, 2005, the Company issued 92,500 restricted shares of common stock for various real estate services.

On June 7, 2005 the Company issued 425,000 shares of restricted stock for consulting and public relation services.

On June 7, 2005, the Company issued 10,000 restricted shares of common stock for web design and internet services.

NOTE 11- Commitment and Contingencies

*Deferred maintenance.* The Company has determined that T-Rex Plaza Mall needs repairs to its roof, heating and air conditioning ventilation units, the facade and parking lot. During 2004 the Company spent \$29,500 repairing the parking lot. The estimated costs for said repairs are between \$250,000 and \$350,000.

*Lease agreements.* The Company is obligated under various ground leases (T-Rex Plaza Mall, Katella Center, and 5030 Campus), which include CPI increases, and an office lease requiring monthly payments through 2053. Annual minimum lease payments for the next five years under existing agreements are as follows:

2006	\$ 295,807
2007	281,434
2008	285,007
2009	288,652
2010	292,400
Thereafter	14,111,367

The lease expenses were \$189,038 and \$289,416 for the nine-month periods ended September 30, 2005 and 2004, respectively, and \$64,100 and \$91,770 for the three-month periods ended September 30, 2005 and 2004, respectively.

*Officer employment agreements.* During 2003, the Company executed employment agreements with its officers that extend through 2006. Effective April 1, 2005, the officers have rescinded their employment agreements and forgiven the entire amount of their accrued salaries. The Company has entered into new



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employment agreements with the officers. Shares and stock options issued under the previous agreements will be rescinded. The employment agreements will provide for a reduced issuance of common stock and options vesting over the term of the agreement. Since then three officers have resigned, and the Company has set aside \$177,000 in contingent liabilities as potential payout and settlement to these officers: Clifford Strand, former Chief Executive Officer, \$90,000; William S. Biddle, former Vice President of Acquisitions, \$45,000; and Gernot Trolf, former Chief Operating Officer and Asset Manager, \$42,000, pending sale of the Cannery, currently in escrow.

*Unpaid taxes.* The Company has not paid approximately \$10,039 in 2004 property taxes on the T-Rex Plaza Mall due October 1, 2005, and approximately \$21,158 in property taxes and penalties on 5030 Campus Drive due April 10, 2005. These amounts are currently delinquent.

*Litigation.* On January 11, 2005, the Company terminated the employment of Luis Leon, formerly the Chief Executive Officer of the Company. On April 6, 2005, Luis Leon filed a complain against the Company in the Superior Court of California, County of Orange, alleging causes of action for breach of contract, promissory estoppels, intentional misrepresentation, violations of the California Labor Code. The Complaint seeks damages in an amount including \$116,359 of unpaid salary, \$16,667 for one month unpaid vacation time, \$5,548.27 for unpaid insurance benefits through August 15, 2005, reimbursable expenses of \$288 plus a statutory penalty of \$16,666. Mr. Leon also seeks a grant of options to purchase \$250,000 of Company Common Stock. The Company intends to vigorously defend the action. Given the early stage of litigation, the likelihood of an unfavorable outcome cannot reasonably be estimated, however, the estimated amount of the potential loss is approximately \$140,000 plus costs of defense.

NOTE 12 - Stock Options

The following is a summary of the stock option activity:

Outstanding at December 31, 2004	3,000,000
Granted	400,000
Forfeited	-
Exercised	-
Outstanding at September 30, 2005	3,400,000

Following is a summary of the status of options outstanding at September 30, 2005

Outstanding Options			Exercisable Options		
Exercise Price	Number	Weighted Ave. Remaining Life	Weighted Ave. Exercise price	Number	Weighted Ave. Exercise Price
\$0.15	3,000,000	8.58 years	\$0.15	1,700,000	\$0.15
\$0.50	400,000	5 years	\$1.25	100,000	\$0.50

NOTE 13 -Equity Investments in Real Estate

The Company entered into a tenant-in-common agreement on May 14, 2004 with Denver Fund, I to

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purchase a shopping center in Las Vegas, Nevada. The Company owns a 51% interest in the property and accounts for this interest under the equity method. Both parties to the agreement are jointly and severally liable for the obligations of the property and share in management decisions. The agreement provides the minority tenant with a preferential return on profits while operating losses are allocated based upon the pro-rata ownership interest.

The following information is a summary of the balance sheet as of September 30, 2005:

Current Assets	\$	76,149
Property and equipment, net		5,816,390
Other Assets		<u>12,144</u>
Total Assets		5,904,683
Current Liabilities		192,697
Other Liabilities		55,113
Long-Term Debt		<u>4,008,778</u>
Total Liabilities		4,256,588
Equity		1,648,095
Total Liabilities and Equity	\$	<u>5,904,683</u>

Total revenues and net income for the nine-months ended September 30, 2005 and 2004, were \$636,094 and \$82,437, and \$212,935 and 24,192 respectively, and \$221,677 and \$11,449, and \$157,416 and (\$15,583), respectively, for the three months ended September 30, 2005 and 2004. The Company's 51% of net income, \$5,839 and \$42,043, respectively, from property operations for the three-months and nine-months ended September 30, 2005, were included in other income and losses in the accompanying consolidated statements of operations. The long term debt is subject to a prepayment penalty should the Company and Denver Fund I chose to repay the entire amount of the debt prior to maturity. As of September 30, 2005, the estimated prepayment penalty was \$398,452.

Note 14- Sale of a Subsidiary

Spencer Springs, LLC - In December 2004, the Company sold a 37% interest in its Spencer Springs subsidiary for \$200,000 to Biddle and Robert Leonard (significant shareholder). Subsequently, in March 2005, the Company sold its remaining interest in Spencer Springs to Biddle for \$577,777, \$300,000 in cash and a promissory note for \$277,777 accruing interest at 3% per annum, all due and payable on October 28, 2007. The note is secured by a \$950,000 second trust deed on Spencer Springs Retail Center located in Las Vegas, Nevada, formerly owned by the Company.

Nationwide Commercial Brokers Incorporated - In July 2005, the Company sold its entire interest in Nationwide Commercial Brokers to Robert J. Leonard, a major shareholder of the Company for \$50,000. The Company realized a loss of \$21,352 from discontinued operations and a gain of \$72,862 on the disposal of the subsidiary.

Diversified Commercial Mortgage Corp. - In July 2005, the Company sold its entire interest in Diversified Commercial Mortgage to Nationwide Commercial Brokers for \$1,000. Diversified Commercial Brokers was a dormant corporation since inception and had no assets or liabilities. The Company realized a gain of \$975 on the disposal of the subsidiary.

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Note 15 - Note Receivable

The Company accepted payment of \$42,500 on an original note in the amount of \$50,000 secured by a second trust deed on a commercial property located in Alexandria, Minnesota. The Company recorded a loss of \$7,500 on the short pay.

Note 16- Subsequent Events

The Company and its tenant in common partner, Denver Fund I, have opened escrow to sell the Cannery West Shopping Center, Las Vegas, Nevada, for \$9,500,000 to an unrelated third party. Escrow is scheduled to close September 1, 2005, or may be extended to October 1, 2005, with the payment of a \$50,000 extension fee. The buyers' have deposited in escrow \$50,000 which becomes non-refundable at the expiration of the due diligence period. There is commission payable of \$95,000 each to Denver Fund I and Nationwide Commercial Brokers who will pay the Company \$76,000. Nationwide Commercial Brokers was formerly a wholly owned subsidiary of the Company. Additionally, National Commercial Brokers who's principal Ron Robinson was a former director of the Company will receive a commission of \$190,000.

On October 18, 2005, the Company sold its vacant lot in Dickinson, North Dakota to Morgan Rose Investment, LLC for \$110,000. The Company recognized a gain on the sale of the lot in the amount of \$63,700. The sale of the lot resulted in the payoff of a mortgage to Prime Time Auctions in the amount of \$60,000.

On November 9, 2005, the Company sold the T-Rex Plaza Mall, Dickinson North Dakota, for \$50,000 to an unrelated third party. A commission of \$5,000 was paid to Nationwide Commercial Brokers, Inc. The sale of the property resulted in the in the pay off of a first trust deed in the amount of \$224,857 secured by the property and the payment of property taxes in the amount of \$27,834, including penalties, of which \$10,039 was delinquent.

On November 1, 2005, the Company relocated its offices to 5030 Campus Drive, Newport Beach, California. 5030 Campus is owned by the Company's subsidiary, Diversified Commercial Brokers. Nationwide Commercial Brokers, a former subsidiary of the Company owned by Robert Leonard a major shareholder of the Company, assumed the Company's former offices at 4940 Campus Drive and indemnify and hold the Company harmless from any and all claims, demands, causes of action, losses, costs (including without limitation reasonable court costs and attorneys' fees), liabilities or damages of any kind or nature whatsoever that the Company may sustain by reason of Nationwide Commercial Brokers' breach or non-fulfillment (whether by action or inaction), at any time.

## **Item 2. Management's Discussion and Analysis**

### **Forward-Looking Statements**

Historical results and trends should not be taken as indicative of future operations. Management's statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934 (the "Exchange Act"), as amended. Actual results may differ materially from those included in the forward-looking statements. The Company intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "prospects," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included herein and in the Company's other filings with the SEC.

### **Overview**

The following discussion should be read in conjunction with the unaudited consolidated financial statements and notes thereto of the Company appearing elsewhere in this report.

As of September 30, 2005, the Company owned and managed a portfolio of four improved real estate properties (three retail shopping centers and one single-story office building) and one unimproved parcel of land. The five properties are located in Las Vegas, Nevada; Dickinson, North Dakota; and Orange County, California. Since then, as more fully described below, the Company sold its retail shopping center in Las Vegas, Nevada, which is currently pending in escrow, and sold its properties in Dickinson North Dakota, including one retail shopping center and the Company's only unimproved parcel of land. The Company's remaining properties include a retail shopping center and single-story office building in Orange County, California.

## Recent Developments

### Director and Officer Resignations and Appointments

The following directors and officers resigned from their respective positions with the Company on the dates set forth below:

<i>Name</i>	<i>Position</i>	<i>Date of Resignation</i>
Clifford Strand	Chief Executive Officer	August 31, 2005
	Director	September 26, 2005
William Biddle	Vice President	August 31, 2005
	Director	September 26, 2005
Gernot Trolf	Chief Operating Officer	August 31, 2005
Bruce E. Duquette	Director	October 5, 2005

The Company has set aside \$177,000 in contingent liabilities for accounting purposes as potential payout and settlement with the foregoing resigned officers. The potential payout is contingent upon the pending sale of the Cannery currently in escrow.

On September 1, 2005, our board of directors appointed Jan Wallace to serve as our Chief Executive Officer.

On October 11, 2005, our board of directors appointed Ms. Jan Wallace to serve as a member of the board of directors until the next annual meeting of the shareholders or until removed by other action as allowed by the corporate bylaws.

## Disposition of Assets

### The Cannery

On June 10, 2005, the Board of Directors determined that it was in the Company's best interests to authorize management to conduct the sale of the Cannery property. Denver Fund I and the Company (as "Sellers"), entered into a Purchase and Sale Agreement and Joint Escrow Instructions with Ray Koroghli or assignee ("Buyer") for a sales price of \$9,500,000. The escrow was amended to adjust the sales price to \$9,000,000 and extended to close December 12, 2005. The Buyer deposited an additional \$100,000, non-refundable, in order to extend the escrow. There will be no further extensions.

The Company received \$51,000 of the \$100,000 deposited by Buyer. Denver Fund I agreed to lend the Company its portion of the deposit, \$49,000, until such time as the property is sold. If the escrow does not close, the Company agreed to execute a note in favor of Denver Fund I bearing an interest rate of 9% secured by the cash flow from the subject property. If the cash flow does not retire the debt, in no event will the obligation to repay Denver Fund extend beyond one year.

If the agreement with Buyer is consummated, there are commissions payable to a number of brokers, including Denver Fund I, Nationwide Commercial Brokers and National Commercial Properties. Nationwide Commercial Brokers is a former subsidiary of the Company. National Commercial Properties is an entity controlled by Mr. Ron Robinson, a former director of the Company.

The Board of Directors further resolved that the net proceeds from the sale, approximately \$1.2 million, shall be put into an accommodator account and used to fund the purchase of another property. To further this goal, the board has instructed management to select three (3) properties for the board to consider. Consistent with this mandate, management is currently developing a plan to evaluate and acquire properties.

#### Nationwide

Nationwide Commercial Brokers ("NCB") was incorporated on March 27, 2003, under the laws of the State of California. It was incorporated to operate as a real estate brokerage. It was a wholly owned subsidiary of the Company which operates under the real estate brokerage license of William Biddle, former officer and director, and current major shareholder of the Company. NCB paid Biddle \$2,500 per month for his services. The Company capitalized NCB in the amount of approximately \$12,200. Although NCB was originally formed to be the exclusive broker for the Company, the plan never materialized. In July 2005, the Company sold its 100% interest in NCB to Robert Leonard for \$50,000, a major shareholder of the Company and the Chairman of NCB.

Effective November 1, 2005, NCB assumed the Company's former offices at 4940 Campus Drive and agreed to indemnify and hold the Company harmless from any and all claims, demands, causes of action, losses costs (including without limitation reasonable court costs and attorneys' fees), liabilities or damage of any kind or nature whatsoever that the Company may sustain by reason of NCB's breach or non-fulfilment (whether by action or inaction), at any time. If NCB is unable to fulfil its obligations in assuming the lease and/or indemnifying the Company, the Company will be ultimately liable as if it were the sole participant on the lease.

#### Vacant Lot, Dickinson, North Dakota

On October 18, 2005, the Company sold its vacant parcel of land in Dickinson, North Dakota to Morgan Rose Investment, LLC for \$110,000. The Company recognized a gain on the sale of the lot in the approximate amount of \$63,700. The sale of the lot resulted in the Company paying off a secured obligation against the property in the amount of \$60,000 to Prime Time Auctions.

#### T-Rex Plaza Mall

On November 9, 2005, the Company sold the T-Rex Plaza Mall, Dickinson, North Dakota, for total consideration of \$274,840, \$50,000 of which represented was cash to the Company and the remainder was used to pay off an existing loan, secured by the property. The sale of the property resulted in the Company reducing its secured debt by \$224,840 and being released from the land lease obligation currently totalling \$14,401 per month.

## Results of Operations

**Revenue.** The Company's revenues are derived from rental income and brokerage commission fees derived from the sale of third party real estate transactions. For the three month period ended September 30, 2005, the Company generated total revenue of \$146,593, compared to revenue of \$234,709 for the same three month period in the prior year. For the nine month period ended September 30, 2005, the Company generated total revenue of \$430,244, compared to revenue of \$707,286 for the same nine month period in the prior year. The decrease in revenue for the three and nine month period ended September 30, 2005 when compared to the same reporting periods in the prior year is attributable to the disposal of the hotel operations in Dickinson, North Dakota, and a shopping center in Las Vegas, Nevada. Additionally, the Company also sold its brokerage operation in July 2005. The Company anticipates that total revenues will further decrease due to the disposition of the shopping center in Dickinson, North Dakota, and potential closing of the shopping center in Las Vegas, Nevada. The Company intends to invest the revenue from the sale of the Las Vegas shopping center following the identification of suitable properties.

**Operating Expenses.** The Company's only operating expenses are general and administrative expenses which consist primarily of payroll expenses, depreciation expense, legal and accounting fees and costs associated with the acquisition and ownership of real properties. General and administrative expenses for the three months ended September 30, 2005 increased to \$668,152 from the same reporting period in the prior year when general and administrative expenses were \$589,205. The increase in operating expenses is primarily attributable to an increase in office rent and the contingent liability of a \$177,000 contingent liability as a potential payout and settlement to former officers of the Company pending sale of the Cannery.

General and administrative expenses for the nine months ended September 30, 2005 decreased to \$2,091,217 from the same reporting period in the prior year when general and administrative expenses were \$2,336,535. The decrease in operating expenses is primarily attributable to lower consulting fees paid during the three and nine months ended September 30, 2005. Significant consulting fees were incurred during the nine month period ended September 30, 2004 in connection with efforts to raise additional working capital. The Company incurred \$498,867 in consulting fees for the nine months ended September 30, 2005 and \$967,080 for the same nine months in the prior year.

**Operating Loss.** Operating loss increased to \$561,700 for the three months ended September 30, 2005 compared to an operating loss of \$466,353 for the same three month period in the prior year. From the nine months ended September 30, 2005 operating loss was \$1,060,348 compared to \$1,922,602 for the nine month ended September 30, 2004. The decrease in operating loss is primarily attributable to the significant reduction in general and administrative expenses from lower consulting fees paid during the reporting period.

**Other Income and (Losses).** Other losses for the three months ended September 30, 2005 was \$40,141 compared to other losses of \$111,857 for the three months ended September 30, 2004. The decrease in other losses is attributable primarily to a reduction in interest expense. Other income for the nine months ended September 30, 2005 was \$600,626 compared to other losses of \$293,353 for the nine months ended September 30, 2004. The reporting of other income for the nine months ended September 30, 2005 is primarily attributable to management forgiving debt relating to accrued salary expense during the three months ended September 30, 2005 netting approximately \$658,950.

**Net Income (Loss).** Net loss was \$509,215 or \$(0.03) per share (basic and diluted) for the three months ended September 30, 2005 compared to a net loss of \$663,570 or \$(0.07) per share (basic and diluted) for the three months ended September 30, 2004. Net loss was \$717,702 or \$(0.05) per share (basic and diluted) for the nine months ending September 30, 2005 compared to a net loss of \$2,277,904 or \$(0.26) per share (basic and diluted) for the nine months ending September 30, 2004.

## **Liquidity and Capital Resources**

### ***Capital Resources***

The Company does not have significant cash or other liquid 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. Moreover, the Company does not currently have a financial institution as a source of financing. The Company anticipates that it will be dependent for a significant period of time on additional investment capital to fund operating expenses, to meet debt service obligations, and to fund additional property acquisitions before achieving profitability. Since its inception, the Company has covered its capital requirement shortfall through additional financing from its larger shareholders. Because of the Company's current negative equity position, fund-raising from non-affiliated third parties may be difficult resulting in continued reliance upon funding from its larger shareholders. These larger shareholders, however, are under no obligations and have made no commitments to continue to fund the Company.

At September 30, 2005, the Company had \$11,745 of available cash and cash equivalents to meet its immediate short-term liquidity requirements. To date, the Company has paid no dividends and does not anticipate paying dividends into the foreseeable future.

The Company intends to fund operations for the year ending December 31, 2005 through increased revenue from additional property acquisitions and debt and/or equity financing arrangements. Thereafter, the Company may be required to seek additional funds to finance long-term operations. The successful outcome of future financing activities cannot be determined at this time and there is no assurance that if achieved, the Company will have sufficient funds to execute its intended business plan or generate positive operating results.

### ***Cash Flows from Operating Activities***

Net cash used by operating activities was \$870,295 for the nine months ending September 30, 2005 compared to net cash used by operating activities of \$189,492 for the nine months ending September 30, 2004. Management is currently considering potential opportunities to acquire real estate. The decision to acquire one or more properties or investments in unconsolidated real estate will generally depend upon (i) receipt of a satisfactory environmental survey and property appraisal, (ii) an absence of any material adverse change relating to the property, its tenants, or local economic conditions, and (iii) adequate financing. There is no assurance that any of these conditions will be satisfied or, if satisfied, that the Company will purchase any additional properties or make any further investments in unconsolidated real estate.



### ***Cash Flows from Investing Activities***

Net cash from investing activities amounted to \$1,473,949 for the nine months ending September 30, 2005 compared to \$(7,104) for the nine months ending September 30, 2004.

At September 30, 2005, the Company does not have any material planned capital expenditures resulting from any known demand based on existing trends. However, management may conclude that expenditures to improve properties are necessary and/or desirable.

### ***Cash Flows from Financing Activities***

Cash used by financing activities amounted to \$615,698 for the nine months ending September 30, 2005 compared to \$140,780 for the nine months ending September 30, 2004. The primary reason for the decrease was attributable to no sales of stock and reduction in notes payable.

The Company intends to acquire additional properties and make additional investments in unconsolidated real estate and may seek to fund these acquisitions through proceeds received from a combination of subsequent equity offerings, debt financings or asset dispositions.

### **Critical Accounting Estimates and Policies**

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company believes that its critical accounting policies are those that require significant judgments and estimates such as those related to revenue recognition and allowance for uncollectible receivables and impairment of real estate assets and deferred assets. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could vary from those estimates and those estimates could be different under different assumptions or conditions.

### **Revenue Recognition and Allowance for Uncollectible Receivables**

Base rental income is recognized on a straight-line basis over the terms of the respective lease agreements. Differences between rental income recognized and amounts contractually due under the lease agreements are credited or charged, as applicable, to rent receivable. The Company maintains, as necessary, an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments that will result in a reduction to income. Management determines the adequacy of this allowance by continually evaluating individual tenant receivables considering the tenant's financial condition, security deposits, letters of credit, lease guarantees and current economic conditions.

### **Impairment of Real Estate Assets**

The Company assesses the impairment of a real estate asset when events or changes in circumstances indicate that the net book value may not be recoverable. Indicators management considers important that could trigger an impairment review include the following:

- ◇ a significant negative industry or economic trend;
- ◇ a significant underperformance relative to historical or projected future operation results; and
- ◇ a significant change in the manner in which the asset is used.

### **Item 3. Controls and Procedures**

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2005. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer, Ms. Jan Wallace, and our Chief Financial Officer, Mr. Munjit Johal. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2005, our disclosure controls and procedures are effective. There have been no significant changes in our internal controls over financial reporting during the quarter ended September 30, 2005 that have materially affected or are reasonably likely to materially affect such controls.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

A discussion of all material ongoing legal proceeding can be found in the Company's annual report on Form 10-KSB for the year ended December 31, 2004. There are no material developments to report aside from the recent entering of a trial date set for April 6, 2006 in the Luis Leon v. Secured Diversified Investment, Ltd. (case no. 05CC04651) case filed in the Superior Court of California, County of Orange.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

### Item 3. Defaults upon Senior Securities

None

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

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended September 30, 2005.

### Item 5. Other Information

None

### Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	Agreement of Purchase and Sale and Joint Escrow Instructions dated July 1, 2005 between the Company, Denver Fund I and Ray Koroghli or Assignee <sup>1</sup>
<a href="#">10.2</a>	<a href="#">Amendment / Supplemental - Escrow Instructions, dated October 20, 2005</a>
<a href="#">10.3</a>	<a href="#">Amendment / Supplemental - Escrow Instructions, dated November 10, 2005</a>
<a href="#">10.5</a>	<a href="#">Seller's Final Settlement Statement, dated October 4, 2005</a>
<a href="#">10.6</a>	<a href="#">Escrow Instructions, dated October 12, 2005</a>
<a href="#">10.7</a>	<a href="#">Consent to Assignment of Ground Lease, dated November 4, 2005</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>

<sup>1</sup> Previously filed as an exhibit to the quarterly report on Form 10-QSB for the period ended June 30, 2005 and filed with the Securities and Exchange Commission on August 22, 2005.

**SIGNATURES**

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Secured Diversified Investment, Ltd.**

Date: November 18, 2005

By: /s/ Jan Wallace  
Jan Wallace

Title: **Chief Executive Officer and Director**

## CERTIFICATIONS

I, Jan Wallace, certify that;

- (1) I have reviewed this quarterly report on Form 10-QSB of Secured Diversified Investment, Ltd.;
- (2) Based on my knowledge, this 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 18, 2005

/s/ Jan Wallace

By: Jan Wallace

Title: Principal Executive Officer

## CERTIFICATIONS

I, Munjit Johal, certify that;

- (1) I have reviewed this quarterly report on Form 10-QSB of Secured Diversified Investment, Ltd.;
- (2) Based on my knowledge, this 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 report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- (4) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- (5) The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 18, 2005

/s/ Munjit Johal

By: Munjit Johal

Title: Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-QSB of Secured Diversified Investment, Ltd. for the quarter ended September 30, 2005, I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

- (1) the Quarterly Report on Form 10-QSB of Secured Diversified Investment, Ltd. for the quarter ended September 30, 2005 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 Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005, fairly presents in all material respects, the financial condition and results of operations of Secured Diversified Investment, Ltd.

By: /s/ Jan Wallace

Name: Jan Wallace

Title: Principal Executive Officer and Director

Date: November 18, 2005

By: /s/ Munjit Johal

Name: Munjit Johal

Title: Principal Financial Officer

Date: November 18, 2005

# Alliance Title

18831 Von Karman Avenue, #380  
Irvine, CA 92612  
Phone No. (949) 724-4900; Fax No. (949) 724-4909

## AMENDED I SUPPLEMENTAL - ESCROW INSTRUCTIONS

Brenda Burnett/BSB Date: October 20, 2005  
Manager Escrow No.: 15083848-383-BSB

**To:** Alliance Title Company

**Property Address:** 3455 E. Flamingo Rd., Las Vegas, NV

The above numbered Escrow is hereby amended and/or supplemented as follows:

Seller agrees to extend the close of escrow date from the original close of escrow date of October 1, 2005 to be on or before December 12, 2005 which will be the last/final extension.

Buyer shall deposit with Escrow Holder, good funds in the amount of \$100,000.00 which will be immediately released to Seller herein.

Upon Escrow Holder's receipt of this instruction signed by all parties hereto and upon clearance of Buyer's deposit, if applicable, Escrow Holder is hereby authorized and instructed to release the sum of \$100,000.00 directly to Seller. Said sum shall apply toward the purchase price at the close of escrow. Buyer and Seller agree that Alliance Title Company, its officers and employees as well as Brokers make no warranties or representations of any kind, expressed or implied, as to the ownership of or title to the property described in this escrow, nor as to any encumbrances or liens thereon, or as to the condition and/or the ultimate outcome of this escrow, nor to any manner or form as an inducement to make the above payments. Furthermore, fully realizing that no documents in Buyer's favor have been recorded, nor Policy of Title Insurance issued to protect Buyer's interest in said property, Escrow Holder is nevertheless instructed to release said funds prior to the close of escrow. Escrow Holder and Brokers are not to be held liable or responsible for any loss or damage which Buyer or Seller may sustain by reason of releasing said funds, nor liable for the failure of any of the conditions of this escrow, or for the recovery of said money for any reason whatsoever. All parties are aware and understand that Escrow Holder will not aid in the recovery of said monies in the event this escrow is not consummated for any reason. All parties are advised to seek independent counsel with regard to this instruction.

Out of funds deposited by the undersigned Buyers in the above numbered escrow, and REGARDLESS OF WHETHER OR NOT THIS ESCROW IS EVER ACTUALLY COMPLETED AND CLOSED, you are hereby authorized and instructed to release and pay \$100,000.00 to the Seller's herein, immediately upon your receipt of these instructions, signed by all parties to this escrow.

Each of the undersigned parties to the above numbered escrow has read and understood the content of the following portion of section 1057.5 of the California Civil Code, to wit:

"No escrow agent shall enter into any arrangement, either of his own making or of a subsidiary nature, or through any other person having dual capacity, or through any person having a direct or indirect interest in the escrow or other device, permitting any fee, commission or compensation which is contingent upon the performance of any act, condition, or instruction set forth in an escrow, to be drawn or paid, either in whole or in part, or in kind or its equivalent, prior to the actual closing and completion of the escrow."

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# Alliance Title

THE UNDERSIGNED PARTIES, JOINTLY AND SEVERALLY, DO RELIEVE YOU FROM AND AGREE TO SAVE AND HOLD YOU HARMLESS FROM ANY AND ALL LIABILITY TO THE UNDERSIGNED AND/OR TO ANY THIRD PARTIES WHICH YOU, AS ESCROW HOLDER, MAY INCUR BY REASON OF YOUR RELEASING AND PAYING \$ 100,000.00 TO SELLERS HEREIN, PRIOR TO THE CLOSE OF THIS ESCROW. IN COMPLIANCE WITH THESE INSTRUCTIONS AND DO FURTHER AGREE THAT YOU WILL NOT BE REQUESTED TO AID IN THE RECOVERY OF SAID AMOUNT IN THE EVENT THAT THIS ESCROW IS NOT CONSUMMATED.

In the event that the seller's loan of record to Midland is not paid in full by 12/1/05, buyer agrees to pay the additional interest accrued for not complying with the lender requirements of a 30 day notice and will pay the additional interest owing from 12/1/05 to 1/1/06 through their closing funds in an amount not to exceed \$30,000.00

Buyer and Seller are aware that there will be no further extensions and the forfeiture of the non refundable deposits are not to be construed as a cooperation for less or any part or remedy, but because it is impossible to calculate the loss due to a failed closing, it is simply an agreed upon amount.

All other terms and conditions remain the same,

BUYERS:

ST. ROSE LLC

/s/ St. Rose LLC

10/23/05

BY:           Date

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# Alliance Title

THE UNDERSIGNED PARTIES, JOINTLY AND SEVERALLY, DO RELIEVE YOU FROM AND AGREE TO SAVE AND HOLD YOU HARMLESS FROM ANY AND ALL LIABILITY TO THE UNDERSIGNED AND/OR TO ANY THIRD PARTIES WHICH YOU, AS ESCROW HOLDER, MAY INCUR BY REASON OF YOUR RELEASING AND PAYING \$ 100,000.00 TO SELLERS HEREIN, PRIOR TO THE CLOSE OF THIS ESCROW, IN COMPLIANCE WITH THESE INSTRUCTIONS: AND DO FURTHER AGREE THAT YOU WILL NOT BE REQUESTED TO AID IN THE RECOVERY OF SAID AMOUNT IN THE EVENT THAT THIS ESCROW IS NOT CONSUMMATED.

In the event that the seller's loan of record to Midland is not paid in full by 12/1/05, buyer agrees to pay the additional interest accrued for not complying with the lender requirements of a 30 day notice and will pay the additional interest owing from 12/1/05 to 1/1/06 through their closing funds in an amount not to exceed \$30,000.00.

Buyer and Seller are aware that there will be no further extensions and the forfeiture of the non refundable deposits are not to be construed as a cooperation for less or any part or remedy, but because it is impossible to calculate the loss due to a failed closing, it is simply an agreed upon amount.

All other terms and conditions remain the same.

SELLERS:

DENVER FUND I, LTD  
A COLORADO LIMITED PARTNERSHIP  
BY: CERTIFIED PROPERTY  
ADVISORS, GENERAL PARTNER

10/20/05

Date

/s/ Paul F. Winger, President

BY: PAUL F. WINGER,  
PRESIDENT

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# Alliance Title

THE UNDERSIGNED PARTIES, JOINTLY AND SEVERALLY, DO RELIEVE YOU FROM AND AGREE TO SAVE AND HOLD YOU HARMLESS FROM ANY AND ALL LIABILITY TO THE UNDERSIGNED AND/OR TO ANY THIRD PARTIES WHICH YOU, AS ESCROW HOLDER, MAY INCUR BY REASON OF YOUR RELEASING AND PAYING \$ 100,000.00 TO SELLERS HEREIN, PRIOR TO THE CLOSE OF THIS ESCROW, IN COMPLIANCE WITH THESE INSTRUCTIONS: AND DO FURTHER AGREE THAT YOU WILL NOT BE REQUESTED TO AID IN THE RECOVERY OF SAID AMOUNT IN THE EVENT THAT THIS ESCROW IS NOT CONSUMMATED.

In the event that the seller's loan of record to Midland is not paid in full by 12/1/05, buyer agrees to pay the additional interest accrued for not complying with the lender requirements of a 30 day notice and will pay the additional interest owing from 12/1/05 to 1/1/06 through their closing funds in an amount not to exceed \$30,000.00.

Buyer and Seller are aware that there will be no further extensions and the forfeiture of the non refundable deposits are not to be construed as a cooperation for less or any part or remedy, but because it is impossible to calculate the loss due to a failed closing, it is simply an agreed upon amount.

All other terms and conditions remain the same.

BUYERS:

ST. ROSE LLC

/s/ St. Rose LLC 10/23/05

BY: Date

SELLERS:

SECURED DIVERSIFIED  
INVESTMENT, LTD

/s/ Jan Wallace

BY: JAN WALLACE

10/25/05

Date

# Alliance Title

18831 Von Karman Avenue  
Irvine, CA 92612  
Phone No. (949) 724-4900; Fax No. (949) 724-4909

## AMENDED / SUPPLEMENTAL - ESCROW INSTRUCTIONS

Brenda Burnett|BSB Date: November 10, 2005  
Manager Escrow No.: 15083848-383-BSB

**To:** Alliance Title Company

**Property Address:** 3455 East Flamingo Road, Las Vegas. NV

The above numbered Escrow is hereby amended and/or supplemented as follows:

Escrow Holder is authorized and instructed to release the "early release" funds due Denver Fund I, LTD in the amount of \$49,000.00, as mentioned in the amendment dated October 20, 2005, to Secured Diversified Investment, LTD upon receipt of this signed instruction.

At the successful close of escrow, escrow holder will credit back to Denver Fund said sum is the calculations of seller proceeds.

AS A MATTER OF RECORD ONLY, WITH WHICH ESCROW HOLDER IS NOT TO BE CONCERNED AND/OR LIABLE, THE FOLLOWING IS AN AGREEMENT BETWEEN THE PARTIES AND IS BEING ADDED TO THESE INSTRUCTIONS AS A MEMORANDUM ONLY TO THIS ESCROW.

In the event that this transaction does not close, and a forfeiture occurs, SDI agrees that the funds mentioned above belong to Denver Fund and as such, a modification of the management agreement of the subject property will be made so that out of owner's distribution of the cash flow, Denver Fund will be reimbursed for these funds before any distributions of cash flow will be made to SDI.

If the forfeiture occurs as above, SDI will additionally execute a 9% note to that effect, secured by the cash flows from the subject property. However, if the cash flows do not retire that debt, in no event will the obligation to repay Denver Fund extend beyond 1 year.

All other terms and conditions remain the same.

### SELLERS:

Denver Fund I, LTD

By: Certified Property Advisors. LLC

General Partner Secured Diversified Invest LTD

\_\_\_\_\_  
/s/ J. Wallace Nov. 10, 2005

By: Paul F. Winger, President J. Wallace, C.E.O Date

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# Alliance Title

18831 Von Korman Avenue  
Irvine, CA 92612  
Phone No. (949) 724-4900; Fax No. (949) 724-4909

## AMENDED 1 SUPPLEMENTAL - ESCROW INSTRUCTIONS

Brenda Burnett/me Date: November 10, 2005  
Manager Escrow No.: 15083848-383-BSB

**To:** Alliance Title Company

**Property Address:** 3455 East Flamingo Road, Las Vegas, NV

The above numbered Escrow is hereby amended and/or supplemented as follows:

Escrow Holder is authorized and instructed to release the "early release" funds due Denver Fund I, LTD in the amount of \$49,000.00, as mentioned in the amendment dated October 20, 2005, to Secured Diversified Investment, LTD upon receipt of this signed instruction.

At the successful close of escrow, escrow holder will credit back to Denver Fund said sum is the calculations of seller proceeds.

AS A MATTER OF RECORD ONLY. WITH WHICH ESCROW HOLDER IS NOT TO BE CONCERNED AND/OR LIABLE, THE FOLLOWING IS AN AGREEMENT BETWEEN THE PARTIES AND IS BEING ADDED TO THESE INSTRUCTIONS AS A MEMORANDUM ONLY TO THIS ESCROW.

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All other terms and conditions remain the same.

### SELLERS:

Denver Fund I, LTD

By: Certified Property Advisors. LLC

General Partner Secured Diversified Investment, LTD

LTD

/s/ Paul F. Winger, President 11/10/05

By: Paul F. Winger, President Date \_\_\_\_\_

\_\_\_\_\_ Date

First American Title Insurance Company

National Commercial Services

1650 W. Big Beaver Road, Suite 156 Troy, MI 48084

Seller's Final Settlement Statement

Property: Lot: 1

File No: NCS -190455-

MICH

Officer: Lynn Cooper/LAC

New Loan No:

Settlement Date: 10/04/2005

Disbursement Date:

10/04/2005

Print Date: 10/14/2005, 2:02

PM

Buyer: Morgan Rose Investment, LLC

Address: 6558 Wealthy Street, Clarkston, MI 48346

Seller: Secured Diversified Investment, LTD

Address: 4940 Campus Drive, Newport Beach, CA 92660

<u>Charge Description</u>	<u>Seller Charge</u>	<u>Seller Credits</u>
<b>Consideration:</b>		
Total Consideration		110,000.00
<b>Payoff Loan(s):</b>		
Lender: Primetime Auction Inc.		
Principal Balance through 10/02/05 - Primetime Auction Inc.	61,479.60	
Late Charge - Primetime Auction Inc.	75.00	
Overnight Fee - Primetime Auction Inc.	25.00	
<b>Title/Escrow Charges to:</b>		
Title Search, copies and Fees - First American Title Insurance Company National Commercial Services	190.00	
Policy-Standard ALTA 1992 Owner's - First American Title Insurance Company National Commercial Services	215.00	
Closing-Accommodation Fees - First American Title Insurance Company National Commercial Services	300.00	
Record Release of Option to Purchase - First American Title Insurance Company National Commercial Services	16.00	
Record Release of Lien - First American Title Insurance Company National Commercial Services	16.00	
<b>Disbursements Paid:</b>		
Broker Fee to 1031 Inc.	10,000.00	
Cash (X To) (From) Seller	37,683.40	
<b>Totals</b>	<b>110,000.00</b>	<b>110,000.00</b>

Parties to transaction hold First American Title Insurance Company (FATICO) harmless pertaining to matters of water, sewer, utilities and personal property taxes that may be due and owing at time of closing. These matters and the like are to be handled outside of closing. Parties also agree to hold FATICO harmless pertaining to tax proration method and/or amounts used for tax prorations, if any.

**SELLER(S):**

Secured Diversified Investment, LTD, a  
Nevada Corporation

/s/ Jan Wallace

By: Jan Wallace, CEO & President

## CONSENT TO ASSIGNMENT OF GROUND LEASE

THIS CONSENT ASSIGNMENT OF GROUND LEASE ("Consent") is made and entered into as of this 4th day of November, 2005, by and among SECURED DIVERSIFIED INVESTMENT, LTD. as assignor ("Assignor"), and T-REX PARTNERS, LLC, a Nevada limited liability company ("Assignee"), and DICKINSON, L.L.C., a Michigan limited liability company ("Lessor").

### RECITALS

- A. L&F Investments, L.L.C., a Michigan limited liability company, is the owner of that certain real property in the city of Dickinson, County of Stark, State of North Dakota that is the subject of that Ground Lease dated February 11, 2003 between L&F Investments, L.L.C. as lessor and Assignor as lessee ("Ground Lease").
- B. L&F Investments, L.L.C. assigned all of its right, title and interest as lessor of the Ground Lease to Lessor.
- C. Assignor and Assignee desire Lessor's consent to Assignor's assignment to Assignee of all of Assignor's right, title and interest as lessee of the Ground Lease ("Assignment").

### AGREEMENT

Now, therefore, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereto agree as follows:

- 1. Assignor's Covenants. Assignor hereby agrees:
    - a) that it shall not be released from its obligations under the land lease, including all monetary obligations, if Assignee fails to perform the purchase of 1173 3rd Ave. West. Dickinson, North Dakota 58601 a.k.a T-Rex Plaza, between Secured Diversified Investment, LTD. and Glen Macleod by November 4th 2005
    - b) that it has not failed to disclose to Landlord any information which, if known by Landlord, might provide grounds for Landlord to reasonably withhold its consent to the assignment.
  - 2. Assignee's Covenants Assignee hereby agrees:
    - a) that it has accepted the assignment made under the Assignment of Ground Lease agreement executed between Assignor and Assignee and approved by Lessor in writing.
    - b) to perform and be bound by all of the terms and conditions of the Ground Lease and any amendments.
-



c) that its address for receipt of notices under the Ground Lease is:

Glen Macleod 4940 Campus Dr  
Newport Beach, Ca. 92660

d) that Landlord has not made any express or implied oral or written representations or promise that:

i) Assignee will enjoy financial success in operating any business on the premises

e) that it has been provided with a copy of the Ground Lease, together with all amendments thereto, if any, and that it has read the Ground Lease and all amendments and fully understands its obligations as lessee under the Ground Lease.

3. Landlord's Consent. For valuable consideration, including the Agreements (see attached), acknowledgements, and representations of Assignor and Assignee set forth above, Landlord hereby consents to Assignor's assignment to Assignee of all of Assignor's right, title and interest in the land lease upon and subject to the terms and conditions herein.

4. Miscellaneous

a) Attorneys' Fees. The provisions of the Ground Lease respecting attorneys' fees shall apply to this consent, or, if the lease does not contain an attorneys' fee clause, then if legal action shall be commenced to enforce or declare the effect of any provision of this consent or of the Ground Lease, the court as part of its judgment shall award reasonable attorneys' fees and costs to the prevailing party

b) Authority to execute Agreement. Each individual executing this consent on behalf of a partnership or corporation represents that he or she is duly authorized to execute and deliver authority to landlord upon request by landlord.

IN WITNESS WHEREOF, Assignor, Assignee and Landlord have executed this consent as of the date first set forth above

SECURED DIVERSIFIED INVESTMENTS, ,LTD.

By: /s/ Jan Wallace

Jan Wallace

Its: CEO

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T-REX PARTNERS, LLC

By: /s/ Glen Macleod

Glen Macleod

Its Managing Member

and

By: /s/ Aaron Reis

Its Managing Member

L&F INVESTMENTS, LLC

By: \_\_\_\_\_

Jerry Kohen

Its: \_\_\_\_\_

DICKINSON, LLC

By: /s/ Gary L. Vandenberg

Gary L. Vandenberg

Its: Manager

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T-REX PARTNERS, LLC

By: \_\_\_\_\_

Glen Macleod

Its Managing Member

and

By: \_\_\_\_\_

Its Managing Member

L&F INVESTMENTS, LLC

By: /s/ Jerry Kohen

Jerry Kohen

Its: Property Manager

DICKINSON, LLC

By: \_\_\_\_\_

Gary L. Vandenberg

Its: Manager

# Alliance Title

## ESCROW INSTRUCTIONS

**Escrow No: 15120493-383-BSB**

**Date: October 12, 2005**

To: Alliance Title Company  
18831 Von Karman Avenue, Irvine, CA 92612  
Phone No.: (949) 724-4900 Fax No.: (949) 724-4909

Alliance Title Company conducts escrow business under License to act as an underwritten title company No. 368 issued by the State of California Department of Insurance.

Escrow to close on or before: November 3, 2005 (or as soon as Seller deposits all items required for Buyer's review as listed in "Contingencies" below)

Property address is: (a leasehold estate in and to) 1173 3rd Avenue West, Dickinson, ND

Buyer(s) will deposit with escrow an initial deposit in the amount of	\$2,500.00
Buyer will assume the existing loan of record in the approximate amount of	\$225,000.00
Prior to the close of escrow, Buyer will hand you the balance of down payment (plus closing costs, if applicable) the sum of	\$47,500.00
<b>TOTAL CONSIDERATION</b>	<b>\$275,000.00</b>

Furthermore, Seller will execute and deliver any instruments and/or funds which this escrow requires to show title as indicated below, and Buyer will execute and deliver any instruments and/or funds which this escrow requires, provided that you hold a policy of title insurance herein called for with the usual title company's exceptions with a liability of \$ 275,000.00, describing the property situated in:

Stark County, N. Dakota, more specifically described in the title report issue by Dickison Title dated September 2, 2005.

We hereby instruct you to show title to be vested as follows GLEN MAC LEOD, a married man as his sole and separate property

At close of this escrow, the policy of Title Insurance will contain only the following "subject to" items, PLUS those items that will reflect the documents being recorded through escrow.

### SUBJECT TO:

1. Printed exceptions and conditions and stipulations in said policy
2. CURRENT; General and Special taxes for fiscal year 2005-2006
3. Assessments and/or bonds not delinquent
4. Covenants, conditions, restrictions, reservations, easements and rights of way of record (if any)
5. Existing loan of record in the approximate amount of \$225,000.00

### INSTRUCTIONS:

**FINANCING:** Buyer to assume existing loan of record in favor of PENSICO TRUST COMPANY CUSTODIAN FBO GEORGE E. DENNIS IRA it DE234 in the approximate amount of \$225,000.00 as per its terms and conditions. Seller will cause to be deposited with Escrow Holder any and all documentation in connection with the transfer of the loan and recent statement of account to be approved by buyer prior to close of escrow.

Escrow Holder is instructed to adjust the cash through escrow based on the statement of account deposited by Seller herein.

**ASSIGNMENT OF LEASE:** Seller will cause to be deposited with Escrow Holder any and all documentation in connection with the assignment of Ground Lease of record and consent for same, which is how title will be transferred to the subject property.

**CONTINGENCIES:** Seller will provide the following "due diligence" items for buyer's review and approval of same within 10 days of receipt thereof:

- tenant leases and/or rental agreements
- consent to the assignment of Ground Lease

- consent to the assumption of the first Note and Mortgage of record
- tenant estopple agreements
- current title report
- Seller's board of Director's approval and any Title Company or Escrow Company required documentation in connection with the sale of subject property
- YTD 2005 income and expense statement
- copies of all employment contracts and/or agreements with maintenance or management personnel.
- any insurance settlement documentation relative to the storm/hail damage including bids for repairs and the assignment of said funds

/s/ JW /s/ GEM

Initials Initials

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Seller represents and warrants that all information provided is true and correct to the best of their knowledge. Escrow Holder is licensed in the State of California and will process and close this transaction according to the usual and customary practices in the State of California. Parties are advised to disregard any preprinted reference to California laws/or procedures in the body of these instructions that do not apply to the subject property state..

Buyer and Seller each to pay their own costs and charges as customary in the State of California

MEMORANDUM ITEMS:

AS A MATTER OF RECORD ONLY, WITH WHICH ESCROW HOLDER IS NOT TO BE CONCERNED AND/OR LIABLE, THE FOLLOWING ARE BEING ADDED TO THESE INSTRUCTIONS AS A MEMORANDUM ONLY TO THIS ESCROW.

Buyer will deposit an additional \$250,000.00 into a reserve account to be used for capital improvement on subject property.

Prorations

A. Prorate as of close of escrow, on the basis of a 30 day month: Taxes, HOA, Rents, Interest, and all insurance as required. You are instructed to transfer any security deposits from Seller to Buyer. You are hereby authorized and instructed to prorate taxes to the close of escrow. You are also authorized and instructed to base your tax prorations upon the current available tax figures as shown on your preliminary title referenced above.

FIRPTA

Transferor/Seller and Transferee/Buyer agree than any calculation, deduction, act or action, such as the withholding of funds and/or the payment of taxes, in compliance with FIRPTA, or any other Internal Revenue Service Code or Regulation, shall be the responsibility of the parties herein and per their completed forms for same provided to Escrow Holder.

SEE ATTACHED GENERAL PROVISIONS

/s/ JW /s/ GEM

Initials Initials

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## GENERAL PROVISIONS

### 1. Deposit of Funds & Disbursements

All funds received in this escrow shall be deposited in an non-interest bearing account in one or more of your general escrow trust accounts with any financial institution doing business in the State of California and maybe transferred to any other general escrow account or accounts All disbursements shall he made by your check or other instrument as per your instructions You are authorized not to close escrow or disburse until good funds as provided for in California insurance Code Section 12413.1 have been confirmed in escrow Alliance Title Company shall not be responsible for any delay in closing if funds received by escrow are not available for immediate withdrawal Delays in closing will occur if funding is by other than cash, bank wire, cashiers checks or similar type items payable through a California Bank The accounts wherein funds are deposited and disbursed are insured under the specifications and regulations of the Federal Depositors insurance Corporation (FDIC). You are not responsible for these deposits in the event of bank failure, nor will you provide any additional insurance on said deposits. Wire instructions:

Bank: Centennial Bank  
Routing No.: 107006981  
Address: 13700 E. Arapahoe Road Englewood, CO 80112  
Credit: Alliance Title Company Account No :2400619  
Escrow No.: 15120493-3 83-BSB

### 2. Proration

Unless otherwise specified in writing, all prorations and/or adjustments are to he made as of close of escrow on the basis of a 30-day month As used herein, the expression, "C.O E." is defined as "Close of Escrow." 'H.O Dues,' as used herein, refers to any homeowners association or similar body which levies monthly or periodic assessments or dues for common area maintenance or similar matters You are authorized to insert the actual date of recording in all notes as to commencement of interest and due date of first payment.

### 3. Recordation of Instruments

You are authorized to record any documents delivered through this escrow, recording of which is necessary or proper in the issuance of the requested policy of title insurance Seller/Borrower authorizes Alliance Title Company to collect fees for recordation of documents Alliance Title Company has made their best determination of said charges prior to close of escrow and the seller or borrower is aware that they may differ from the actual fees.

### 4. Authorization to Execute Assignment of Insurance Policies

You may execute on behalf of the parties hereto, assignments of interest in any insurance policies, which are part of this escrow, and forward them upon close of escrow to the agent with respect to fire insurance policies you shall be fully protected in assuming that such policy is ill force and that the necessary premium therefore has been paid. In all acts in this escrow relating to insurance, including adjustments, if any, you shall be fully protected in assuming that each policy is in force and that the necessary premium therefore has been paid

### 5. Authorization to Furnish Copies You may furnish a copy of these instructions, amendments thereto, closing statements and/or any other documents to any real estate broker and/or lender involved in this transaction upon request of such lenders or brokers

### 6. Personal Property Taxes No examination or insurance as to the amount of payment of personal property taxes is required unless specifically requested

### 7. Right of Cancellation

The principals may mutually instruct you to cancel the escrow by delivering to you written cancellation instructions executed by all the principals Upon receipt of such instructions, you are authorized to comply with them, and demand payment of your cancellation charges, Alternatively, any principal may deliver to you a notice of cancellation executed by that principal. Upon receipt of such notice, you shall deliver a copy of such notice to each of the other principals at the address in this escrow. **UNLESS WRITTEN OBJECTION TO CANCELLATION IS FILED IN YOUR OFFICE BY A PRINCIPAL WITHIN TEN (10) DAYS AFTER DATE OF SUCH MAILING, YOU ARE AUTHORIZED TO COMPLY WITH SUCH NOTICE AND DEMAND PAYMENT OF YOUR CANCELLATION CHARGES.** If written objection is filed, you are authorized to hold all money and instruments in this escrow and take no further action until otherwise directed, either by the principals' mutual written instructions, or by final order of a court of competent jurisdiction.

### 8. Action in Interpleader

The parties expressly agree that you, as escrow holder, have the absolute right at your election to file an action in interpleader requiring the parties to answer and litigate their several claims and rights among themselves and you are authorized to deposit with the clerk of the court all documents and funds held in this escrow.. In the event such action is filed, the parties jointly and severally agree to pay your cancellation charges and costs, expenses and reasonable attorney's fees which you are required to expend or incur in the interpleader action, Upon the filing of the action, you shall be fully released from the obligations to further perform any duties

otherwise imposed by the terms of this escrow,

9. Termination of Agency Obligations

If there is no action taken on this escrow within six months after the time limit date set forth in the escrow instructions or written extension thereof your agency obligation shall terminate at your option and all documents, monies, or other items held by you shall be returned to the parties depositing same. This shall not limit your right to withdraw as escrow agent from this transaction at any time. In the event of termination of your agency obligation, the parties shall pay your fees, charges and any expenses incurred, which shall be deducted from any and all deposits made to escrow

10. Conflicting Instructions

No notice, demand, or change of these instructions shall be in effect unless given in writing Should you before or after close of escrow receive or become aware of any conflicting demands or claims with respect to this escrow of the rights of any of the parties hereto, or any money or property deposited herein or affected hereby, you shall have the right to discontinue any or all further acts on your part until such conflict is resolved to your satisfaction, and you shall have the further right to commence or defend any action or proceedings for the determination of the conflict as provided in paragraphs 7 and 8 of these General Provisions. The parties hereto Jointly and severally agree to pay all costs, damages, judgments and expenses, including reasonable attorney's fees, suffered or incurred by you in connection with, or arising out of this escrow, including, but without limiting the generality of the foregoing, a suit in Interpleader brought by you In the event you file a suit in interpleader you shall be fully released and discharged from all obligations imposed upon you in this escrow

11. Purchase Contract

Notwithstanding the fact that you may have been provided with a copy of the Purchase Contract in relation to subject property for information purposes, your liability to the undersigned is limited solely to your compliance with these instructions, and any modifications hereto given in writing prior to close of escrow; and any policy of title insurance issued in connection herewith naming the undersigned as an insured

The undersigned acknowledge that you, as escrow holder, are not charged with the responsibility of interpreting the provisions of any contract which may be the basis for this transaction, or making any disclosures relative to such provisions, or otherwise, even though you may have been provided a copy of such contract for information purposes. Your liability as escrow holder is limited solely to your compliance with these instructions and any supplements, addendums and amendments thereto delivered in writing.

12. Funds Retained in Escrow

If for any reason, funds are retained or remain in escrow more than 90 days after closing date, you are to deduct therefrom a reasonable monthly charge as custodian thereof of not less than \$25.00 per month. Instruments that are not negotiated within six months are considered stale date and are considered to be held in escrow and are subject to the fees described above to be assessed from the date of the instrument

/s/ JW /s/ GEM

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### 13. Usury

You are not to be concerned with any question of usury in any loan or encumbrance involved in the processing of this escrow and you are hereby released of any responsibility or liability therefore. Furthermore, notwithstanding the Note has been executed, you are authorized to insert the actual date of recording in all Notes as to the commencement of interest and due date of the first payment, unless otherwise instructed.

### 14. Indemnity for Attorneys Fees and Costs

In the event suit is brought by any party to this escrow, including the title company or any other party, as against each other or others, including the title company, claiming any right they may have against each other or against the title company, then in that event, the parties hereto agree to reimburse, indemnify and hold harmless the title company from and against any loss, attorney's fees, expenses and costs incurred by it.

### 15. Destruction of Documents

You are authorized to destroy or otherwise dispose of any and all documents, papers, instructions, correspondence and other material pertaining to this escrow at the expiration of seven years from the close of escrow or cancellation thereof, without liability and without further notice to parties to the transaction.

### 16. Tax Reporting And Withholding Obligations of the Parties

#### Federal Law

Internal Revenue Code Section 1445 places special requirements for tax reporting and withholding on the parties to a real estate transaction where the seller is a nonresident alien, a non-domestic corporation or partnership, a domestic corporation or partnership controlled by non-residents or non-resident corporations or partnerships.

With respect to both California and federal law, the undersigned represents and warrants to Escrow Agent that the undersigned is relying on an attorney's, accountant's or other tax specialist's opinion concerning the effect of these laws on this transaction or on the undersigned's own knowledge of these laws. The undersigned is not acting on or relying on any statements made or omitted by Escrow Agent with respect to tax reporting or withholding requirements.

Seller is aware that Federal Tax Law requires that escrow holder be provided with correct taxpayer identification information. Escrow holder must then report the transaction to the Internal Revenue Service including the seller's social security number or taxpayer identification number and the gross consideration.

Federal Legislation requires that a buyer and a seller must provide the Internal Revenue Service the Taxpayer Identification Number of the party to whom interest is paid or received. This reporting is the sole responsibility of the buyer and the seller. If you will be paying or receiving interest, you are encouraged to exchange Taxpayer Identification Numbers at this time. Alliance Title Company is authorized to provide to the other party your TIN (Social Security Number) by providing the other party with a copy of this upon written request.

#### State Law

In accordance with Section 18662 of the Revenue & Taxation Code, a buyer may be required to withhold an amount equal to 3 and 1/3 percent of the sales price in the case of the disposition of California real property interest by either:

1. A seller who is an individual or when the disbursement instructions authorize the proceeds to be sent to a financial intermediary of the seller, OR
2. A corporate seller that has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars (\$500.00). However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars (\$100,000.00), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a corporation with a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, certifying:
  - a. That the California real property being conveyed is the seller's principal residence (within the meaning of Section 121 of the Internal Revenue Code)
  - b. That the California real property being conveyed is or will be exchanged for property of like kind (within the meaning of Section 1031 of the Internal Revenue Code), but only to the extent of the amount of gain not required to be recognized for California income tax purposes under Section 1031 of the Internal Revenue Code,
  - c. That the California real property being conveyed has been compulsorily or involuntarily converted (within the meaning of Section 1033 of the Internal Revenue Code) and that the seller intends to acquire property similar or related in service or use so as to be eligible under Section 1033 of the Internal Revenue Code
  - d. That the California real property transaction will result in a loss for California income tax purposes.

The Seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement. The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant a reduced withholding and waivers from withholding on a case-by-case basis for corporations or other entities.

The parties to this transaction should seek the professional advice and counsel of an attorney, accountant or other tax specialist's opinion.

concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer

17. Supplemental Taxes

Supplemental tax bills, when issued and posted, may not be immediately available; therefore, there may be a gap in time where the bill may be posted but we would not have knowledge of it. Therefore, in the event a supplemental tax bill is issued by the County Tax Collector after the date of the above mentioned preliminary title report or after the close of escrow and transfer of title, the undersigned parties agree to handle any adjustment which might result from such supplemental tax bill directly between themselves.

18. Exchanges

In the event this transaction is an exchange or part of all exchange, the parties acknowledge the escrow holder has made no representations whatsoever regarding the sufficiency or effect of this transaction in relation to applicable federal and state tax laws. It is further acknowledged by the parties that they have been advised by escrow holder to seek the counsel of their own tax attorney or certified public accountant for the determination of any tax consequences of this exchange.

The undersigned fully indemnify and hold escrow holder harmless from any loss or damage which the parties may sustain in the event this transaction fails to qualify for any special tax treatment.

19. Amendment to Escrow Instructions and Counterpart Approval

Any amendment or supplement to these escrow instructions, amendments and supplements must be in writing. Collectively, these escrow instructions constitute the entire escrow between the escrow holder and the parties. These escrow instructions, amendments and supplements may be executed in one or more counterparts each of which independently shall have the same effect as if it were the original, and all of which taken together shall constitute one and the same instructions.

20. Agreement of Co-Operation (Unjust Enrichment)

In the event that any party to this escrow receives funds or is credited with funds that they are not entitled to, for whatever reason, they agree, upon written demand, to return said funds to the proper party entitled or to the escrow for disbursement. In the event that suit is brought to enforce the return of said funds, the parties agree to reimburse the prevailing party their reasonable attorney fees.

21. Escrow Responsibility

We understand that Escrow is acting under this Agreement as a depository only and its sole responsibility shall be to comply with the written instructions given to and accepted by Escrow under this Agreement. Your duties under this Agreement shall be limited to the safekeeping of money,

/s/ JW /s/ GEM

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instruments, or other documents received by you as the Escrow Agent, and for the disposition of the money, instruments or other documents received by you in accordance with the instructions contained in this Agreement Escrow shall have no duty, obligation or responsibility to undertake any of the following actions: (a) to inquire into the sufficiency, correctness, genuineness, form, substance, manner of execution, validity or enforceability of any document; (b) to inform either Seller or Buyer of any facts which Escrow may have acquired outside the transaction between Seller and Buyer; (c) for any loss suffered by either Seller or Buyer attributed to defects in the Title to the Real Property except for a loss caused by Escrow's failure to obtain the required Title insurance or Title coverage. We will not reveal nonpublic personal customer information to any external non-affiliated organization unless we have been authorized by the customer, or are required by law

22. Fax/Telecopy Instructions

In the event Buyer(s), Seller(s) or other Parties to the Escrow utilize "facsimile" transmitted signed documents, Parties hereby agree to accept, and instruct the Escrow Holder to rely upon such documents as if they were bearing the original signatures. Parties further acknowledge and agree that documents necessary for recording by the County Recorder must be original signatures, and therefore, non receipt of the original documents to record can delay the close of escrow

23. Copy Quality

Any copies provided to us from the County Recorder are the best available copies and Alliance Title Company is relieved from any liability or responsibility for the clarity of the copies

24. Application of Payoff Funds

Should a check or wire be deemed unacceptable by lenders, creditors, lien holders or beneficiaries of Deeds of Trust, you are authorized to act on our behalf in requesting the funds, as well as any balance in an impound account, be applied towards the balance due.

25. Preliminary Change of Ownership (POOR Statement)

Buyer(s) will hand you before close of escrow a completed "Preliminary Change of Ownership" Statement which you are hereby instructed to file accompanied by the Grant Deed with the County Recorder; or in the absence or rejection thereof you will pay from Buyer's funds an additional \$20,00 if required by the County Recorder It is understood that Escrow does not have sufficient information to complete this form and will not be required to furnish information therefore, In the event the Preliminary Change of Ownership Statement is rejected, Buyers understand that they will be required to file a Change of Ownership Statement that should be mailed to them with the recorded Grant Deed from the County Recorder's Office, after close of escrow Buyers are aware that by law this requirement must be met within 45 days from recordation of their Grant Deed or they maybe assessed additional penalties **SHOULD THE PARTIES HAVE ANY QUESTIONS CONCERNING THE SIGNING OF DOCUMENTS OR THE INTERPRETATION OF THESE INSTRUCTIONS, THEY ARE ADVISED TO CONSULT THEIR ATTORNEY.**

If these instructions refer to a sale, the seller agrees to sell and the buyer agrees to buy the property herein described upon the terms hereof. Alliance Title Company is specifically directed to follow these instructions only and has no responsibility to follow the terms of any prior agreements entered into between the parties herein. It is agreed and understood that these Escrow Instructions shall be the whole and only agreement between the parties with regard to the instructions to, and obligations of, Alliance Title Company, and shall supersede and cancel any prior instructions. The undersigned parties jointly and severally agree to hold Alliance Title Company harmless from and against any and all damages or liability, therefore, loss, costs, charges, attorneys' fees or other expenses which Alliance Title Company shall or may at any time suffer, sustain or incur by reason of or in consequence of complying with the foregoing instructions

Although time is of the essence in these instructions, they shall be effective until revoked by written demand and authorization satisfactory to you, or as defined in paragraph #9 of these General Provisions.

I agree to pay usual buyer's charges as customary in County. All disbursements are to be made by your company check.

Buyer's refund, if any, will be disbursed in the form of one check payable to the order of ALL Buyers unless Escrow Holder is provided with written instructions from all Buyers to do otherwise. Such checks require the personal endorsement of all payees to be negotiable.

/s/ JW /s/ GEM

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The foregoing terms, provisions, conditions, and instructions, and those "General Provisions" contained herein are hereby approved and accepted in their entirety and concurred in by me. I will hand you necessary documents called for on my part to comply with Escrow Instructions shown above, within the time as above provided, pay your escrow charges, my recording fees, charges for evidence of title as called for, whether or not this escrow is consummated.

BUYER:

/s/ Glen Mac Leod            10/17/05  
GLEN MAC LEOD            Date

Tax ID Number: \_\_\_\_\_

I/We approve of the foregoing instructions and agree to sell and will deliver to you a properly executed Grant Deed, papers, instruments and/or funds required from me within the time limit specified herein, which you are authorized to deliver when you can issue your policy of title insurance as set forth above. I/We agree to pay any personal property taxes, or escaped assessments properly chargeable to me. You are instructed to use the money and record the instruments to comply with said instructions and to pay all encumbrances of record necessary without further approval including prepayment penalties to show title as herein provided. I agree to pay all customary costs and such other charges that are advanced for my account regardless of the consummation of this escrow, deducting same from my net sale proceeds. The undersigned Seller(s) hereby instruct Alliance Title to disburse their proceeds as follows:

Hold check for pick up at your Alliance Title office in/at \_\_\_\_\_

X Authorize check to be picked up by:

Name: Jim Brondino

Call when check is ready for pickup, phone # \_\_\_\_\_, contact

Mail check to: Name: \_\_\_\_\_

Address: \_\_\_\_\_

Transfer proceeds to: Escrow No. \_\_\_\_\_

Title company \_\_\_\_\_

Address \_\_\_\_\_

Other -(ie: Overnight mail) - see attached sheet for further instructions

SELLER:

SECURED DIVERSIFIED INVESTMENT LTD  
A NEVADA CORPORATION

/s/ Jan Wallace            Oct. 14, 2005  
JAN WALLACE, PRESIDENT            Date

Tax ID Number: 80-0068489

/s/ JW   /s/ GEM  
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