

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, 2006**

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

For the transition period _____ to _____

Commission File Number: **00030653**

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.)

5205 East Lincoln Drive , Paradise Valley, Arizona 85253

(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: **1,516,820 common shares as of September 30, 2006.**

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

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited financial statements included in this Form 10-QSB are as follows:

- [F-1](#) [Consolidated Balance Sheet as of September 30, 2006;](#)
- [F-2](#) [Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005;](#)
- [F-3](#) [Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005;](#)
- [F-4](#) [Notes to Consolidated Financial Statements;](#)

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, 2006 are not necessarily indicative of the results that can be expected for the full year.

SECURED DIVERSIFIED INVESTMENT, LTD.
Consolidated Balance Sheet
September 30, 2006
(Unaudited)

ASSETS

Properties, net of accumulated depreciation of \$156,008	\$ 1,828,208
Equipment, net of accumulated depreciation of \$424	3,393
Cash and cash equivalents	152,613
Receivables	106,208
Restricted cash	72,145
Prepaid and other assets	24,075
Total Assets	\$ 2,186,642

LIABILITIES AND STOCKHOLDERS' EQUITY

Mortgages Payable	\$ 1,146,126
Mortgages Payable, related parties	138,630
Notes Payable, related parties	55,000
Interest Payable	35,523
Accounts Payable, accrued expenses and other liabilities	316,071
Total Liabilities	1,691,350

Minority Interest	97,549
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Commitments & contingencies	-
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STOCKHOLDERS' EQUITY

Series A Preferred Stock, 375,000 shares authorized, \$0.01 par value, 361,808 issued & outstanding	3,617
Series B Preferred Stock, 1,000,000 shares authorized, \$0.01 par value, 8,044 issued & outstanding	80
Series C Preferred Stock, 1,125,000 shares authorized, \$0.01 par value, none issued & outstanding	-
Common Stock, 5,000,000 shares authorized, \$0.001 par value, 1,516,820 issued and outstanding	1,517
Shares to be issued	5,830
Paid In Capital	8,785,136
Accumulated Deficit	(8,398,439)
Total Stockholders' Equity	397,742
Total Liabilities & Stockholders' Equity	\$ 2,186,642

see accompanying footnotes

SECURED DIVERSIFIED INVESTMENT, LTD.
Consolidated Statements of Operations
September 30, 2006
(Unaudited)

	For the Three Month Periods Ended September 30,		For the Nine Month Periods ended September 30,	
	2006	2005	2006	2005
REVENUES				
Rental Income	\$ 82,932	\$ 146,593	\$ 249,387	\$ 430,244
Commission Income	20,756	-	20,756	-
Total Net Revenues	103,688	146,593	270,144	430,244
OPERATING EXPENSES				
General and Administrative Expenses	310,019	668,152	876,104	2,091,217
Operating Loss	(206,330)	(521,559)	(605,961)	(1,660,973)
Other Income and (Losses)				
Gain (Loss) on Equity Investment	-	5,839	-	42,043
Interest Expense	(34,101)	(48,706)	(109,639)	(156,119)
Interest Income	144	538	430	27,840
Minority Interest	5,280	10,095	17,574	32,977
Other net	10,045	(7,907)	294,051	653,885
Total Other Income and (Losses)	(18,632)	(40,141)	202,416	600,626
Net Loss from continuing operations	(224,962)	(561,700)	(403,545)	(1,060,348)
Discontinued Operations:				
Gain from discontinued operations (including gain or (loss) on disposal)	-	52,485	-	342,646
NET LOSS	\$ (224,962)	\$ (509,215)	\$ (403,545)	\$ (717,702)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.05)
Basic and diluted weight average shares	15,298,060	15,627,139	23,070,874	15,272,406

see accompanying footnotes

SECURED DIVERSIFIED INVESTMENT, LTD.
Consolidated Statements of Cash Flows
September 30, 2006
(Unaudited)

	For the Nine Month periods ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net Loss	\$ (403,545)	\$ (717,702)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and Amortization	33,219	33,888
Consulting prepaid expense	-	140,000
Minority interest	(17,574)	(32,977)
Shares cancelled	(11,250)	-
Shares to be issued	5,830	-
Gain (Loss) on equity investment	-	(42,043)
Gain (Loss) on disposal of subsidiary	-	(342,646)
Issuance of shares for consulting services	-	167,033
Loss on sale of note receivable	-	7,500
Gain on settlement of debt and litigation	(302,409)	-
Increase (decrease) in assets and liabilities:		
Receivables	79,963	45,023
Note Receivable	32,277	-
Prepaid expenses	(258)	2,573
Other assets	2,918	-
Accrued interest	18,368	-
Payroll liabilities	3,876	-
Accounts payable, accrued expenses	(236,485)	(130,945)
Net cash used in operating activities	(795,069)	(870,296)
Cash flows from investing activities:		
Collection of note receivable	-	642,500
Purchase equipment and tenant improvements	(42,440)	(1,464)
Investment in real estate	(200,000)	-
Increase in restricted cash	(428)	403,766
Proceeds from sale of real estate	-	76,500
Proceeds from sale of subsidiary interest, net of investment	-	352,646
Net cash provided by (used in) investing activities	(242,868)	1,473,948
Cash flows from financing activities:		
Payment of line of credit	-	(396,920)
Payment of mortgage payable	-	(15,944)
Proceeds from notes payable - related party	-	50,000
Payments on notes payable - related party	(25,000)	(854)
Proceeds from notes payable	-	-
Payments on notes payable	(14,854)	(251,980)
Net cash used in financing activities	(39,854)	(615,698)
Net decrease in cash & cash equivalent	(1,077,791)	(12,045)
Cash & cash equivalent, beginning period	1,230,404	23,790
Cash & cash equivalent, end of period	<u>\$ 152,613</u>	<u>\$ 11,745</u>

Supplemental disclosures:

Cash paid for interest	<u>\$ 88,906</u>	<u>\$ 156,119</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>

Non-cash investing and financing activities:

Conversion of note to stock	<u>\$ -</u>	<u>\$ 10,976.00</u>
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see accompanying footnotes

SECURED DIVERSIFIED INVESTMENT, LTD.
Notes to Unaudited Consolidated Financial Statements
September 30, 2006

NOTE 1 - Basis of presentation and Going Concern

Basis of presentation:

The unaudited consolidated financial statements have been prepared by the "Company," pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the year ended December 31, 2005. The results of the nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year ending December 31, 2006.

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 \$8,398,439 as of September 30, 2006. The Company reported net loss of \$403,545 at September 30, 2006. The Company currently has limited liquidity, and has not completed its efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. Much of this is attributable to the capital and equity structure of the Company inherited from prior management. Additionally, the Company is involved in litigation with a prior employee of the Company. The outcome of this litigation may adversely affect the liquidity of the Company.

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 continue efforts to restructure its operations and raise additional capital to succeed in future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Current management has restructured the Company's operations by selling many of its poorly performing properties and reducing the associated high cost of debt. The Company also significantly reduced overhead. The Company continues to search and evaluate different business opportunities in efforts to generate a stabilized cash flow and funds for future investments. Management anticipates that the Company will be dependent, for the near future, on additional investment capital to fund operating expenses and acquisitions of properties or businesses before achieving operating profitability. The Company intends to position itself so that it may be able to raise additional funds through the capital markets which to date it has not been able to do so. However, the continual restructuring of the Company's capital base may assist in these efforts. In light of management's efforts, 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,

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

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 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 (Series A, B and C), 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. The Company was not successful in implementing this strategy. Currently, the Company owns a shopping center in Orange, California; a single story office building in Newport Beach, California through its majority owned subsidiary Diversified Commercial Brokers, LLC; a 25 percent Tenant-in-Common interest in a commercial property located in Paradise Valley, Arizona; and a 33.3 percent interest in a property, consisting of a 2,180 square foot structure on approximately 38,587 square feet of land, located in Phoenix, Arizona.

NOTE 3 - Significant Accounting Policies

Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its' majority owned subsidiary, Diversified Commercial Brokers, LLC (53.8%) and Secured Lending, LLC (100%). 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 no certificates of deposit in excess of federal deposit insurance limits; however, the Company's general operating account exceeds federal deposit insurance limits.

Revenue recognition. The Company's revenues are derived from rental income and commission income from mortgage brokerage operations. Revenues are recognized in the period services are provided.

As a lessor, the Company has retained substantially all of the risks and benefits of ownership of the office properties and accounts for its leases as operating leases. Income on leases, which includes scheduled increases in rental rates during the lease term and/or abated rent payments for various periods following the tenant's lease commencement date, is recognized on a straight-line basis. Property leases generally provide for the reimbursement of annual increases in operating expenses above base year operating expenses (excess operating expenses), payable to the Company in equal installments throughout the year based on estimated increases. Any differences between the estimated increase and actual amounts incurred are adjusted at year end.

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

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

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 consolidated method of accounting is used for investments in associated companies in which the company's interest is 50% or more. Under the consolidated method, the Company recognizes its 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.

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.

Income (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 September 30, 2006 and 2005, all potential common shares are excluded from the computation of diluted loss per share, as the effect of which was anti-dilutive.

Stock-based compensation.

The company adopted SFAS No. 123-R effective January 1, 2006 using the modified prospective method. Under this transition method, stock compensation expense includes compensation expense for all stock-based compensation awards granted on or after January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123-R.

Prior to January 1, 2006, the company measured stock compensation expense using the intrinsic value method of accounting in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations (APB No. 25) and has opted for

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

the disclosure provisions of SFAS No. 123. Thus, expense was generally not recognized for the company's employee stock option and purchase plans.

There were no unvested stock options as of December 31, 2005. The Company approved a stock option plan at its recently held shareholder meeting. The Company granted 7,500 (adjusted for post split effect) in options to Luis Leon, its former Chief Executive Officer, as part of its settlement (See Note 14).

Gain recognition on sale of real estate assets. In accordance with SFAS No. 66, Accounting for Sales of Real Estate, the Company performs evaluations of each real estate sale to determine if full gain recognition is appropriate and of each sale or contribution of a property to a joint venture to determine if partial gain recognition is appropriate. The application of SFAS No. 66 can be complex and requires the Company to make assumptions including an assessment of whether the risks and rewards of ownership have been transferred, the extent of the purchaser's investment in the property being sold, whether its receivables, if any, related to the sale are collectible and are subject to subordination, and the degree of its continuing involvement with the real estate asset after the sale. If full gain recognition is not appropriate, the Company accounts for the sale under an appropriate deferral method.

Income Taxes. Deferred income tax assets and liabilities are computed annually for differences between the consolidated financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income (loss). Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

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.

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

	CA	NV	ND	TOTAL
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

During 2005, the Company sold two improved real properties and our unimproved parcel of land located Dickinson, North Dakota and Las Vegas, Nevada. By the end of 2005, our remaining portfolio consisted of a 100% ownership interest in the Katella Business Center in Orange, California, and a 53.8% ownership interest in the Campus Drive Office Building in Newport Beach, California. During the first quarter of 2006, the Company acquired investment interest in two separate properties in Arizona.

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

On January 6, 2006, the Company acquired a 25 percent Tenant-in-Common interest in a commercial property located in Paradise Valley, Arizona for \$300,000. The tenant-in common partners include a director of the Company, 25 percent, and an unrelated third party, 50 percent and SDI 25%. The unrelated third party will be responsible for all costs of operation including, but not limited to, landscaping, maintenance, taxes, insurance, property management and debt payments.

On February 15, 2006, the Company acquired a 33.3 percent interest in a property located in Phoenix, Arizona for \$200,000. The property consists of a 2,180 square foot structure on approximately 38,587 square feet of land. The Company's interest was purchased from Ms Jan Wallace, an officer and director of the Company. The property will be used to house the Company's headquarters. The Company is not responsible for any of the expenses and does not share in the revenue stream associated with these properties.

Following is a summary of segment information by geographic unit for the period ended September 30, 2006:

	CA	AZ	TOTAL
Commission & Rental Income	\$249,387	\$20,765	\$270,144
Net income (loss)	(305,491)	(98,054)	(403,545)
Total Assets	2,128,606	58,036	2,186,642
Capital Expenditure	200,000	42,440	242,440
Depreciation and amortization	31,937	1,282	33,219

Recent accounting pronouncements.

In February 2006, FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments". SFAS No. 155 amends SFAS No 133, "Accounting for Derivative Instruments and Hedging Activities", and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interest in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS No. 140 to eliminate the prohibition on the qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for all financial instruments acquired or issued after the beginning of the Company's first fiscal year that begins after September 15, 2006. Management believes that this statement will not have a significant impact on the consolidated financial statements.

In March 2006 FASB issued SFAS 156 'Accounting for Servicing of Financial Assets' this Statement amends FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Statement:

1. Requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract.

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

2. Requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable.
3. Permits an entity to choose 'Amortization method' or Fair value measurement method' for each class of separately recognized servicing assets and servicing liabilities:
4. At its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value.
5. Requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities.

This Statement is effective as of the beginning of the Company's first fiscal year that begins after September 15, 2006. Management believes that this statement will not have a significant impact on the consolidated financial statements.

In September 2006, FASB issued SFAS 157 'Fair Value Measurements'. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The management is currently evaluating the effect of this pronouncement on financial statements.

In September 2006, FASB issued SFAS 158 'Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)' This Statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

- a. A brief description of the provisions of this Statement
- b. The date that adoption is required
- c. The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The management is currently evaluating the effect of this pronouncement on financial statements.

NOTE 4 - Property and Equipment

The Company acquires income-producing real estate assets in the normal course of business. During 2005, the Company sold a shopping center and vacant lot in Dickinson, North Dakota and a shopping center in Las Vegas, Nevada. Property & Equipment comprised of following at June 30, 2006:

		Estimated Life
Buildings and improvements	\$ 1,945,594	39 years
Leasehold improvements	\$ 38,623	15 years
Furniture, fixture and equipment	\$ 3,817	3 years
Less accumulated depreciation	(156,433)	
	<u>\$ 1,831,601</u>	

Depreciation expense at September 30, 2006 and 2005 was \$33,219 and \$33,888, respectively. No interest was capitalized in either period.

NOTE 5 - Related Party Transactions

Seashore Diversified Investment Company (SDIC). Certain of the Company's former officers and directors were also officers and directors of SDIC and continue to be major shareholders of SDIC. During 2002 through 2004, SDIC advanced monies to the Company, \$55,000 of which bears an interest rate of 9% and is evidenced by a note dated October 1, 2002 with a maturity date of September 30, 2003. Additional monies were advanced during that period and, at March 31, 2006, the outstanding advances totaled \$162,143 plus \$41,741 in accrued interest. While the Company recorded the contingent liability and associated accrued interest, \$107,141 is not evidenced by any written instrument nor was there any expressed terms of repayment. In any event, it is the Company's position that the outstanding advances in favor of SDIC, while carried on the Company's books during these years, were forgiven in connection with the purchase of the Hospitality Inn. In 2003, the Company entered into an agreement with Seacrest Limited Partnership I (of which SDIC was the general partner) to purchase the Hospitality Inn free and clear. When it was discovered that Seacrest could not deliver title to the Hospitality Inn as presented, the Company requested and obtained a verbal agreement from SDIC forgiving the entire aforementioned contingent liabilities then advanced and any future advances save \$35,000. Members of the Board, management, and large shareholders of the Company, at the time of forgiveness, also represented SDIC, Seacrest Limited Partnership I and had a vested interest in the purchase of the Hospitality Inn by the Company.

SDIC has made no effort to collect the entire amount of the debt and acknowledged the forgiveness of the debt during the time the SDIC's officers and directors remained officers and directors of the Company. Only when these former officers and directors resigned with the Company did SDIC object to the forgiveness of the debt. Several of these individuals currently are involved in litigation with the

SECURED DIVERSIFIED INVESTMENT, LTD.

Notes to Unaudited Consolidated Financial Statements

September 30, 2006

Company (See Note 13-Litigation). While the Company firmly believes that the debt has been forgiven, the Company also believes that the statute of limitations to recover any such debt has since expired.

C. Wayne Sutterfield (Sutterfield). The Company owed Sutterfield, a former director and shareholder, two notes, \$67,000 and \$71,630 both secured by trust deeds on 5030 Campus Drive. The notes bear interest at 8% and mature on August 17, 2006, and December 31, 2006, respectively. The \$67,000 note matured August 17, 2006, is being extended for six-months to February 17, 2007. Sutterfield is a minority owner in DCB. In addition to the interest payment on the 3rd trust deed, the Company, pursuant to the terms of the operating agreement, pays Sutterfield a preferred return on his investment. Payments to Sutterfield for the nine months ended September 30, 2006 and 2005 totaled \$9,996 and \$1,597, respectively. There is also \$35,523 in accrued interest payable. The Company retains the right to acquire all his interests in DCB. Pursuant to the operating agreement, the Company is responsible for any and all cash flow deficiencies.

Jan Wallace (Wallace). On July 1, 2006, Secured Lending, LLC has entered into a lease agreement with Jan Wallace, Chief Executive Officer and Director for the lease of office space at 12202 Scottsdale Road, Phoenix, Arizona, in order to conduct its mortgage banking operation. The lease is for approximately 1,464 square feet at \$2,560 per month with a term of three years and one three year option.

NOTE 6 - Note Payable - Related Parties**Note Payable comprised of following at September 30, 2006:**

Unsecured note, bearing interest at 9%, interest only, due on demand	\$ 55,000
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Interest expense on the notes payable - related parties amounted to \$7,236 and \$12,307 for the nine months ended September 30, 2006 and 2005, respectively, and \$ -0- and \$4,886 for the three month periods ended September 30, 2006 and 2005, respectively. The accrued interest has been reversed as discussed in Note 5 - Related Party Transactions.

On January 19, 2006, the Company paid off a note to Prime Time Auctions, Inc, a shareholder totaling \$25,000 bearing interest at 15 percent secured by the Katella Business Center. The note was repaid in full including all accrued interest and late fees.

NOTE 7 - Mortgages Payable**Mortgages payable comprised of following at September 30, 2006:**

Mortgage note, bearing interest at 11.5%, due on June 25, 2007, secured by 1 st 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 8.0%, principal and interest monthly, maturing February 2, 2013, secured by 1 st trust deed on 5030 Campus	666,126
Mortgage note, bearing interest at 8%, due on February 4, 2008, secured by 2 nd trust deed on 5030 Campus	110,000
Total mortgages payable	\$ 1,146,126

Interest expense on the Mortgages payable amounted to \$78,356, and \$99,035 for the nine month periods ended September 30, 2006 and 2005, respectively, and \$26,207 and \$31,607 for the three month periods ended September 30, 2006 and 2005, respectively.

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NOTE 8 - Mortgages Payable - Related Parties**Mortgages payable - related parties, comprised of following at September 30, 2006:**

Mortgage note, bearing interest at 8%, due on August 17, 2006, secured by 5030 Campus Drive	\$ 67,000
Mortgage note, bearing interest at 8%, due on December 31, 2006, secured by 3 rd trust deed on 5030 Campus	71,630
Total mortgages payable- related parties	<u>\$ 138,630</u>

Interest expense on the Mortgages payable - related parties amounted to \$23,453, and \$33,265 for the nine month periods ended September 30, 2006 and 2005, respectively, and \$7,871 and \$11,093 for the three month periods ended September 30, 2006 and 2005, respectively.

On August 17, 2006, the \$67,000 mortgage payable, secured by 5030 Campus Drive, payable to the Sutterfield Family Trust (Wayne Sutterfield) matured. The note will be extended for six months to February 17, 2007, on the same terms.

NOTE 9 - 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 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.

On August 1, 2006, our Board of Directors resolved to amend the Articles of Incorporation pursuant to Nevada Revised Statutes 78.207 to decrease the number of authorized shares of our common stock, par value \$.001, from 100,000,000 to 5,000,000 shares. Correspondingly, our Board of Directors affirmed a reverse split of twenty to one in which each shareholder will be issued one common share in exchange for each twenty common share of their currently issued common stock. At the same time and under the same authority, our Board of Directors resolved to amend the Articles of Incorporation to decrease the number of authorized shares of our preferred stock, par value \$0.01, from 50,000,000 to 2,500,000 shares. Correspondingly, our Board of Directors affirmed a reverse split of twenty to one in which each shareholder will be issued one common share in exchange for each twenty common share of their

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currently issued common stock. A record date of August 14, 2006 was established in order to provide the NASD ten days notice pursuant to Rule 10b-17 of the Securities and Exchange Act of 1934 as amended. All shareholders of this record date will receive one share of our common stock for each twenty shares owned. These share certificates will be issued upon surrender. On August 1, 2006, we filed a Certificate of Amendment to the Articles of Incorporation with the Nevada Secretary of State to reflect the decrease in authorized shares. Under Nevada Revised Statutes 78.207, shareholder approval was not required.

During the period ended September 30, 2006, the Company had the following equity transaction adjusted for the effect of reverse split of 20:1.

On December 22, 2005, the Chief Executive Officer and President returned 2,250 shares of common stock to the Company for cancellation and return to unissued and authorized shares. The shares were cancelled January 14, 2006.

On February 2, 2006, Iomega converted its 12,500 shares of Series C Preferred Stock for 750,000 shares of the Company's common stock.

On August 24, 2006, we entered into a Consulting Services Agreement (the "Consulting Agreement") with Mr. Donald Schwall, Jr. Pursuant to the Consulting Agreement, Mr. Schwall will provide consulting and advisory services to our company on matters relating to developing online promotional concepts, events and materials to increase website awareness, marketing efforts and other matters. As compensation for these services, we delivered 400,000 shares of our common stock to Mr. Schwall on October 12, 2006, after registering his shares under the Securities Act of 1933, as amended, using Form S-8.

On August 24, 2006, the Company agreed to issue 5,830 shares of common stock to Wayne Sutterfield, a shareholder and former director, in exchange for deferring interest payments due pursuant to that certain Operating Agreement regarding the Company's subsidiary, DCB.

NOTE 10 - Stock Incentive Plans

In November 2003, the Board of Directors adopted and the Shareholders approved two stock incentive plans: the Secured Diversified Investment, Ltd. 2003 Employee Stock Incentive Plan (2003 Employee Plan) and the Secured Diversified Investment, Ltd. 2003 Non-employee Directors Stock Incentive Plan (2003 Directors Plan). The Plans authorized the grant of stock options, restricted stock awards, stock in lieu of cash compensation and stock purchase rights covering up to a total of 750,000 shares of common stock (adjusted for post split effect) to key employees, consultants, and members of Board of Directors and also provides for ongoing automatic grants of stock options to non-employee directors. Effective April 1, 2005, The 2003 Employee Plan had been eliminated. The officers rescinded their employment agreements thereby forgiving the entire amount of their accrued salaries, shares issued and their grant of options under the 2003 Employee Plan. The former officers of the Company were collectively granted stock options totaling 125,000 (adjusted for post split effect) shares of which 62,500 (adjusted for post split effect) were vested at December 31, 2004. The Company recorded the expense of the vested options See Footnote 13 Commitments and Contingencies *Officer Employment Agreements* and Footnote 14 Litigation. The grant of options and those vested have been cancelled during 2005 as a result of the former employees canceling and rescinding their employment agreements.

A majority of the non-employee directors who received grants have resigned and were required to exercise such options within six months of resignation or the options would expire and automatically cancel. The grant of all stock options under the 2003 Director Plan have expired and been cancelled. The 2003 Director Plan ceases to exist.

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At the annual shareholder meeting, on June 2, 2006, the shareholders approved the '2006 Stock Option Plan of Secured Diversified Investment, Ltd.' The Plan authorizes the grant of stock options to key employees, consultants, and members of Board of Directors. Under the Plan, the aggregate sales price, or amount of securities sold, during any 12 month period may not exceed the greater of: (1) \$1 million, (2) 15% of the total assets of the Company, or (3) 15% of the issued and outstanding common stock of the company, including shares previously issued under this Plan or other stock option plans created by the Company, whichever is greater. The maximum number of shares for which an Option may be granted to any Optionee during any calendar year will not exceed 5% of the issued and outstanding shares.

NOTE 11 - Stock Options

On April 7, 2006, the Company settled its litigation with Luis Leon. The settlement included a grant of 7,500 (adjusted for post split effect) stock options. The Company adopted 2006 stock option plan in June 2006 and on August 8, 2006 issued 7,500 (adjusted for post split effect) options at a strike price of \$0.01 to Luis Leon under the '2006 Stock Option Plan of Secured Diversified Investment, Ltd.

As of September 30, 2006, the following is a summary of the stock option activity:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2005	-	-	-
Granted	7,500	\$0.01	-
Forfeited	-	-	-
Exercised	-	-	-
Outstanding at September 30, 2006	7,500	\$0.01	\$7,500

Following is a summary of the status of options outstanding at September 30, 2006 (adjusted for post split effect).

Exercise Price	<u>Outstanding Options</u>			<u>Exercisable Options</u>	
	Number	Weighted Ave. Remaining Life	Weighted Ave. Exercise price	Number	Weighted Ave. Exercise Price
\$0.01	7,500	2 months	\$0.01	7,500	\$0.01

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NOTE 12 - Warrants

At September 30, 2006, the Company had the following subscriptions for warrants outstanding.

Date	Number of Warrants	Exercise Price	Expiration Date
April 4, 2005	400,000	Range from \$0.50 to \$2.00	April 4, 2010

Following is a summary of the warrant activity:

	Aggregate Intrinsic value	
Outstanding at December 31, 2005	400,000	\$ 0
Granted	-	
Forfeited	-	
Exercised	-	
Outstanding at September 30, 2006	400,000	\$ 0

Following is a summary of the status of warrants outstanding at September 30, 2006:

Outstanding Warrants			Exercisable Warrants		
Exercise Price	Number	Remaining Contractual Life	Weighted Average Exercise Price	Weighted Average Number	Exercise Price
\$ 0.50 - \$2.00	400,000	3.50 years	\$ 1.25	400,000	\$1.25

For the nine month period ended September 30, 2006, the Company issued no new warrants and recorded no further expense.

NOTE 13 - Commitment and Contingencies

Lease agreements. The Company is obligated under various ground leases (Katella Center and 5030 Campus). Future ground lease payments will be adjusted by a percentage of the fair market value of the land.

Future annual minimum lease payments and principal payments under existing agreements are as follows:

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	3rd Party Lease Obligation	Related Party Debt	3rd Party Debt	Officer Salaries	Total
2006	\$ 19,821	\$ 138,630	\$ 5,100	\$ 66,000	\$ 229,551
2007	107,290	-	392,764	84,000	584,054
2008	127,290	-	132,764	-	260,054
2009	127,290	-	22,764	-	150,054
2010	127,290	-	22,764	-	150,054
	<u>\$ 508,981</u>	<u>\$ 138,630</u>	<u>\$ 576,156</u>	<u>\$ 150,000</u>	<u>\$ 1,373,767</u>

The lease expenses were \$59,467 and \$189,038 for the nine-month periods ended September 30, 2006 and 2005, respectively, and \$19,882 and \$64,100 for the three month periods ended September 30, 2006 and 2005, respectively.

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.

Officer employment agreements. During 2003, the Company executed employment agreements with its officers that extend through 2006. On May 11, 2005 and effective April 1, 2005, the officers have rescinded their employment agreements and forgiven the entire amount of their accrued salaries and their respective grant of options under the Company's 2003 Employee Stock Incentive Plan. The Company entered into new 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 agreed to resign, and the Company has decided to set aside \$177,000 in contingent liabilities as potential payout and settlement to these officers. The Company has settled with two of the officers. The Company is still in dispute with a former officer (See Note 14 - Litigation).

EQUITY FINANCING ARRANGEMENT

On August 14, 2006, the Company agreed to an arrangement whereby Stonebridge Capital Group, Ltd. ("Stonebridge") would commit to raising \$400,000 through fundraising efforts provided that the Company comply with the following:

1. We are required to execute a stock reversal of our Common and Series A Preferred Stock at a 20 to 1 ratio (the "Reverse Split");
2. We are required to issue Stonebridge one million five hundred thousand (1,500,000) shares of our Common Stock post Reverse Split;
3. We are required to issue a Warrant to Stonebridge to purchase an additional two hundred and fifty thousand (250,000) shares of our Common Stock at a strike price of fifty cents (\$0.50) per share for a period of three years from the date the Warrant is issued.
4. We agreed to register Stonebridge's 1,500,000 shares of our Common Stock with the Securities and Exchange Commission no later than 120 days from the date proceeds are delivered to escrow; and
5. If registration is not completed in the 120 days period, Stonebridge shall be compensated with the issuance of an additional one hundred thousand (100,000) shares of our Common Stock every thirty (30) days that the registration rights are not issued.

As of the date of this report, there is an oral arrangement but no funds have been received.

NOTE 14 - 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 complaint 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. On April 7, 2006,

the matter has been settled for \$65,000 and a grant of 7,500 (adjusted for post split effect) stock options. Each party is responsible for its own respective costs and attorney's fees. The Company adopted 2006 stock option plan in June 2006 and subsequently in August 2006 the Company issued 7,500 (adjusted for post split effect) options to Luis Leon.

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On January 13, 2006, Alliance Title Company, Inc. (“Alliance”) filed a complaint in the matter of Alliance Title Company, Inc. v. Secured Diversified Investment, Ltd. (case no. 06CC02129) in the Superior Court of California, County of Orange. The complaint alleges that Alliance, our escrow agent, was entrusted with \$267,000 pursuant to escrow instructions, and that a mutual written agreement among the parties to the escrow was required to properly disperse the funds. Alliance further alleges that no instructions were provided to disperse the funds, but instead, competing claims for the funds were made by Secured Diversified Investment, Ltd., Clifford L. Strand, William S. Biddle, Gernot Trolf, Nationwide Commercial Brokers, Inc., and Prime Time Auctions, Inc.

Alliance has deposited the funds with the court and has asked for a declaration of rights regarding the funds. The Company is contesting the case vigorously and is proceeding with discovery. At this time the Company cannot make any evaluation of the outcome of this litigation. Alliance has requested that its reasonable costs and attorney’s fees be paid from the deposited funds. If Alliance is granted its request it will be paid from the proceeds currently held in escrow. Each of the parties involved will pay its prorata share of these costs. These costs will not be the sole responsibility of the Company.

On January 20, 2006, Clifford L. Strand, William S. Biddle, Gernot Trolf, our former management, and Nationwide Commercial Brokers, Inc., our former subsidiary (collectively, “Plaintiffs”), filed a complaint in the matter of Clifford L. Strand v. Secured Diversified Investment, Ltd. (case no. 06CC02350) in the Superior Court of California, County of Orange. The complaint contains causes of action for fraud and misrepresentation, negligent misrepresentation, breach of contract, breach of the covenant of good faith and fair dealing, conversion, common counts, money had and received, and declaratory relief. These allegations arise out of the hold over of funds at issue in Alliance Title Company, Inc. v. Secured Diversified Investment, Ltd. (case no. 06CC02129), described above. The Company has set aside \$177,000 in contingent liabilities as potential payout and settlement to these officers.

The Company filed a cross-complaint against all Plaintiffs, Alliance Title Company and Brenda Burnett, a former employee of Alliance. Our cross-complaint contains causes of action for breach of contract, breach of fiduciary duty, negligent supervision, civil conspiracy, intentional interference with economic relations, negligent interference with economic relations, breach of oral agreement, breach of employment contract, breach of director/officers’ fiduciary duty, fraud/intentional misrepresentation, and declaratory relief.

On March 10, 2006, some of our shareholders, including Clifford L. Strand, Robert J. Leonard, William S. Biddle, and Gernot Trolf (collectively, “Plaintiffs”) filed a complaint in the matter of William S. Biddle v. Secured Diversified Investment, Ltd. (case no. 06CC03959) in the Superior Court of California, County of Orange. Plaintiff seek declaratory relief as to whether we are a foreign corporation under California Corporation Code Section 2115(a) and whether Plaintiff’s alleged demand for our shareholder list and for an inspection of the accounting books and records and minutes of shareholders , board of directors and committees of such board is governed under California Corporation Code Sections 1600 and 1601.

On September 20, 2006, the following parties have entered into settlements agreement partially settling Case Number 06CC02350 and requesting that the court disburse the funds held as follows:

1. \$45,000 to William S. Biddle,
2. \$42,000 to Gernot Trolf,
3. \$33,803 to Nationwide Commercial Brokers,
4. \$33,803 to Secured Diversified Investment, Ltd.

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The above settlements are part of allegations out of the hold over of funds at issue in Alliance Title Company, Inc. v. Secured Diversified Investment, Ltd. (case no. 06CC02129), described above. As of September 30, 2006 the amounts have been settled.

NOTE 15 -Equity Investments in Real Estate

On January 6, 2006, the Company acquired a 25 percent Tenant-in-Common interest in a commercial property located in Paradise Valley, Arizona for \$300,000. The tenant-in common partners include a director of the Company, 25 percent, and an unrelated third party, 50 percent and SDI 25%. The Company does not share in the revenue stream and is not responsible for any costs of operation including, but not limited to, landscaping, maintenance, taxes, insurance, property management and debt payments.

The unrelated third party will be responsible for all costs of operation including, but not limited to, landscaping, maintenance, taxes, insurance, property management and debt payments.

On February 15, 2006, the Company acquired a 33.3 percent interest in a property located in Phoenix, Arizona for \$200,000. The property consists of a 2,180 square foot structure on approximately 38,587 square feet of land. The Company's interest was purchased from Ms Jan Wallace, an officer and director of the Company. The property will be used to house the Company's headquarters. The Company is not responsible for any of the expenses and does not share in the revenue stream associated with the property.

NOTE 16 - Subsidiaries

The Company has established a new wholly owned subsidiary, Secured Lending, LLC, to engage in mortgage banking activities in the state of Arizona. The new subsidiary was incorporated on June 15th, 2006 and it began funding loans in July. Secured Lending will aggressively seek developers with finished product that require permanent take-out financing for its customers.

Following is the summary of Secured Lending operations as of September 30, 2006.

Commission Income	\$20,756
Net loss	(98,054)
Total Assets	58,036
Capital Expenditure	42,440
Depreciation and amortization	1,282

NOTE 17 - Other Income

Other income includes a litigation settlement of \$134,318 due to settlement with the Company's former CEO (See note 14).

Other income also includes forgiveness of debt of \$152,522 related to Seashore Diversified Investment Company (SDIC) (See note 5) and the reversal of an accounts payable in the amount of \$15,875.

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NOTE 18 - Subsequent Events

On October 3, 2006 William S. Biddle, a former officer of SDI filed a request for dismissal of Case number 06CC03959 with the Superior Court of California, County of Orange. (See Footnote 14 for detail)

On October 23, 2006, the Company issued 400,000 shares of common stock to Ms Jan Wallace, our President, CEO and Director, and 200,000 shares of our common stock to Mr. Munjit Johal, our Chief Financial Officer, as performance bonuses in connection with their services to the Company.

On October 24, 2006, our Board of Directors unanimously approved an amendment of our Articles of Incorporation to increase our total authorized capital stock from 7,500,000 shares to 102,500,000 shares in connection with an increase in our authorized common stock from 5,000,000 shares to 100,000,000 shares. The amendment will not effect a change to our 2,500,000 shares of authorized preferred stock. On October 27, 2006, holders of a majority of the outstanding shares of voting capital stock executed a written stockholder consent approving the amendment.

On November 8, 2006, Clifford Strand, former officer and director of the Company, dismissed without prejudice from the Secured Amended Complaint (Case Number 06CC03959), first two causes of action against the Company and our CEO Jan Wallace for fraud and misrepresentation and negligent representation.

Item 2. Management’s Discussion and Analysis

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. We intend 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 are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects 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 also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Mortgage Lending

During the current reporting period, we have continued our plan to extend our business model to include mortgage banking operations. We established a wholly-owned subsidiary, Secured Lending, LLC (“Secured Lending”), and are currently undergoing the application process to engage in mortgage lending in the State of Arizona.

During the current reporting period, Ms. Jan Wallace, our officer and director, signed an agreement with Americash (the “Branch Agreement”) to set up an Americash branch office in Arizona. Ms. Wallace also agreed to assign her compensation rights (the “Assignment Agreement”) to our subsidiary, Secured Lending, and obtain the necessary approvals for Secured Lending to share information with Americash.

On August 31, 2006, however, the Branch Agreement and the accompanying Assignment Agreement have been cancelled. The relationship among Americash, Jan Wallace, and Secured Lending could not be sustained under Arizona mortgage banking regulations. The arrangement therefore mutually discontinued. Despite the setback, Secured Lending will continue to pursue a

mortgage banking license in Arizona within the organization. Until Secured Lending obtains the necessary regulatory approvals, however, which we cannot guarantee will occur, it may not engage in secured lending. We are hopeful, however, that Secured Lending will pass the regulatory hurdles by the end of 2006 and will become a mortgage banking institution.

On August 2, 2006, Secured Lending entered into an agreement with Dakota First, L.L.C., a North Dakota company ("Dakota"), to have Dakota generate and process loans that will be funded through Americash. We thereafter mutually terminated our agreement with Dakota in light of our discontinued relationship with Americash as a result of Arizona's mortgage banking regulations.

Property Investments

Our business model also includes investing in properties that will provide immediate appreciation with little debt service strategically located in Arizona, Nevada and Utah. Properties acquired are expected to demonstrate a sufficient cash flow, minimum debt, and the opportunity for appreciation. Because of limited cash resources we will seek properties that may be acquired with partners.

Lincoln Drive Property

In the first quarter of 2006, we acquired a 25% tenant-in-common interest in three buildings located at 5203 - 5205 East Lincoln Drive in Paradise Valley, Arizona 85253. The property is in very good condition. We occupy an office at the 5205 East Lincoln Drive location for our corporate headquarters. The property is 100% leased and situated between two new residential/hospitality developments. Although we will not receive any rental income from the leased units, we are not responsible for any costs of operating the buildings including landscaping, exterior maintenance, property management, and the payment of taxes, insurance and loan payments. Our interest in the property is solely to realize appreciable gain. We believe the property's adjacent developments and scheduled city improvements to the walkways in the front area are positive indicators that we will experience appreciable gain in any future sale of the property.

Cactus Road Property

Also in the first quarter of 2006, we acquired a 33 1/3% tenant-in-common interest in property located at 12202 North Scottsdale Road, Phoenix, Arizona 85054. The property consists of 2,180 square feet situated on approximately 38,587 square feet of land strategically located on a heavily trafficked corner. We invested in the property that was remodelled and retrofitted by Ms. Wallace, which included a complete repair and replacement of the roof, electrical retrofitting, plumbing repairs, HVAC repairs, renovation and remodelling of the kitchen area. In occupying the premises, Secured Lending undertook certain tenant improvements on the property in the amount of \$38,000. As of the current reporting period, the property has been completely repaired and remodelled and is now occupied by Secured Lending with all tenant improvements completed. Because of the property's heavily trafficked location, we believe that it will appreciate and provide us a profit in the event we elect to sell it at some future date.

The Katella Center

We own a 100% interest in the Katella Center, a strip mall consisting of six retail rental units of various sizes totalling approximately 9,500 square feet, located at 632-650 E. Katella Avenue in Orange, California. The property is in fair condition.

The Katella Center is currently generating monthly net cash flow of approximately \$3,000. The property is located on approximately 35,800 square feet of leased ground owned by a non-affiliated third party. The lease has a 52-year term that expires in March 2017. The ground lease payment is currently \$3,000 per month. Commencing June 1, 2007, however, the annual ground lease payment shall revert to 7% of the fair market value of the land, which we estimate to be approximately \$1.2 million. Thus, if our estimations are correct, we will face a ground lease payment of approximately \$7,000 per month commencing June 1, 2007.

Because our monthly net flow will not be enough to cover a potential \$7,000 monthly payment on ground lease, we are forced to consider our options. In addition, the \$370,000 loan underlying the first deed of trust matures on June 25th, 2006. We have negotiated an extension of the first deed of trust at the same rate for one year. The new maturity date is June 25th, 2007. Management has thoroughly reviewed the issues concerning this property and as a result have listed the property for sale with Voit Commercial Brokerage for \$350,000. We have impaired this property by \$214,977 as of December 31, 2005.

During the current reporting period, the listing expired with Voit Commercial Brokerage and we have had no offers on the property. We plan to hold the property until we are able to find a buyer.

Campus Drive Office Building

We are the managing member and own a 53.8% membership interest in a limited liability company known as Diversified Commercial Brokers, LLC ("Diversified"). The primary asset of Diversified is an 8,685 square office building located at 5030 Campus Drive in Newport Beach, California 92660.

On July 27, 2006, we entered into a Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the "Purchase Agreement") with Harris Insurance, an unrelated third-party (the "Purchaser"), for the sale of the Campus Drive Office Building for \$1,483,000. On about September 10, 2006, the sale fell out of escrow. During the due diligence period, the Purchaser was concerned with the methodology of the ground lease adjustment to take place in 2009. We received no earnest money under the Purchase Agreement as the Purchaser backed out within the due diligence period without penalty.

The property was listed by Voit Commercial Brokerage, but as of October 18, 2006, the listing expired and we have had no subsequent offers on the property.

We lease the land on which the office building sits. The lease has a 55-year term that expires in

June 30, 2034. The ground lease payment is currently \$3,607 per month. In June 2009, the ground lease payment will adjust to 8% of the fair market value of the land through June 2019 and in June 2019 the lease will again adjust to 8% of the fair market value of the land through maturity.

Results of Operations for the three and nine months ended September 30, 2006 and 2005

The comparability of the financial information discussed below is limited by acquisitions and dispositions completed during the fiscal year ended December 31, 2005. During 2005, we sold our vacant parcel of land and T-Rex Plaza shopping center in Dickinson, North Dakota, and our shopping center in Las Vegas, Nevada. Additionally, we sold a 100% interest in our subsidiaries Nationwide Commercial Brokers, Inc. and Diversified Commercial Mortgage, Inc. We also completed the sale of our 63% interest in Spencer Springs, LLC.

Comparison of nine month periods ended September 30, 2006 and 2005.

Income. Income consists primarily of rental income from commercial properties pursuant to tenant leases. We reported income of \$270,144 including commission income of \$20,756 from mortgage brokerage operations for the nine month period ended September 30, 2006, compared with income of \$430,244 for the same period ended September 30, 2005. The decrease is attributable to the sale of our real estate properties except for the Campus Drive Office Building and the Katella Center. The commission income is attributable to our wholly owned mortgage subsidiary, Secured Lending, LLC.

General and Administrative Expenses. Operating and administrative expenses consist primarily of payroll expenses, legal and accounting fees and costs associated with the acquisition and ownership of real properties. These expenses decreased by \$1,215,113 to \$876,104 for the nine month period ended September 30, 2006, compared to \$2,091,217 for the same period ended September 30, 2005. The decrease is attributable to the reduction of overhead including payroll, payroll taxes, office rent, professional fees, and the sale of poorly performing properties resulting in the reduction of leasing commissions, land lease payments, property taxes and related carrying costs.

Depreciation. Depreciation for the nine month period ended September 30, 2006 was \$33,219 compared to \$33,888 in depreciation expense for the same period ended September 30, 2005. The depreciation was attributable primarily to the Campus Drive Office Building and the Katella Center.

Interest and Other Income and Expense. Interest expense consists of mortgage interest paid on our properties. Interest expense was \$109,639 for the nine month period ended September 30, 2006 compared to \$156,119 for the nine month period ended September 30, 2005. The decrease in interest expense is attributable to the sale of properties and the corresponding reduction in debt. Interest expense was attributable primarily to the Campus Drive Office Building and the Katella Center.

Net Income (Loss). We reported a net loss of \$(403,545) or \$(0.02) per share for the nine months ended September 30, 2006 compared to a net loss of \$(717,702) or \$(0.05) per share for the nine months ended September 30, 2005. We reported no income or loss for discontinued operations during the nine month period ended September 30, 2006. For the nine month period ended September 30, 2005, we reported a net loss from continuing operations of \$(1,060,348) or \$(0.07) per share and net income from disposal of discontinued operations of \$342,646, or \$0.02 per share.

Comparison of three month periods ended September 30, 2006 and 2005.

Income. Income consists primarily of rental income from commercial properties pursuant to tenant leases. We reported income of \$103,688 including commission income of \$20,756 from mortgage brokerage operations for the three month period ended September 30, 2006, compared with income of \$146,593 for the same period ended September 30, 2005. The decrease is attributable to the sale of our real estate properties except for the Campus Drive Office Building and the Katella Center.

General and Administrative Expenses. Operating and administrative expenses consist primarily of payroll expenses, legal and accounting fees and costs associated with the acquisition and ownership of real properties. These expenses decreased by \$358,133 to \$310,019 for the three month period ended September 30, 2006, compared to \$668,152 for the same period ended September 30, 2005. The decrease is attributable to the reduction of overhead including payroll, payroll taxes, office rent, professional fees, and the sale of poorly performing properties resulting in the reduction of leasing commissions, land lease payments, property taxes and related carrying costs.

Depreciation. Depreciation for the three month period ended September 30, 2006 was \$11,607 compared to \$12,079 in depreciation expense for the same period ended September 30, 2005. The depreciation was attributable primarily to the Campus Drive Office Building and the Katella Center.

Interest and Other Income and Expense. Interest expense consists of mortgage interest paid on our properties. Interest expense was \$34,101 for the three month period ended September 30, 2006 compared to \$48,706 for the three month period ended September 30, 2005. The decrease in interest expense is attributable to the sale of properties and the corresponding reduction in debt. Interest expense was attributable primarily to the Campus Drive Office Building and the Katella Center.

Net Income (Loss). We reported a net loss of \$(224,962) or \$(0.01) per share for the three months ended September 30, 2006 compared to a net loss of \$(509,215) or \$(0.03) per share for the three months ended September 30, 2005. We reported no income or loss for discontinued operations during the three month periods ended September 30, 2006 and 2005.

Liquidity and Capital Resources

Capital Resources

As stated in financial statement Note 1 - Going Concern, our financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of our company as a going concern. However, we have an accumulated deficit of \$8,398,439 as of September 30, 2006. We reported a net loss of \$(403,545) at September 30, 2006. We currently have positive liquidity, and have not completed our efforts to establish a stabilized source of revenues sufficient to cover operating costs over an extended period of time. Much of this is attributable to the capital and equity structure we inherited from prior management. Additionally, we are involved in litigation with a prior employee of our company. The outcome of this litigation may adversely affect our liquidity.

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

Our management is restructuring our operations by selling many of our poorly performing properties and reducing the associated high cost of debt. We have also significantly reduced overhead. We continue to search and evaluate different business opportunities in efforts to generate a stabilized cash flow and funds for future investments, including our efforts in establishing a secured lending business, as a means of bringing in additional revenues. In the long term, we are hopeful that this new business will help alleviate our dependence upon investment capital.

At September 30, 2006, we had \$152,613 of cash and cash equivalents as compared to \$11,745 of cash and cash equivalents at September 30, 2005 to meet our immediate short-term liquidity requirements. This increase in cash and cash equivalents is attributable to the sale of our Las Vegas, Nevada shopping center.

On August 14, 2006, we agreed to an arrangement that will secure additional funds of \$400,000 through our financing efforts with Stonebridge Capital Group, Ltd. ("Stonebridge"). The conditions to receiving these funds are as follows:

1. We are required to execute a stock reversal of our Common and Series A Preferred Stock at a 20 to 1 ratio (the "Reverse Split");
2. We are required to issue Stonebridge one million five hundred thousand (1,500,000) shares of our Common Stock post Reverse Split;
3. We are required to issue a Warrant to Stonebridge to purchase an additional two hundred and fifty thousand (250,000) shares of our Common Stock at a strike price of

of fifty cents (\$0.50) per share for a period of three years from the date the Warrant is issued.

4. We agreed to register Stonebridge's 1,500,000 shares of our Common Stock with the Securities and Exchange Commission no later than 120 days from the date proceeds are delivered to escrow; and
5. If registration is not completed in the 120 days period, Stonebridge shall be compensated with the issuance of an additional one hundred thousand (100,000) shares of our Common Stock every thirty (30) days that the registration rights are not issued.

Proceeds from the \$400,000 will be used for the development and commercialization of our existing business and for general working capital purposes including salaries, general overhead and administrative costs. The infusion of \$400,000, along with our existing cash reserves, should be enough to fund our operations for the next 12 months. Notwithstanding our financial security for the next 12 months, we intend to position our company to be able to raise additional funds through the capital markets, if needed. There are no assurances that we will be successful in this or any of our endeavours to become financially viable and continue as a going concern.

To date, we have paid no dividends and do not anticipate paying dividends into the foreseeable future.

Cash Flows from Operating Activities

Net cash used in operating activities was \$(795,070) for the nine months ended September 30, 2006 compared to net cash used in operating activities of \$(870,296) for the nine months ended September 30, 2005. This decrease in cash used by operating activities relative to the prior period was primarily due to the disposition of assets and reduction in overhead.

We are considering other potential opportunities not limiting ourselves to the acquisition of real estate. The decision to acquire properties or other types of investments will generally depend upon the opportunity to provide appreciation, an established source of revenues in excess of operating costs, and a stabilized cash flow stream sufficient to make future investments.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to \$(242,868) for the nine months ended September 30, 2006 compared to net cash provided by investing activities of \$1,473,948 for the nine months ended September 30, 2005. The net cash used in investing activities during 2006 was primarily attributable to the Company's purchase of a 33 1/3 percent interest in the Cactus Street property. The cash provided by investing activities during the same period in 2005 was attributable to the disposition of the Company's subsidiary interest.

At September 30, 2006, we do not have any material planned capital expenditures resulting from any known demand based on existing trends. However, we may conclude that expenditures to

improve properties are necessary and/or desirable.

Cash Flows from Financing Activities

Cash used in financing activities amounted to \$(39,854) compared to cash provided by financing activities in the amount of (\$615,698) for the nine months ended September 30, 2005, attributable to proceeds from notes payable.

We intend to invest in business opportunities and acquire properties and may seek to fund these acquisitions through proceeds received from a combination of subsequent equity offerings, debt financings or asset dispositions.

Off Balance Sheet Arrangements

As of September 30, 2006, there were no off balance sheet arrangements.

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. We believe that our 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:

1. a significant negative industry or economic trend;
2. a significant underperformance relative to historical or projected future operation results; and
3. 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, 2006. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer, Mr. 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, 2006, our disclosure controls and procedures are effective. There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2006.

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. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. 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

Other than as set forth below, there have been no material developments in the ongoing legal proceedings previously reported in which we are a party. A complete discussion of our ongoing legal proceedings is discussed in our annual report on Form 10-KSB for the year ended December 31, 2005.

Settlement Agreement

On September 20, 2006, we entered into a Settlement and General Release Agreement (the "Settlement Agreement") with William S. Biddle, Gernot Trolf, Nationwide Commercial Brokers, Inc. ("Nationwide"), (the "Parties") to partially resolve the litigation *Clifford L. Strand v. Secured Diversified Investment, Ltd.* (case no. 06CC02350) in the Superior Court of California, County of Orange, and *William S. Biddle v. Secured Diversified Investment, Ltd.* (case no. 06CC03959) in the Superior Court of California, County of Orange (the "Lawsuit"), as well as other claims involving the Parties and our company as set forth in the Agreement.

With respect to the \$267,000 that Alliance Title Company deposited with the court in the matter of *Alliance Title Company, Inc. v. Secured Diversified Investment, Ltd.* (case no. 06CC02129) in the Superior Court of California, the Settlement Agreement provides that an order of disbursement will be filed as follows: \$45,000 to Mr. Biddle, \$42,000 to Mr. Trolf, \$33,803 to Nationwide, and \$33,803 to our company.

Under the Settlement Agreement, the Lawsuits will be dismissed as to the Parties and our company, with open claims remaining as to the remaining litigants. The Settlement Agreement further provides a customary mutual release of claims involving the Parties and our company, and forebears the Parties from pursuing complaints against our company and our officers and directors in any court or government agency. We received correspondence from Mr Trolf on October 10, 2006 that contains language that may represent a breach of the Settlement Agreement. Our legal counsel plans to prepare an opinion for management to review on the subject.

The foregoing description of the Settlement Agreement does not purport to be complete and is qualified in its entirety by reference to such Settlement Agreement, a copy of which is attached to this Form 10-QSB as Exhibit 10.1.

Clifford L. Strand v. Secured Diversified Investment, Ltd.

As a condition of the above Settlement Agreement, William S. Biddle, Gernot Trolf and Nationwide dismissed their complaint against us in this matter. Only Plaintiff Clifford L. Strand remains. We are contesting the case vigorously and are proceeding with filing a response and preparing discovery. On November 8, 2006, Clifford L. Strand dismissed without prejudice from the Second Amended Complaint the first two clauses of action against us and our CEO Jan

Wallace for Fraud and Misrepresentation and Negligent Misrepresentation. At this time we cannot make any evaluation of the outcome of this litigation.

Alliance Title Company vs. Secured Diversified Investment, Ltd.

The matter was filed on January 13, 2006 Case Number 06CC02129 in the Orange County Superior Court, California. This matter is an Interpleader Action filed by our escrow company. In dispute is \$267,000 which was held over by the escrow company because of competing claims for the monies. The monies are being claimed by us and other defendants, namely, our former employees, Clifford L. Strand, William S. Biddle and Gernot Trolf. Defendant Nationwide Commercial Brokers, Inc., a former subsidiary of our company is also claiming monies in this Interpleader action. Another Defendant Prime Time Auctions, Inc. has failed to answer the Complaint and Alliance Title Company ("Alliance") has taken a default against it. Alliance deposited the monies with the Court and has asked for a declaration of rights regarding the monies. On May 16, 2006, the Court entered an order discharging, dismissing Alliance and granting Alliance an award of fees and costs in the amount of \$22,395.13 from the monies held.

William S. Biddle v. Secured Diversified Investment, Ltd.

As a condition of the above Settlement Agreement, William S. Biddle, Robert J. Leonard and Gernot Trolf dismissed their complaint against us in this matter. Only Plaintiff Clifford L. Strand remains. We are contesting the case vigorously. At this time we cannot make any evaluation of the outcome of this litigation.

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

The information set forth below relates to our issuances of securities without registration under the Securities Act during the reporting period which were not previously included in a Current Report on Form 8-K.

On August 24, 2006, we agreed to issue 5,380 shares of common stock to Wayne Sutterfield, a shareholder and former director, in exchange for deferring interest payments due pursuant to that certain Operating Agreement regarding our subsidiary, Diversified Commercial Brokers.

These securities were issued pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The investors represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

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, 2006.

Item 5. Other Information

On July 1, 2006, Secured Lending, LLC has entered into a lease agreement with Jan Wallace, Chief Executive Officer and Director for the lease of office space at 12202 Scottsdale Road, Phoenix, Arizona, in order to conduct its mortgage banking operations. The lease is for approximately 1,464 square feet at \$2,560 per month with a term of three years and one three year option.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	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
31.2	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
32.1	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
10.1	Confidential Settlement and General Release Agreement, dated September 20, 2006
10.2	Secured Lending, LLC Lease Agreement, dated July 1, 2006

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 14, 2006

By: /s/ Jan Wallace
Jan Wallace

Title: **Chief Executive Officer and Director**

CONFIDENTIAL
SETTLEMENT AND GENERAL RELEASE AGREEMENT

This Settlement and General Release Agreement ("AGREEMENT") is entered into by and between WILLIAM S. BIDDLE ("BIDDLE"), GERNOT TROLF ("TROLF"); NATIONWIDE COMMERCIAL BROKERS, INC. ("NATIONWIDE"), ROBERT LEONARD ("LEONARD") AND SECURED DIVERSIFIED INVESTMENT, LTD. ("SDI") referred to jointly as the "PARTIES" as of the date this AGREEMENT is signed, on the following terms:

RECITALS

A. On or about January 13, 2006 Alliance Title Company filed an Interpleader lawsuit Case Number 06CC02129 in the Orange County Superior Court, Department C11 against BIDDLE, TROLF, NATIONWIDE, and SDI along with others and as result deposited with the court funds in the amount of \$267,000.00

B. On or about January 20, 2006, BIDDLE, TROLF and NATIONWIDE along with one other plaintiff filed a separate lawsuit Case Number 06CC02350 in the Orange County Superior Court, Department C11 against SDI and one of its officers Jan Wallace along with others for Fraud and Misrepresentation, Negligent Misrepresentation, Breach of Contract, Breach of the Covenant of Good Faith and Fair Dealing, Conversion, Commons Counts, Money had and received and Declaratory Relief. On or about March 15, 2006 SDI filed a cross-complaint against the Plaintiffs along with others for Breach of Contract, Breach of Fiduciary Duty, Negligent Supervision, Civil Conspiracy, Intentional Interference with Economic Relations; Negligent Interference with Economic Relations; Breach of Oral Agreement, Breach of Employment Contract; Breach of Directors/Officers' Fiduciary Duty; Fraud and Intentional Misrepresentation and Declaratory Relief. The complaint and cross-complaint shall be referred to as the "ACTION".

C. On or about March 10, 2006, WILLIAM S. BIDDLE, GERNOT TROLF AND ROBERT LEONARD along with others, filed a lawsuit against SDI for declaratory relief under Corporation Code Section 2115, Case Number 06CC03959, filed in the Orange County Superior Court, Department C11.

D. SDI and Jan Wallace expressly deny any liability and fraud with respect to any claims in the ACTION, or with respect to any other matters relating to it. However, in order to fully and forever resolve these matters, and with the understanding that this AGREEMENT does not constitute an admission by any party of any wrongdoing or of any lack of merit relating to any claims referred to herein, BIDDLE, TROLF, NATIONWIDE AND SDI enter into this AGREEMENT.

AGREEMENT

1. In consideration for the promises set forth herein, the parties agree as follows:

a. The parties agree that upon execution by BIDDLE, TROLF and NATIONWIDE and their attorney of this AGREEMENT and upon execution of a request for

dismissal in the above mentioned lawsuits, the PARTIES shall filed with the Orange County Superior Court an order of disbursement as follows: \$45,000 to WILLAM S. BIDDLE, \$42,000 to GERNOT TROLF, \$45,000 to NATIONWIDE and \$45,000 to SDI. The payments shall be in one lump sum with no payroll or other taxes deducted and all such payments shall be reported on a form 1099.

b. In further consideration of this AGREEMENT, ROBERT LEONARD the majority owner of NATIONWIDE will also file a request for dismissal in Case Number 06CC03959, currently pending in the Orange County Superior Court, Department C11.

c. SDI makes no representations or warranties regarding the tax effect of the settlement proceeds as directed by this AGREEMENT. Further, BIDDLE, TROLF and NATIONWIDE agrees to defend and/or indemnify SDI with respect to any liability created by BIDDLE, TROLF and NATIONWIDE'S payment or non-payment of taxes with respect to the settlement sum.

2. BIDDLE, TROLF, NATIONWIDE, as the first party, and SDI as a second party, on their own behalf and on behalf of their respective dependents, successors, heirs, executors, administrators and assigns, and each of them, hereby fully and forever releases and discharges each other, as well as NATIONWIDE AND SDI's parent, subsidiary or affiliated companies or organizations, any as well as their agents, officers, directors, stockholders, employees, successors, assigns, insurers and attorneys, and each of them, of and from any and all claims, rights, actions, causes of action, obligations, debts, interest, damages, charges, losses, debts, penalties, forfeitures, liabilities, costs, attorneys' fees, and demands of any nature, whether arising in law or in equity, arising out of or relating to any acts or omissions that took place prior to the date of this AGREEMENT, including without limitation, any matters relating in any way to the ACTION and/or any matters relating to or contained in or which could have been contained in the ACTION and/or any claims under other Federal or State statute, law or regulation.

3. It is the intention of the parties hereto that this AGREEMENT shall be effective as a full and final accord and satisfaction and release of each and every released matter, including all unknown and/or unsuspected claims. Accordingly, the parties hereby waive and relinquish any and all rights or benefits that any party may have under the provisions of Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in its favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

In connection with this waiver, each party hereto acknowledges that facts in addition to or different from those presently known may later be discovered which relate to the subject matter of this AGREEMENT. The parties also recognize the possibility that, in the future, damages that are not currently known may be suffered in relation to matters released in this AGREEMENT. Notwithstanding these possibilities, it is each party's intention to fully, finally and forever settle and release all released matters, disputes and differences, whether known or unknown, suspected or unsuspected, that have existed; now exist, or may exist. It is the intention of the parties hereto that this AGREEMENT shall be effective as a full and final accord and satisfaction and release of each

and every released matter, including all unknown and/or unsuspected claims. In connection with this waiver, each party hereto acknowledges that facts in addition to or different from those presently known may later be discovered which relate to the subject matter of this AGREEMENT. The parties also recognize the possibility that, in the future, damages that are not currently known may be suffered in relation to matters released in this AGREEMENT. Notwithstanding these possibilities, it is each party's intention to fully, finally and forever settle and release all released matters, disputes and differences, whether known or unknown, suspected or unsuspected, that have existed; now exist, or may exist. Nothing in this AGREEMENT constitutes, or should or shall be deemed to constitute, any admission of any act, fact or liability, with respect to any matters released herein.

4. BIDDLE and TROLF represents that they does not desire reemployment by SDI and hereby expressly waives any and all rights which they may have had to such reemployment or to reinstatement with SDI. Further, BIDDLE and TROLF agrees and promises that they will not at any time seek employment or reemployment with SDI and/or any other party or entity released herein.

5. The contents and the existence of this AGREEMENT, and the parties' discussions pertaining to it, are and shall remain confidential, and neither party will communicate or allow communication in any manner (written or oral) to anyone with respect thereto, except that this AGREEMENT may be disclosed as required to the parties' attorneys, insurers, accountants and/or governmental taxing authorities, or otherwise may be disclosed as compelled by law. If any party beach is clause of the AGREEMENT other party may seek all rights and remedies under the law including but not limited to attorney's fees and costs.

6. The parties hereto, and each of them, shall forever refrain and forbear from commencing, instituting, or prosecuting any lawsuit, action or other proceedings against any of the other parties hereto. Such forbearance from commencing, instituting or prosecuting any lawsuit, action or other proceeding by one such party against the other shall include not only such other parties, but their officers, directors, representatives, assigns, agents, attorneys, heirs, employees, partners and personal representatives as well, and such forbearance shall apply to any cause relating to, based upon or arising out of any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions or causes of action, released and discharged hereunder, except those necessary to enforce the terms of this agreement.

7. Each party agrees to bear its/her own costs, expenses and attorneys' fees incurred in connection with the ACTION and this AGREEMENT.

8. Each party hereto expressly warrants and represents that it/she is fully authorized to enter into this AGREEMENT and each of its terms, and that it/she has not assigned to any other party or person any claims released herein.

9. BIDDLE, TROLF AND NATIONWIDE warrants that they has not filed any other lawsuits, charges, complaints, petitions, or other accusatory pleading against SDI with any governmental agency or in any court, on behalf of themselves or any other entity they represent, based upon, arising out of or related in any way to any events occurring prior to the execution of this

Agreement, including, without limiting the generality of the foregoing ACTION. BIDDLE, TROLF AND NATIONWIDE further agrees that they will not hereafter file, cause to be filed, or otherwise voluntarily participate in the filing, investigation, and/or prosecution of any other such charges, complaints, petitions or accusatory pleading brought by any other party in any court currently pending or not or with any governmental agency in which SDI, its officers, directors, shareholder or any affiliated company is named as a party.

10. This AGREEMENT contains the entire agreement between the parties hereto with respect to all matters addressed herein, and fully supersedes any and all prior or contemporaneous agreements, understandings or representations, oral or written, implied or express, pertaining to the subject matter hereof. This AGREEMENT may only be subsequently modified by a writing signed by all parties hereto.

11. Each party agrees to do all things necessary to carry out and effectuate the terms of this AGREEMENT, and expressly promises not to do or fail to do anything, directly or indirectly, which will interfere with any other party's realization of the benefits hereof.

12. This AGREEMENT, including the releases herein, shall be binding upon and inure to the benefit of each of the parties to this AGREEMENT and to each of their successors in interest, including heirs and assigns.

13. Each of the parties hereto has been represented by counsel in the negotiating and drafting of this AGREEMENT. Accordingly, the rules of construction of contracts relating to resolution of ambiguities against the drafting parties shall be inapplicable to this AGREEMENT.

14. Any construction, interpretation and performance of this AGREEMENT shall be governed by the laws of the State of California, both substantive and procedural. Both parties accede to the jurisdiction of the Los Angeles County Superior Court for any actions to enforce, or for breach of, any term of this AGREEMENT.

15. If for any reason any provision contained in this AGREEMENT is later deemed unenforceable, the remainder of this AGREEMENT shall nonetheless remain binding and enforceable on all parties hereto.

16. In the event of any action brought to enforce any provision of this AGREEMENT, or for breach of any provision of this AGREEMENT, the prevailing party therein shall be entitled to an award of its/her costs and reasonable attorneys' fees incurred therein, in

addition to any other relief.

17. This AGREEMENT may be executed in multiple originals or counterparts, each of which shall be deemed an original or the equivalent thereof.

WHEREFORE, each party hereto, by the signatures below, certifies that this AGREEMENT has been read in its entirety, that any questions regarding the meaning or effect of any terms have been answered to their satisfaction, that each party enters into this AGREEMENT with the intent to be fully and forever bound by all of its terms, as of the date set forth opposite their signature below.

Dated: _____
WILLIAM S. BIDDLE

Dated: _____
GERNOT TROLF

Dated: _____
ROBERT LEONARD
DIRECTOR
NATIONWIDE COMMERCIAL
BROKERS, INC.

Dated: _____
ROBERT LEONARD

APPROVED AS TO FORM AND CONTENT:
LAW OFFICES OF ROBERT COVIELLO

ROBERT COVIELLO
ATTORNEY FOR WILLIAM S. BIDDLE, GERNOT TROLF
NATIONWIDE COMMERCIAL BROKERS, INC. and
ROBERT LEONARD

Dated: _____ By: _____
JAN WALLACE
CEO
SECURED DIVERSIFIED INVESTMENT, LTD.

APPROVED AS TO FORM AND CONTENT:

By: _____
CLAIRE C. AMBROSIO
ATTORNEY FOR SECURED
DIVERIFIED INVESTMENT, LTD.

Arizona Commercial Lease Agreement

This Commercial Lease Agreement ("Lease") is made and effective July 1, 2005, by and between Ms. Jan Wallace ("Landlord") and Secured Lending, LLC ("Tenant").

Landlord is the owner of land and improvements commonly known and numbered as 12202 North Scottsdale Road, Phoenix, Arizona.

Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. Term.

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" beginning July 1, 2005 and ending June 30, 2009. Landlord shall use its best efforts to give Tenant possession as nearly as possible at the beginning of the Lease term. If Landlord is unable to timely provide the Leased Premises, rent shall abate for the period of delay. Tenant shall make no other claim against Landlord for any such delay.

B. Tenant may renew the Lease for one extended term of three years. Tenant shall exercise such renewal option, if at all, by giving written notice to Landlord not less than ninety (90) days prior to the expiration of the Initial Term. The renewal term shall be at the rental set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease.

2. Rental.

A. Tenant shall pay to Landlord during the Initial Term rental of \$30,723.00 per year, payable in installments of \$2,560.24 per month. Each installment payment shall be due in advance on the first day of each calendar month during the lease term to Landlord at 8929 East Cheney Drive, Paradise Valley, Arizona, 85253 or at such other place designated by written notice from Landlord or Tenant. The rental payment amount for any partial calendar months included in the lease term shall be prorated on a daily basis. Tenant shall also pay to Landlord a "Security Deposit" in the amount of N/A.

B. The rental for any renewal lease term, if created as permitted under this Lease, shall be Negotiable per year payable in installments of Negotiable per month.

3. Use

Notwithstanding the foregoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

4. Sublease and Assignment.

Tenant shall have the right without Landlord's consent, to assign this Lease to a corporation with which Tenant may merge or consolidate, to any subsidiary of Tenant, to any corporation under common control with Tenant, or to a purchaser of substantially all of Tenant's assets. Except as set forth above, Tenant shall not sublease all or any part of the Leased Premises, or assign this

Lease in whole or in part without Landlord's consent, such consent not to be unreasonably withheld or delayed.

5. Repairs.

During the Lease term, Tenant shall make, at Tenant's expense, all necessary repairs to the Leased Premises. Repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the Leased Premises damaged or worn through normal occupancy, except for major mechanical systems or the roof, subject to the obligations of the parties otherwise set forth in this Lease.

6. Alterations and Improvements.

Tenant, at Tenant's expense, shall have the right following Landlord's consent to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Leased Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Lease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Lease provided that all damage to the Leased Premises caused by such removal shall be repaired by Tenant at Tenant's expense.

7. Property Taxes.

Tenant shall pay, prior to delinquency, their pro rata share of all general real estate taxes and installments of special assessments coming due during the Lease term on the Leased Premises. Tenant shall be responsible for paying all personal property taxes with respect to Tenant's personal property at the Leased Premises.

8. Insurance.

A. If the Leased Premises or any other part of the Building is damaged by fire or other casualty resulting from any act or negligence of Tenant or any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be responsible for the costs of repair not covered by insurance.

B. Landlord shall maintain fire and extended coverage insurance on the Building and the Leased Premises in such amounts as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for their pro rata share of the fire insurance, and for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

C. Tenant and Landlord shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the respective activities of each in the Building with the premiums thereon fully paid on or before due date, issued by and binding upon some insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$1,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. Landlord shall be listed as an additional insured on Tenant's policy or policies of comprehensive general liability insurance, and Tenant shall provide Landlord with current Certificates of Insurance evidencing Tenant's compliance with this Paragraph. Tenant

shall obtain the agreement of Tenant's insurers to notify Landlord that a policy is due to expire at least (10) days prior to such expiration. Landlord shall not be required to maintain insurance against thefts within the Leased Premises or the Building.

9. Utilities.

Tenant shall pay all charges for water, sewer, gas, electricity, telephone and other services and utilities used by Tenant on the Leased Premises during the term of this Lease unless otherwise expressly agreed in writing by Landlord. Tenant acknowledges that the Leased Premises are designed to provide standard office use electrical facilities and standard office lighting. Tenant shall not use any equipment or devices that utilize excessive electrical energy or which may, in Landlord's reasonable opinion, overload the wiring or interfere with electrical services to other tenants.

10. Signs.

Following Landlord's consent, Tenant shall have the right to place on the Leased Premises, at locations selected by Tenant, any signs which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises or use of any other tenant. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage to the Leased Premises resulting from the removal of signs installed by Tenant.

11. Entry.

Landlord shall have the right to enter upon the Leased Premises at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

12. Parking. N/A

During the term of this Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways, and footways, subject to rules and regulations for the use thereof as prescribed from time to time by Landlord. Landlord reserves the right to designate parking areas within the Building or in reasonable proximity thereto, for Tenant and Tenant's agents and employees. Tenant shall provide Landlord with a list of all license numbers for the cars owned by Tenant, its agents and employees. Separated structured parking, if any, located about the Building is reserved for tenants of the Building who rent such parking spaces. Tenant hereby leases from Landlord N/A spaces in such structured parking area, such spaces to be on a first come-first served basis. In consideration of the leasing to Tenant of such spaces, Tenant shall pay a monthly rental of N/A per space throughout the term of the Lease. Such rental shall be due and payable each month without demand at the time herein set for the payment of other monthly rentals, in addition to such other rentals.

13. Building Rules. N/A

Tenant will comply with the rules of the Building adopted and altered by Landlord from time to time and will cause all of its agents, employees, invitees and visitors to do so; all changes to such rules will be sent by Landlord to Tenant in writing. The initial rules for the Building are attached hereto as Exhibit "A" and incorporated herein for all purposes.

14. Damage and Destruction.

Subject to Section 6 A. above, if the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects that the same cannot be used for Tenant's purposes, then Tenant shall have the right within ninety (90) days following damage to elect by notice to Landlord to terminate this Lease as of the date of such damage. In the event of minor damage to any part of the Leased Premises, and if such damage does not render the Leased Premises unusable for Tenant's purposes, Landlord shall promptly repair such damage at the cost of the Landlord. In making the repairs called for in this paragraph, Landlord shall not be liable for any delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labor or other matters which are beyond the reasonable control of Landlord. Tenant shall be relieved from paying rent and other charges during any portion of the Lease term that the Leased Premises are inoperable or unfit for occupancy, or use, in whole or in part, for Tenant's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payments, if any, but if no further payments are to be made, any such advance payments shall be refunded to Tenant. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond Tenant's reasonable control and which renders the Leased Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for Tenant's purposes.

16. Default.

If default shall at any time be made by Tenant in the payment of rent when due to Landlord as herein provided, and if said default shall continue for fifteen (15) days after written notice thereof shall have been given to Tenant by Landlord, or if default shall be made in any of the other covenants or conditions to be kept, observed and performed by Tenant, and such default shall continue for thirty (30) days after notice thereof in writing to Tenant by Landlord without correction thereof then having been commenced and thereafter diligently prosecuted, Landlord may declare the term of this Lease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may reenter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages.

18. Quiet Possession.

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

17. Condemnation.

If any legally constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for leasing, this Lease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. Subordination.

Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Leased Premises, or upon the Building and to any renewals, refinancing and extensions thereof, but Tenant agrees that any such mortgage shall

have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust or other lien now existing or hereafter placed upon the Leased Premises of the Building, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the holder of any such liens as Landlord may request. In the event that Tenant should fail to execute any instrument of subordination herein required to be executed by Tenant promptly as requested, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is one coupled with an interest. Tenant agrees that it will from time to time upon request by Landlord execute and deliver to such persons as Landlord shall request a statement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating the dates to which rent and other charges payable under this Lease have been paid, stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

19. Security Deposit. N/A

The Security Deposit shall be held by Landlord without liability for interest and as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that the Security Deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Unless otherwise provided by mandatory non-waivable law or regulation, Landlord may commingle the Security Deposit with Landlord's other funds. Landlord may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrearages of rent or to satisfy any other covenant or obligation of Tenant hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. If Tenant is not in default at the termination of this Lease, the balance of the Security Deposit remaining after any such application shall be returned by Landlord to Tenant. If Landlord transfers its interest in the Premises during the term of this Lease, Landlord may assign the Security Deposit to the transferee and thereafter shall have no further liability for the return of such Security Deposit.

20. Notice.

Any notice required or permitted under this Lease shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Landlord to:

Ms. Jan Wallace- 6629 East Cheney Drive, Paradise Valley, Arizona 85253

If to Tenant to:

Secured Lending, LLC- 12202 North Scottsdale Road, Phoenix, Arizona 85254

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

21. Brokers.

Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in, any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in connection with this Lease.

22. Waiver.

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

23. Memorandum of Lease.

The parties hereto contemplate that this Lease should not and shall not be filed for record, but in lieu thereof, at the request of either party, Landlord and Tenant shall execute a Memorandum of Lease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

24. Headings.

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

25. Successors.

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

26. Consent.

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

27. Performance.

If there is a default with respect to any of Landlord's covenants, warranties or representations under this Lease, and if the default continues more than fifteen (15) days after notice in writing from Tenant to Landlord specifying the default, Tenant may, at its option and without affecting any other remedy hereunder, cure such default and deduct the cost thereof from the next accruing installment or installments of rent payable hereunder until Tenant shall have been fully reimbursed for such expenditures, together with interest thereon at a rate equal to the lesser of twelve percent (12%) per annum or the then highest lawful rate. If this Lease terminates prior to Tenant's receiving full reimbursement, Landlord shall pay the unreimbursed balance plus accrued interest to Tenant on demand.

28. Compliance with Law.

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

29. Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

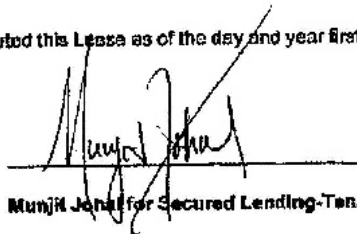
30. Governing Law.

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of Arizona.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.



Jan Wallace-Landlord



Munjil Jaha for Secured Lending-Tenant

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 14, 2006

/s/ Jan Wallace

By: Jan Wallace

Title: Chief 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 14, 2006

/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, 2006, 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, 2006 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, 2006, 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,
Principal Financial Officer and Director
Date: November 14, 2006

By: /s/ Munjit Johal
Name: Munjit Johal
Title: Principal Financial Officer
Date: November 14, 2006