

SECURED DIVERSIFIED INVESTMENT LTD  
Form 10QSB  
December 13, 2007

**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, 2007

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

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

Commission File Number: 000-30653

Secured Diversified Investment, Ltd.  
(Exact name of small business issuer as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

80-0068489  
(IRS Employer Identification No.)

12202 North Scottsdale Road , Phoenix, AZ 85054  
(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: 162,862 common shares as of November 19, 2007.

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

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

|            |  |
|------------|--|
| <u>F-1</u> | <u>Unaudited Balance Sheet as of September 30, 2007;</u>   |
| <u>F-2</u> | <u>Unaudited Statements of Operations for the three and nine months ended September 30, 2007 and 2006;</u> |
| <u>F-3</u> | <u>Unaudited Statements of Cash Flows for the three and nine months ended September 30, 2007 and 2006;</u> |
| <u>F-4</u> | <u>Notes to Unaudited Financial Statements;</u>  |

These unaudited 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, 2007 are not necessarily indicative of the results that can be expected for the full year.

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**SECURED DIVERSIFIED INVESTMENT, LTD.**  
**Balance Sheet**

| <b>ASSETS</b>             | <b>September<br/>30, 2007<br/>(Unaudited)</b> |
|---------------------------|---|
| Real estate investments   | \$ 400,000                                    |
| Cash and cash equivalents | 9,235   |
| Asset held for sale       | 18,612  |
| Prepaid and other assets  | 1,025   |
| <b>Total Assets</b>       | <b>\$ 428,872</b>                             |

| <b>LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</b> |                |
|---|----------------|
| Accounts payable                                | \$ 133,194     |
| Accrued expenses                                | 224,622        |
| Payroll liabilities                             | 67,820         |
| <b>Total Liabilities</b>                        | <b>425,636</b> |

**STOCKHOLDERS' EQUITY**

|  |                   |
|--|-------------------|
| Series A. Preferred Stock, 375,000<br>shares authorized, \$0.01 par value,<br>none issued and outstanding  | -                 |
| Series B Preferred Stock, 1,000,000<br>shares authorized, \$0.01 par<br>value, none issued and outstanding | -                 |
| Series C Preferred Stock, 1,125,000<br>shares authorized, \$0.01 par value,<br>none issued and outstanding | -                 |
| Common Stock, 100,000,000 shares<br>authorized, \$0.001 par value,<br>162,862 issued and outstanding       | 163               |
| Shares to be issued  | 5,830             |
| Paid In Capital  | 8,818,646         |
| Accumulated Deficit  | (8,821,403)       |
| <b>Total Stockholders' Equity</b>  | <b>3,236</b>      |
| <b>Total Liabilities &amp; Stockholders'<br/>Equity</b>  | <b>\$ 428,872</b> |

see accompanying footnotes

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**SECURED DIVERSIFIED INVESTMENT, LTD**  
**Statements of Operation**  
**(Unaudited)**

|  | <b>For the Three Month Periods</b> |                     | <b>For the Nine Month Periods</b> |                     |
|--|------------------------------------|---------------------|-----------------------------------|---------------------|
|  | <b>Ended</b>                       |                     | <b>ended</b>                      |                     |
|  | <b>September 30,</b>               |                     | <b>September 30,</b>              |                     |
|  | <b>2007</b>                        | <b>2006</b>         | <b>2007</b>                       | <b>2006</b>         |
| <b>REVENUES</b>  |                                    |                     |                                   |                     |
| Rental Income  | \$ -                               | \$ -                | \$ -                              | \$ -                |
| Commission Income  | -                                  | 20,756              | -                                 | 20,756              |
| Total Net Revenues   | -                                  | 20,756              | -                                 | 20,756              |
| <b>OPERATING EXPENSES</b>  |                                    |                     |                                   |                     |
| General and Administrative Expenses  | 109,665                            | 247,319             | 386,618                           | 691,670             |
| Loss on impairment of property   | 100,000                            | -                   | 100,000                           | -                   |
| Operating Loss   | (209,665)                          | (226,563)           | (486,618)                         | (670,914)           |
| Other Income (expenses)  |                                    |                     |                                   |                     |
| Interest Expense   | (813)                              | (23)                | (3,741)                           | (3,753)             |
| Other net income   | -                                  | 10,045              | 11,694                            | 298,089             |
| Total Other Income and (Expenses)  | (813)                              | 10,022              | 7,953                             | 294,337             |
| Loss from Continuing Operations  | (210,478)                          | (216,542)           | (478,665)                         | (376,578)           |
| Discontinued Operations:   |                                    |                     |                                   |                     |
| Income (loss) from discontinued operations(including gain or (loss) on disposal) | 402,279                            | (8,421)             | 398,259                           | (26,968)            |
| <b>NET INCOME (LOSS)</b>   | <b>\$ 191,801</b>                  | <b>\$ (224,963)</b> | <b>\$ (80,406)</b>                | <b>\$ (403,546)</b> |
| Basic income (loss) per common share, from discontinued operations               |                                    |                     |                                   |                     |
|  | \$ 2.47                            | \$ (0.05)           | \$ 2.43                           | \$ (0.17)           |
| Basic loss per common share, from continued operations                           |                                    |                     |                                   |                     |
|  | \$ (1.29)                          | \$ (1.38)           | \$ (2.94)                         | \$ (2.31)           |
| Basic income (loss) per common share   |                                    |                     |                                   |                     |
|  | \$ 1.18                            | \$ (1.38)           | \$ (0.49)                         | \$ (2.48)           |
| Basic and diluted weight average shares  |                                    |                     |                                   |                     |
|  | 162,862                            | 162,862             | 162,862                           | 162,862             |

see accompanying footnotes



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

**For the Nine Month periods ended**  
**September 30,**

|   | <b>2007</b> | <b>2006</b>  |
|---|-------------|--------------|
| <b>Cash flows from operating activities:</b>  |             |              |
| Net Loss  | \$ (80,406) | \$ (403,546) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |             |              |
| Shares cancelled  | -           | (11,250)     |
| Shares to be issued   | -           | 5,830        |
| Gain on settlement of debt and litigation   | (9,998)     | (302,409)    |
| Impairment loss   | 100,000     | -            |
| Increase (decrease) in assets and liabilities:  |             |              |
| Prepaid expenses  | (9,882)     | (258)        |
| Other assets  | -           | 2,918        |
| Asset held for sale   | 4,932       | -            |
| Payroll liabilities   | 64,355      | 3,876        |
| Accounts payable, accrued expenses  | 212,955     | (222,817)    |
| Net cash provided by (used in) operating activities of continued operations               | 281,956     | (927,656)    |
| Net cash provided by (used in) operating activities of discontinued operations            | (267,659)   | 132,587      |
| Net cash provided by (used in) operating activities                                       | 14,297      | (795,069)    |
| <b>Cash flows from investing activities:</b>  |             |              |
| Investment in real estate   | -           | (200,000)    |
| Net cash used in investing activities of continued operations                             | -           | (200,000)    |
| Net cash used in investing activities of discontinued operations                          | -           | (42,868)     |
| Net cash used in investing activities   | -           | (242,868)    |
| <b>Cash flows from financing activities:</b>  |             |              |
| Net cash used in financing activities of continued operations                             | -           | -            |



|  |           |             |
|--|-----------|-------------|
| Net cash used in financing activities of discontinued operations | (17,947)  | (39,854)    |
| Net cash used in financing activities                            | (17,947)  | (39,854)    |
| Net decrease in cash & cash equivalent                           | (3,650)   | (1,077,791) |
| Cash & cash equivalent, beginning period                         | 12,885    | 1,230,404   |
| Cash & cash equivalent, end of period                            | \$ 9,235  | \$ 152,613  |
| Supplemental disclosure:   |           |             |
| Cash paid for interest   | \$ 30,394 | \$ 88,906   |
| Cash paid for income tax   | \$ -      | \$ -        |

Supplemental disclosure - Non cash investing & financing activities:

The Company settled following debts through transfer of property/ownership interest as at September 30, 2007:

|                                       |               |      |
|---------------------------------------|---------------|------|
| Mortgage note payable                 | \$ 370,000.00 | \$ - |
| Mortgage note payable                 | \$ 646,340.00 | \$ - |
| Mortgage note payable                 | \$ 110,000.00 | \$ - |
| Mortgage note payable - related party | \$ 71,630.00  | \$ - |
| Mortgage note payable - related party | \$ 67,000.00  | \$ - |

see accompanying footnotes

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

**NOTE 1 - Basis of presentation and Going Concern**

*Basis of presentation:*

The unaudited financial statements have been prepared by Secured Diversified Investment, Ltd, herein after referred as the “Company, we, our, us” 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, 2006. The results of the nine months ended September 30, 2007, are not necessarily indicative of the results to be expected for the full year ending December 31, 2007.

*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 \$8,821,403 as of September 30, 2007. The Company reported net loss of \$80,406 at September 30, 2007. The Company does not have adequate cash reserves to pay its existing obligations and does not appear to be able to raise the necessary capital to meet its obligations for the next 12 months. Since our inception we have been unsuccessful in pursuing revenues with our investment properties. Several of our acquired properties, including the T-Rex Plaza, the Hospitality Inn, and the Katella Center, among others, were or became impaired assets that were underperforming. These properties were incapable of generating adequate revenues. A major contributing factor to the lack of revenues for these properties was high-cost of debt and ground lease obligations underlying these properties. The assets that sufficiently produced cash to service their obligations, but not sufficient cash to support the Company’s overhead, such as Decatur Center, Spencer Springs and the Cannery West, had to be sold to continue our operations, including the high costs associated with being a public company, in addition to absorbing the costs associated with our impaired assets. Current management has restructured the Company’s operations by selling many of its poorly performing properties and reducing the associated high cost of debt and ground leases. The Company significantly reduced overhead and rolled backed the stock in order to restructure the Company’s capital structure. As of September 30, 2007, the Company has discontinued its Katella & DCB (real estate) operations. Katella Center and Campus Drive have been disposed in exchange for settlement of debt. (See note 5 & 10). Management continues with efforts to find business partners.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company’s ability to raise additional capital to succeed in its future operations. The financial statements do not

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

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.

**NOTE 2 - Nature of Operations**

The Company was incorporated under the laws of the state of Utah on November 22, 1978. On July 23, 2002, the shareholders approved a change in domicile from Utah to Nevada. In accordance with Nevada corporate law, a change of domicile is effected by merging the foreign corporation with and into a Nevada corporation. On August 9, 2002, a merger between the Company and Book Corporation of America was completed. Upon completion of the merger Book Corporation of America was dissolved. On September 18, 2002, the OTCBB symbol for the Company's common stock was changed from BCAM to SCDI. The shareholders also approved amendments to the Company's Articles of 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. Currently, the Company owns two properties in Phoenix, Arizona which were acquired in the first quarter of 2006.

**NOTE 3 - Significant Accounting Policies**

***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, 2007 and 2006, all potential common shares are excluded from the computation of diluted loss per share, as the effect of which was anti-dilutive.

***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.

***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

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

services, geography, legal structure, management structure, or any other manner in which management disaggregates a company.

During the first quarter of 2006, the Company acquired investment interest in two separate properties in Arizona.

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.

For the nine months ended September 30, 2007, and 2006 all of the Company's investment properties are located in Arizona. Properties in Arizona do not contribute to the income or expense stream of the Company.

***Investment in real estate.***

The Company reports its investment in real estate at historical cost. Those properties were acquired with the intention that when the value of properties will appreciate the Company will sell its share in those properties.

The Company used cost method of accounting based on SOP 78-9 paragraph .08 which states that "The division believes that the accounting recommendations for use of the equity method of accounting for investments in general partnerships are generally appropriate for accounting by limited partners for their investments in limited partnerships. A limited partner's interest may be so minor that the limited partner may have virtually no influence over partnership operating and financial policies. Such a limited partner is, in substance, in the same position with respect to the investment as an investor that owns a minor common stock interest in a corporation, and, accordingly, accounting for the investment using the cost method may be appropriate."

***Recent accounting pronouncements.***

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

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

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, the FASB issued SFAS 158 (“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 requires an employer to recognize the over funded or under funded status of a defined benefit postretirement 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. This statement also requires 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. The Company will be 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. 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, or fiscal 2009 for the Company. The management is currently evaluating the effect of this pronouncement on financial statements.

In February 2007, the FASB issued SFAS No. 159 (“SFAS 159”), *“The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115”*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS 159 will be effective for the Company on January 1, 2008. The management is currently evaluating the effect of this pronouncement on financial statements.

In March 2007, the Emerging Issues Task Force (“EITF”) reached a consensus on issue number 06-10, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements,” (“EITF 06-10”). EITF 06-10 provides guidance to help companies determine whether a liability for the postretirement benefit associated with a collateral assignment split-dollar life insurance arrangement should be recorded in accordance with either SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions” (if, in substance, a postretirement benefit plan exists), or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). EITF 06-10 also provides guidance on how a company should recognize and measure the asset in a collateral assignment split-dollar life insurance contract. EITF 06-10 is effective for fiscal years beginning after December 15, 2007 (Novell’s fiscal 2008), though early adoption is permitted. The management is currently evaluating the effect of this pronouncement on financial statements.

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

**NOTE 4 - Property and Equipment**

For the nine month period ended September 30, 2007, the Company held investments in two separate properties (*see Note 3 Significant Accounting Policies - Segment Reporting*). These properties do not contribute to the income or expense stream of the Company.

It is the Company's policy to assess its long lived assets for impairment on an annual basis, or more frequently if warranted by circumstances. Because of the slow down of the real estate market and decline in value of properties the Company impaired its investment in Paradise Valley, Arizona property from \$300,000 to \$200,000 and recorded an impairment loss of \$100,000.

**NOTE 5 - Related Party Transactions**

*Sutterfield Family Trust and C. Wayne Sutterfield (Sutterfield)*. At December 31, 2005, 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 February 17 2007, and December 31, 2006, respectively. The Company is in default on the \$71,630 note and the other note of \$67,000. Sutterfield was a minority owner (46.2%) in DCB. In addition to the interest payment on the 3<sup>rd</sup> trust deed, the Company, pursuant to the terms of the operating agreement, liable to pay Sutterfield a preferred return on his investment. The Company has not made payments to Sutterfield pursuant to the terms of the operating agreement. Sutterfield has advised the Company of its default. As a result of our default, the Company on October 17, 2007, transferred its 53.8% membership interest in DCB, in exchange for: (a) an indemnity on certain obligations pertaining to the Campus Property, including a ground lease, first and second trust deeds, and property taxes; and (b) a release from Sutterfield on any debt we owe, including two promissory notes in the principal amount of \$138,630.32 and all accrued interest thereon.

As at September 30, 2007, the Company has eliminated the operations and cash flows of DCB from its ongoing operations and it is not involved in the continuing operations of DCB and reported as discontinued operations in the accompanying financial statements.

**NOTE 6 - Mortgages Payable**

As of September 30, 2007, the Company settled its mortgages payable as follows.

Mortgage note payable \$370,000

The Company had note payable of \$370,000 with 11.5% interest and maturity date of June 25, 2007. The note was secured on 1<sup>st</sup> trust deed on the Katella property and was in default due to non payment. On October 8, 2007 the Board of Directors authorized the disposal of property in exchange for the settlement of debt including interest. On October 23, 2007, the Company transferred the property in full satisfaction of all obligations secured by the deed of trust.

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Notes to Unaudited Financial Statements

September 30, 2007

Mortgage note payable \$646,340

The Company had note payable of \$646,340 with 8% interest and maturity date of February 2, 2013. The note was secured on 1<sup>st</sup> trust deed on the 5030 Campus (DCB) property. The note was settled as part of transfer of interest in DCB to Suttefiled (See note 5).

Mortgage note payable \$110,000

The Company had note payable of \$110,000 with 8% interest and maturity date of February 4, 2008. The note was secured on 2nd trust deed on the 5030 Campus (DCB) property. The note was settled as part of transfer of interest in DCB to Suttefiled (See note 5).

**NOTE 7 - Mortgages Payable - Related Parties**

The Company had note payable of \$71,630 and \$67,000 to a related party Wayne Sutterfield and the Sutterfield Family Trust. The notes had 8% interest and matured on December 31, 2006 and February 17, 2007 respectively. Both the notes were secured by trust deed on 5030 Campus (DCB) property respectively. The Company was in default on the notes payment including interest. On October 17, 2007, the Company transferred its 100% interest in DCB property to its minority shareholder Wayne Sutterfield in full settlement of its note payable including interest (See note 5).

**NOTE 8 - Warrants**

At September 30, 2007, 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:

|                                   | Warrants Outstanding | Aggregate Intrinsic Value |
|-----------------------------------|----------------------|---------------------------|
| Outstanding at December 31, 2006  | 400,000              | \$ -                      |
| Granted                           | -                    | -                         |
| Forfeited                         | -                    | -                         |
| Exercised                         | -                    | -                         |
| Outstanding at September 30, 2007 | 400,000              | \$ -                      |

Following is a summary of the status of warrants outstanding at September 30, 2007:

|  |  |
|--|--|
|  |  |
|--|--|

| Outstanding Warrants |         |                            | Exercisable Warrants |         |                  |
|----------------------|---------|----------------------------|----------------------|---------|------------------|
| Exercise Price       | Number  | Remaining Contractual Life | Weighted Average     | Number  | Weighted Average |
|                      |         |                            | Exercise Price       |         | Exercise Price   |
| \$0.50<br>- \$2.00   | 400,000 | 2.25 years                 | \$1.25               | 400,000 | \$1.25           |

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**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

The fair value was calculated using the Black-Scholes option pricing model assuming no dividends, a risk-free interest rate of 6.5%, an expected life of 5 years and expected volatility of 100%.

**NOTE 9 - Litigation**

On January 5, 2007, the Company entered into a Confidential Settlement and General Release Agreement (the "Settlement Agreement") with Mr. Clifford L. Strand to resolve litigation in the matters of Clifford L. Strand v. Secured Diversified Investment, Ltd. (case no. 06CC02350) in the Superior Court of California, County of Orange, as well as other claims involving Mr. Strand and our company as set forth in the Agreement. The Settlement Agreement with Mr. Strand provides that a stipulation and order of disbursement will be filed on the remaining \$89,998 as follows: \$80,000 to Mr. Strand and \$9,998 to our company. In addition, Mr. Strand expressly waived any and all rights he may have had in connection with reemployment with our company, and agreed to refrain from pursuing complaints against our company and our officers and directors in any court or government agency. Further, Mr. Strand granted an irrevocable proxy in connection with any shares of stock beneficially owned by him.

**Note 10. Common Stock**

On October 30, 2006, the Company's Board of Directors acted under Section 4.02 of Article I and II of the Certificate of Designation of January 15, 2003, to require all holders of outstanding shares of the Company's Series A Convertible Preferred Stock and Series B Convertible Preferred Stock to convert their shares into shares of the Company's common stock (the "Conversion"). The rate of conversion for Series A Convertible Preferred Stock was fixed at 1 share of our common stock for every 1.01 shares of our Series A Convertible Preferred Stock. The rate of conversion for Series B Convertible Preferred Stock was fixed at 1 share of our common stock for every 1.01 shares of our Series B Convertible Preferred Stock. The effective date for the Conversion was September 24, 2007. Following such Conversion, the only outstanding capital stock of the Company consisted of 3,257,238 shares of common stock.

On October 5, 2007, holders of a majority of the outstanding shares of common stock executed a written stockholder consent approving a reverse split of the Company's outstanding common stock for a total ration of 20 to 1. Following the reverse stock split, the Company's total issued and outstanding common stock was \$162,862. As of September 30, 2007, the Company has retroactively restated the number of commons shares outstanding as if the reverse split took place at the beginning of the year.

**NOTE 11. Discontinued Operations**

As at September 30, 2007 the Company discontinued following operations.

**Katella Center**

On October 8, 2007 the Board of Directors of the Company approved to sign the Deed and Lieu of Foreclosure on the Katella Center.

On October 23, 2007 the Grant Deed in Lieu of Foreclosure was assigned in full satisfaction of all obligations secured by the deed of trust including note payable of \$370,000 with any accrued and unpaid interest thereon.

As at September 30, 2007, the Company has eliminated the operations and cash flows of Katella Center from its ongoing operations and it is not involved in the continuing operations of Katella Center and reported as discontinued

operations in the accompanying financial statements.

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Notes to Unaudited Financial Statements

September 30, 2007

5030 Campus (DCB) Property

On September 29, 2007 the Board of Directors of the Company approved to transfer its 53.8% membership interest in DCB, LLC to the Sutterfield Family Trust and Wayne Sutterfield in exchange for (a) an indemnity on certain obligations pertaining to the Campus Property, including a ground lease, first and second trust deeds, and property taxes; and (b) a release from Sutterfield on any debt we owe, including two promissory notes in the principal amount of \$138,630.32 and all accrued interest thereon.

As at September 30, 2007, the Company has eliminated the operations and cash flows of DCB from its ongoing operations and it is not involved in the continuing operations of DCB and reported as discontinued operations in the accompanying financial statements.

Secured Lending

During 2006 the Company 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. However, Secured Lending was not able to sustain its mortgage banking activities and these relationships were mutually terminated. The Company discontinued its mortgage banking activity at December 31, 2006. The Company recognized a loss of \$6,030 as a result of discontinued operations and recorded net assets held for sale of \$18,612 in the accompanying financial statements.

Following is the summary of discontinued operations for the nine months ended September 30, 2007.

|  | Katella<br>Center | DCB,<br>LLC | Secured<br>Lending | TOTAL   |
|--|-------------------|-------------|--------------------|---------|
| Income (loss) from<br>discontinued<br>operations | 31,465            | (21,249)    | (6,030)            | 4,186   |
| Gain on disposal                                 | 386,425           | 7,648       | -                  | 394,073 |
| TOTAL  | 417,890           | (13,601)    | (6,030)            | 398,259 |

Gain on disposal includes \$386,425 gain on settlement of mortgage note payable of \$370,000 including interest which was secured on Katella Center.

Following is the summary of discontinued operations for the three months ended September 30, 2007.

Table of Contents**SECURED DIVERSIFIED INVESTMENT, LTD.**

Notes to Unaudited Financial Statements

September 30, 2007

|  | Katella<br>Center | DCB,<br>LLC | Secured<br>Lending | TOTAL |
|--|-------------------|-------------|--------------------|-------|
|--|-------------------|-------------|--------------------|-------|

|  |                |                 |                |                |
|--|----------------|-----------------|----------------|----------------|
| Income (loss) from discontinued operations | 11,106         | (2,900)         | -              | 8,206          |
| Gain on disposal                           | 386,425        | 7,648           | -              | 394,073        |
| <b>TOTAL</b>                               | <b>397,531</b> | <b>(13,601)</b> | <b>(6,030)</b> | <b>402,279</b> |

Gain on disposal includes \$386,425 gain on settlement of mortgage note payable of \$370,000 including interest which was secured on Katella Center.

**Note 12 Subsequent Events**

On October 30, 2006, the Company's Board of Directors acted under Section 4.02 of Article I and II of the Certificate of Designation of January 15, 2003, to require all holders of outstanding shares of the Company's Series A Convertible Preferred Stock and Series B Convertible Preferred Stock to convert their shares into shares of the Company's common stock (the "Conversion"). The rate of conversion for Series A Convertible Preferred Stock was fixed at 1 share of our common stock for every 1.01 shares of our Series A Convertible Preferred Stock. The rate of conversion for Series B Convertible Preferred Stock was fixed at 1 share of our common stock for every 1.01 shares of our Series B Convertible Preferred Stock. The effective date for the Conversion was September 24, 2007. Following such Conversion, the only outstanding capital stock of the Company consisted of 3,257,238 shares of common stock.

On October 5, 2007, holders of a majority of the outstanding shares of common stock executed a written stockholder consent approving a reverse split of the Company's outstanding common stock for a total ratio of 20 to 1. Following the reverse stock split, the Company's total issued and outstanding common stock was \$162,862. As of September 30, 2007, the Company has retroactively restated the number of commons shares outstanding as if the reverse split took place at the beginning of the year.

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**Item 2. Management’s Discussion and Analysis or Plan of Operation**

**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. V 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.

**Overview**

Since our inception, we have been unsuccessful in pursuing revenues with our investment properties the majority of which were acquired in an asset purchase from Secured Diversified Investment Company, a related party. Several of our acquired properties, including the T-Rex Plaza, the Hospitality Inn, and the Katella Center, among others, became impaired and /or were assets that underperformed. These properties were incapable of generating sufficient revenues. A major contributing factor to the lack revenues from these properties was high-cost ground lease obligations underlying these properties. The assets that were cash-producing such as the Decatur Center, Spencer Springs and the Cannery, had to be sold to continue our operations, including the high costs associated with being a public company, in addition to absorbing the costs associated with our impaired and underperforming assets. At the date of this report, these underperforming properties have been disposed, however our company remains in financial jeopardy and may not continue as a going concern. We are not likely to raise capital and therefore are forced to consider other business opportunities.

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**Katella Center, Orange, California**

On September 4, 2007, Val-Chris Investments, Ltd., trustee for the first trust deed filed a Notice of Default. We agreed to grant deed the property to the first trust deed, the Cornish Construction Pension Plan ("Cornish")

On October 23, 2007, we entered into a Grant Deed in Lieu of Foreclosure with Cornish and granted Cornish our interest in the "Katella Center," a strip mall consisting of six retail rental units of various sizes totaling approximately 9,500 square feet, located at 632-650 E. Katella Avenue in Orange, California. We were in default of the first trust deed with Cornish, and granted ownership in the Katella Center to avoid foreclosure proceedings.

**Campus Drive Office Building, Newport Beach, California**

During the reporting quarter, we agreed to sell our (53.8%) interest in Diversified Commerical Brokers, LLC ("DCB") to the Sutterfield Family Trust and Wayne Sutterfield (together "Sutterfield"). Sutterfield has a 46.2% interest in DCB. The Company was in default of debt owed to Sutterfield and the Operating Agreement for DCB.

On October 25, 2007, we signed an agreement conveying our 53.8% membership interest in Diversified Commercial Brokers, LLC ("DCB") to the Sutterfield Family Trust and Wayne Sutterfield (together, "Sutterfield"). The primary asset of DCB is an 8,685 square foot office building located at 5030 Campus Drive in Newport Beach, California 92660 (the "Campus Property"). In exchange for the sale of our membership interest in DCB, we received: (a) an indemnity on certain obligations pertaining to the Campus Property, including a ground lease, first and second trust deeds, and property taxes; and (b) a release from Sutterfield on any debt we owe, including two promissory notes in the principal amount of \$138,630.32 and all accrued interest thereon.

**Lincoln Drive Property**

We own a 25% tenant -in-common interest in three buildings located at 5203 - 5205 East Lincoln Drive in Paradise Valley, Maricopa County, Arizona 85253. We acquired our 25% interest from Fazoql, Inc. as a joint venture investment with Fazoql, Inc. and Willowpoint, LLC. Fazoql, Inc. had previously obtained a 50% interest from Willowpoint, LLC, an Arizona limited liability company, which retained a 50% ownership interest in the property. We then obtained our 25% interest directly from Fazoql, Inc. Patrick McNevin, a former member of our board of directors, is President of Fazoql Inc. Currently, the property is subject to a first trust deed held by Marshall & Ilsey Bank with a principal balance of \$852,146 bearing an annual interest rate of 6.5% per annum. The loan matures May 1, 2010. The property is in very good condition. There is no ground lease on the property. The property is 100% leased and situated between two new residential/hospitality developments.

We will not receive any rental income from the leased units. 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. Fazoql, Inc. and Willowpoint, LLC are jointly responsible for all costs of operating the buildings including landscaping, exterior maintenance, property management, and the payment of taxes, insurance and loan payments. We are not responsible for these items.

The current real estate tax rate for the Lincoln Drive property is unknown at this time. Property taxes due for the Lincoln Drive property for the 2006 tax year are \$6,158. We are not responsible for the payment of taxes.

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**Cactus Road Property**

On February 15, 2006, we acquired a 33 1/3% tenant-in-common interest in property located at 12202 North Scottsdale Road, Phoenix, Arizona 85054. We acquired our interest for \$200,000 from Ms. Jan Wallace, our officer and director, who holds the remaining 66 2/3% ownership in the property. Currently, the property is subject to a first trust deed held by Chase Manhattan Mortgage with a principal balance of \$303,750 and a second deed of trust held by Ms. Wallace with a principal balance of \$226,200. There are no ground leases on the property.

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 and plan to have it remodeled and retrofitted to house our headquarters. We also plan to lease a portion of the building to a mortgage company in which we plan to develop an interest. 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 property needs repair. Repairs and renovation costs are estimated at \$46,950, which include a complete repair and replacement of the roof, electrical retrofitting, plumbing repairs, HVAC repairs renovation and remodeling of the kitchen area to accommodate new tenants. Ms. Wallace will be responsible for these costs. We intend to hire a third party to manage the property. The property is adequately covered by insurance.

Depreciation and amortization are computed for federal income tax purposes on the straight-line method over lives which range up to 39 years, except component depreciation as permitted for tenant improvements, repairs and renovation costs. The current real estate tax rate for the Cactus Road property is unknown at this time. The property taxes for 2006 were \$2,523.

**Results of Operations for the three months ended September 30, 2007 and 2006**

*Comparison the three and nine months ended September 30, 2007 and 2006.*

*Assets.* Our total assets as of September 30, 2007 were \$428,635. Our assets primarily consists of real estate investments of \$400,000 in two separate properties located in Arizona. Additionally, we have \$9,235 in cash. Our liabilities as of September 30, 2007 totalled \$425,635 consisting entirely of accounts payable and accrued expenses (including payroll liabilities).

*Income.* Income consisted primarily of rental income from commercial properties pursuant to tenant leases. As of September 30, 2007, the Company has disposed of its income producing portfolio. The income was reclassified to discontinued operations (including gain or loss disposal). The company discontinued its Katella Center and 5030 Campus (DCB) property operations as of September 30, 2007 and eliminated the operations and cash flows from its ongoing operations and is not involved in the continuing operations and reported those as discontinued operations on the accompanying financial statements. As a result, the Company settled \$1,126,340 in mortgage payroll and \$138,630 in mortgage payroll to related parties. The financial statements for the comparative period in 2006 were also reclassified. As a result, the Company reported no income for the three and nine month periods ended September 30, 2007 compared to the income of \$20,756 for the three month and nine month periods ended September 30, 2006.

*General and Administrative Expenses.* Operating and administrative expenses consist primarily of payroll expenses and, legal and accounting fees. These expenses decreased by \$137,654 to \$109,665 for the three months ended September 30, 2007, compared to \$247,319 for the same period ended September 30, 2006. These expenses decreased by \$205,052 to \$486,618 for the nine months ended September 30, 2007, compared to \$691,670 for the same period ended September 30, 2006. The decrease is attributable to the reduction of overhead including payroll, payroll taxes, office rent, professional fees, and the sale and disposal of poorly performing properties resulting in the reduction of

leasing commissions, land lease payments, property taxes and related carrying costs.

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*Interest and Other Income and Expense.* Interest expense consists of finance charges. Interest expense was \$813 for the three months ended September 30, 2007 compared to \$23 for the same period ended September 30, 2006. Interest expense was \$3,741 for the nine months ended September 30, 2007 compared to \$3,753 for the same period ended September 30, 2006. There was no other income or expense for the three months ended September 30, 2006. For the nine month period ended September 30, 2007 other income totalled \$11,694 compared to \$298,089 for the nine month period ended September 30, 2006.

*Net Income (Loss).* We reported a net income of \$191,801 or \$1.18 per share for the three months ended September 30, 2007 compared to a net loss of \$224,963 or \$1.38 per share for the same period ended September 30, 2006. For the three month period ended September 30, 2007, we incurred a loss of \$210,478 or \$1.29 per share for the continued operations and an income of \$402,278 or \$2.47 from discontinued operations. For the same period ended September 30, 2006, a loss of \$216,542 or \$1.38 per share for continued operations and a loss of \$8,421 or \$0.05 per share from discontinued operations. For the nine month period ended September 30, 2007, we incurred a loss of \$80,406 or \$0.49 per share for the continued operations and a loss of 403,546 or \$2.48 per share from for the same period ended September 30, 2006.

For the nine month period ended September 30, 2007 we incurred a loss of \$478,665 or \$2.94 per share from continued operations and income of \$398,259 or \$2.43 per share from discontinued operations compared to a net loss of \$376,578 or \$2.31 per share from continued operations and a loss of \$26,968 or \$2.31 per share from discontinued operations for the same period ended September 30, 2006.

**Liquidity and Capital Resources**

*Capital Resources*

As stated in financial statement Note 1 - Going Concern, we do not have an established source of revenues sufficient to continue to cover our operating costs over an extended period of time allowing us to continue as a going concern. Moreover, we do not currently possess a financial institution source of financing.

At September 30, 2007, we had \$9,235 of cash and cash equivalents as compared to \$390,098 of cash and cash equivalents at September 30, 2006 to meet our immediate short-term liquidity requirements.

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

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***Cash Flows from Operating Activities***

Net cash provided by operating activities was \$14,247 for the nine months ended September 30, 2007 comparable to net cash used by operating activities of \$(795,069) for the same period ended September 30, 2006.

***Cash Flows from Investing Activities***

Net cash provided by or used in investing activities amounted to \$0 for the nine months ended September 30, 2007 compared to net cash used by investing activities in the amount of \$(242,868) for same period ended September 30, 2006.

***Cash Flows from Financing Activities***

Cash used by financing activities amounted to \$(7,947) for the nine months ended September 30, 2007 compared to \$(39,854) for the same period ended September 30, 2006. The primary reason for the use of proceeds was due to repayments of notes due on the sale of properties.

**Off Balance Sheet Arrangements**

As of September 30, 2007, there were no off balance sheet arrangements.

**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 \$(8,821,403) as of September 30, 2007. The Company reported net loss of \$(80,406) at September 30, 2007. Additionally, the Company reported cash of only \$9,235 and accounts payable, other accrued liabilities, and interest payable of \$425,635, at September 30, 2007. The Company does not have adequate cash reserves to may its existing obligations and does will not appear able to raise the necessary capital to meet its obligations for the next 12 months. Since our inception we have been unsuccessful in pursing revenues with our investment properties. Several of our acquired properties, including the T-Rex Plaza, the Hospitality Inn, and the Katella Center, among others, were or became impaired assets that were underperforming. These properties were incapable of generating adequate revenues. The assets that sufficiently produced cash to service their obligations, such as Decatur Center, Spencer Springs and the Cannery West, did not generate sufficient cash to support the Company's overhead, including the high costs associated with being a public company, in addition to absorbing the costs associated with our impaired assets. Current management has restructured the Company's operations by selling many of its poorly performing properties and reducing the associated high cost debt and ground leases. The Company significantly reduced overhead and rolled backed its stock in order to restructure the Company's capital structure. As a result of the problems with our properties, our ability to raise capital was met with failure in several instances. Management continues with efforts to find business partners. Our company stands in financial jeopardy and may not continue as a going concern. We are not likely to raise capital and we are forced to consider other business opportunities.

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**Critical Accounting Estimates and Policies**

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

**Revenue Recognition and Allowance for Uncollectible Receivables**

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

**Impairment of Real Estate Assets**

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

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.

**Recently Issued Accounting Pronouncements**

In February 2007, the FASB issued SFAS No. 159 ("SFAS 159"), "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115". SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS 159 will be effective for the Company on January 1, 2008. Adoption of SFAS 159 is not expected to have a material impact on the Company's consolidated financial statements.

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In September 2006, the FASB issued SFAS 158 (“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 requires an employer to recognize the over funded or underfunded status of a defined benefit postretirement 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. This statement also requires 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. The Company will be 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. 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, or fiscal 2009 for the Company. Adoption of SFAS 158 is not expected to have a material impact on the Company’s consolidated financial statements.

In September 2006, the FASB issued FAS 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. Earlier application is encouraged. The adoption of this accounting pronouncement is not expected to have a material effect on the consolidated financial statements.

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**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, 2007. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer, Ms. Jan Wallace, and our Chief Financial Officer, Mr. Munjit Johal. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2007, 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, 2007.

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.

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

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 September 30, 2007.

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

None

**Item 3. Defaults upon Senior Securities**

None

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

On October 5, 2007, holders of a majority of the outstanding shares of common stock executed a written stockholder consent approving a reverse split of the Company's outstanding common stock for a total ratio of 20 to 1. Following the reverse stock split, the Company's total issued and outstanding common stock as of November 5, 2007 consisted of 162,862 shares. The Company's new symbol following the reverse stock split is now SDFD.

**Item 5. Other Information**

None

**Item 6. Exhibits**

| <b>Exhibit Number</b> | <b>Description of Exhibit</b>  |
|-----------------------|--|
| <u>31.1</u>           | <u>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</u>                             |
| <u>31.2</u>           | <u>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</u>                             |
| <u>32.1</u>           | <u>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</u> |

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**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.

**S e c u r e d  
D i v e r s i f i e d  
I n v e s t m e n t , L t d .**

Date: December 12,  
2007

By: /s/ Jan  
Wallace

Jan

Wallace

Title: **Chief  
Executive Officer  
and Director**