

SECURED DIVERSIFIED INVESTMENT LTD
Form 10-Q
May 20, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

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 80-0068489
(State or other jurisdiction of incorporation or organization) (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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer
 Smaller reporting company

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 as of March 31, 2008.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | |
|------------|---|
| <u>F-1</u> | <u>Consolidated Balance Sheets as of March 31, 2008 and December 31, 2007;</u> |
| <u>F-2</u> | <u>Consolidated Statements of Operations for the three months ended March 31, 2008 and 2007;</u> |
| <u>F-3</u> | <u>Consolidated Statement of Stockholders' Equity (Deficit) for the period from December 31, 2005 to March 31, 2008</u> |
| <u>F-4</u> | <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2008 and 2007;</u> |
| <u>F-5</u> | <u>Notes to Consolidated 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-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended March 31, 2008 are not necessarily indicative of the results that can be expected for the full year.

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Balance Sheets

| ASSETS | March 31, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,086 | \$ 1,684 |
| Net assets held for sale | 18,612 | 18,612 |
| Real estate investments | 150,000 | 200,000 |
| Total Current Assets | 169,698 | 220,296 |
| TOTAL ASSETS | \$ 169,698 | \$ 220,296 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 173,740 | \$ 173,747 |
| Accrued expenses | 163,954 | 154,741 |
| Accrued payroll liabilities | 90,426 | 90,426 |
| Total Current Liabilities | 428,120 | 418,914 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred stock, \$0.001 par value, 2,500,000 shares authorized, -0- shares issued and outstanding | - | - |
| Common stock, \$0.001 par value, 100,000,000 shares authorized, 162,862 shares issued and outstanding | 163 | 163 |
| Unissued shares | 5,830 | 5,830 |
| Additional paid-in capital | 8,818,647 | 8,818,647 |
| Accumulated deficit | (9,083,062) | (9,023,258) |
| Total Stockholders' Equity (Deficit) | (258,422) | (198,618) |
| | \$ 169,698 | \$ 220,296 |

TOTAL LIABILITIES
AND STOCKHOLDERS'
EQUITY (DEFICIT)

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

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Table of ContentsSECURED DIVERSIFIED INVESTMENT, LTD.
Statements of Operations

| | For the Three Months Ended | |
|--|----------------------------|--------------|
| | March 31, | |
| | 2008 | 2007 |
| REVENUES | \$ - | \$ - |
| OPERATING EXPENSES | | |
| General and administrative | 9,804 | 102,535 |
| Total Operating Expenses | 9,804 | 102,535 |
| INCOME (LOSS) FROM OPERATIONS | (9,804) | (102,535) |
| OTHER EXPENSES | | |
| Impairment loss | (50,000) | - |
| Interest expense | - | (1,944) |
| Gain on settlement of debt | - | 9,998 |
| Other income (expense) | - | (3,305) |
| Total Other Expenses | (50,000) | 4,749 |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS | (59,804) | (97,786) |
| Discontinued operations | - | (6,031) |
| NET INCOME (LOSS) BEFORE TAXES | (59,804) | (103,817) |
| Income taxes | - | - |
| NET INCOME (LOSS) | \$ (59,804) | \$ (103,817) |

[REDACTED]
BASIC INCOME
(LOSS) PER
COMMON SHARE \$ (0.37) \$ (0.72)

[REDACTED]
WEIGHTED
AVERAGE
NUMBER
OF COMMON
SHARES
OUTSTANDING 162,862 144,841

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

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Table of ContentsSECURED DIVERSIFIED INVESTMENT, LTD.
Statement of Stockholders' Equity (Deficit)

| | Preferred Stock Series A | | Preferred Stock Series B | | Preferred Stock Series C | | Common Stock | | Additional Paid-In Capital | Unissued Shares | Accumulat Deficit |
|--|-----------------------------|--------|-----------------------------|--------|-----------------------------|--------|--------------|--------|----------------------------------|--------------------|----------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2005 | 17,774 | \$ 178 | 402 | \$ 4 | 12,500 | \$ 125 | 38,443 | \$ 38 | \$ 8,676,352 | \$ 125,000 | \$ (7,994,800) |
| Shares to be issued for services | - | - | - | - | - | - | - | - | - | (125,000) | - |
| Shares to be issued for services, previously issued | 313 | 3 | - | - | - | - | - | - | 124,937 | - | - |
| Shares cancelled | - | - | - | - | (12,500) | (125) | (102) | (0) | (378,623) | - | - |
| Shares to be issued for conversion of Series C Preferred Stock | - | - | - | - | - | - | 37,500 | 38 | 366,750 | - | - |
| Shares to be issued for fractional shares adjustment | (288) | (3) | - | - | - | - | - | - | (5,694) | 5,830 | - |
| Shares to be issued for services | - | - | - | - | - | - | 50,000 | 50 | 29,950 | - | - |
| Shares to be issued to offset dilution | - | - | - | - | - | - | 19,000 | 19 | (19) | - | - |
| Stock options expense | - | - | - | - | - | - | - | - | 4,240 | - | - |
| Net income (loss) for the period | - | - | - | - | - | - | - | - | - | - | (719,300) |

| | | | | | | | | | | | | |
|---|----------|-------|-------|-----|------|---|------------|--------|--------------|----------|----------|--|
| er ended ember 2006 | | | | | | | | | | | | |
| ance, ember 2006 | 17,799 | 178 | 402 | 4 | - | - | 144,841 | 145 | 8,817,893 | 5,830 | (8,714,1 | |
| version preferred ck common ck | (17,799) | (178) | (402) | (4) | - | - | 18,021 | 18 | 754 | - | | |
| income (s) for the er ended ember 2007 | - | - | - | - | - | - | - | - | - | - | (309,0 | |
| ance, ember 2007 | - | - | - | - | - | - | 162,862 | 163 | 8,818,647 | 5,830 | (9,023,2 | |
| income (s) for ee nths ended rch 31, 08 (audited) | - | - | - | - | - | - | - | - | - | - | (59,8 | |
| ance, rch 31, 08 (audited) | - \$ | - | - \$ | - | - \$ | - | 162,862 \$ | 163 \$ | 8,818,647 \$ | 5,830 \$ | (9,083,0 | |

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

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Table of ContentsSECURED DIVERSIFIED INVESTMENT, LTD.
Statements of Cash FlowsFor the Three Months Ended
March 31,
2008 2007OPERATING
ACTIVITIES

Net income (loss) \$ (59,804) \$ (103,934)

Adjustments to
Reconcile Net Loss
to NetCash Used by
Operating Activities:

Depreciation and

Amortization - 7,430

Bad debt expense - (1,449)

Minority Interest - (7,460)

Loss from
discontinued
operations - 6,031Gain on settlement
of debt - (9,998)Impairment of real
estate 50,000 -

Prepaid expenses - (4,659)

Accounts payable
and accrued
expenses 9,206 81,649Accrued interest
added to note
payable - 7,938

Payroll liabilities - 19,142

Net Cash Used by
Operating Activities (598) (5,310)INVESTING
ACTIVITIESIncrease in restricted
cash - 144Net Cash Used
(Provided by) by
Investing Activities - 144

| | | | |
|--|----------|----|----------|
| FINANCING ACTIVITIES | | | |
| Increase in restricted cash | - | | (4,967) |
| Net Cash Used by Financing Activities | - | | (4,967) |
| NET DECREASE IN CASH | | | |
| | (598) | | (10,133) |
| CASH AT BEGINNING OF PERIOD | | | |
| | 1,684 | | 12,885 |
| CASH AT END OF PERIOD | | | |
| | \$ 1,086 | \$ | 2,752 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| CASH PAID FOR: | | | |
| Interest | \$ | - | \$ - |
| Income Taxes | \$ | - | \$ - |

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

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SECURED DIVERSIFIED INVESTMENT, INC.
Notes to Consolidated Financial Statements
March 31, 2008 and December 31, 2007

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2008, and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements. The results of operations for the periods ended March 31, 2008 and 2007 are not necessarily indicative of the operating results for the full years.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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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. 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 meeting our operational expenses, 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. We have exhausted all available venues to raise capital and therefore will not be able to continue as a going concern. The Company has effectively ceased operations.

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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 and Willowpoint, LLC, an Arizona limited liability company. Fazoql had previously obtained a 50% interest from Willowpoint, which retained a 50% ownership interest in the property. We then obtained our 25% interest directly from Fazoql. Patrick McNevin, a former member of our board of directors, is President of Fazoql. Currently, the property is subject to a first trust deed held by Marshall & Ilsey Bank with a principal balance of approximately \$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 do 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 and Willowpoint 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 2007 tax year were \$6,158. We are not responsible for the payment of taxes.

In light of the ongoing economic downward trend, the real estate market has been one of the sectors greatly affected. This sector has experienced a consistent decline downward for the past year. According we have impaired our investment by \$150,000 to \$150,000. If this sector does not improve we may have to impair it further.

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 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 \$529,950. 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. The property was remodelled and retrofitted to house our headquarters. We also leased a portion of the building to a mortgage company until it ceased operations in December 2006. Because of the property's heavily trafficked location, we believed that it would appreciate and provide us a profit upon its sale at some future date.

The property was repaired and renovated at a cost of \$46,950, which included a complete repair and replacement of the roof, electrical retrofitting, plumbing repairs, HVAC repairs renovation

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and remodelling of the kitchen area to accommodate new tenants. Ms. Wallace will be responsible for these costs. The property is adequately covered by insurance.

The property is currently in foreclosure and there is a potential short sale of the property being negotiated with the first trust deed holder.

Results of Operations for the three months ended March 31, 2008 and 2007

Comparison the three months ended March 31, 2008 and 2007.

Income. We recorded no income for either the three months ended March 31, 2008 or 2007 from our continuing operations. In our financial statements we reclassified our 2006 income for comparative purposes. We recorded \$0 in discontinued operations for the three months ended March 31, 2008 as compared with \$(6,031) for the same period ended 2007. Income from discontinued operations consists primarily of rental income from commercial properties pursuant to tenant leases. Our operations were discontinued because we were in default on both the Katella and Campus properties. We disposed of the properties in exchange for satisfaction of the debt owed.

Operating 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 \$92,731 to \$9,804 for the three months ended March 31, 2008, compared to \$102,535 for same period ended 2007. 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.

Other Expenses. Because of the slowdown of the real estate market and decline in value of properties we impaired our investment in the Lincoln Drive property from \$200,000 to \$250,000 and recorded an impairment loss of \$50,000 for the three months ended March 31, 2008. In light of the current real estate market and projected trends, the Company does not see recovery of these investments in the foreseeable future.

Net Loss. We reported a net loss of \$59,804 or \$0.37 per share for the three months ended March 31, 2008 compared to a net loss of \$103,817 or \$0.72 per share for the three months ended March 31, 2007.

Liquidity and Capital Resources

Capital Resources

As stated in financial statement Note 2 - 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 or an adequate principal source of financing and it does not appear likely that we will be able to obtain such a source.

At March 31, 2008, we had \$1,086 of cash and cash equivalents to meet our immediate short-term liquidity requirements. As noted earlier in this report, we have been unsuccessful in pursuing revenues with our investment properties the majority of these properties were acquired in an asset

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purchase from Seashore Investment Company, Inc. 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 quarterly report, the Company has essentially ceased operations and is not a going concern. We are not likely to raise capital and therefore are forced to consider other business opportunities.

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 by operating activities was \$(598) for the three months ended March 31, 2008 comparable to net cash used by operating activities of \$(5,310) for the same period ended March 31, 2007.

Cash Flows from Investing Activities

Net cash provided by investing activities amounted to \$0 for the three months ended March 31, 2008 compared to the \$144 for same period ended March 31, 2007.

Cash Flows from Financing Activities

Cash provided by financing activities amounted to \$1,086 for the three months ended March 31, 2008 compared to \$2,752 for the same period ended March 31, 2007.

Off Balance Sheet Arrangements

As of March 31, 2008, there were no off balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4T. 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 March 31, 2008. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Mr. Munjit Johal. Based on this evaluation,

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our Chief Executive Officer and Chief Financial Officer has concluded that our internal control over financial reporting was not effective as of March 31, 2008 as the result of a material weakness. The material weakness results from significant deficiencies in internal control that collectively constitute a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the registrant's financial reporting. The Company had the following significant deficiencies at March 31, 2008: The Company is effectively insolvent, and only has one employee to oversee bank reconciliations, posting payables, and so forth, so there are no checks and balances on internal controls.

We are unable to remedy our internal controls until we are able to locate another business opportunity, or receive financing to hire additional employees. At this time, we are effectively not a going concern.

Limitations on the Effectiveness of Internal Controls

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

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A: Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

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

None

Item 3. Defaults upon Senior Securities

None

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

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended March 31, 2008.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Description of Exhibit
Number

- | | |
|-------------|--|
| <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.

Secured Diversified Investment, Ltd.

Date: May 19, 2008

By: /s/ Munjit Johal
Munjit Johal

Title: Chief Executive Officer, Chief Financial Officer and Director