SECURED DIVERSIFIED INVESTMENT LTD
Form 10KSB/A
January 16, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _________ to ________

Commission file number 000-30653

Secured Diversified Investment, Ltd.
(Name of small business issuer in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	80-0068489 (I.R.S. Employer Identification No.)
12202 North Scottsdale Road, Phoenix, AZ (Address of principal executive offices)	85054 (Zip Code)

Issuer's telephone number: 949 851-1069

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

Title of each class	Name of each exchange on which registered
None	Not Applicable

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

Common Stock, par value $0.001
(Title of class)

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

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB [ ]

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

State issuer's revenue for its most recent fiscal year. $333,690

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity, as of a specified date within the past 60 days. Unavailable

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 2,896,820 Common Shares as of May 15, 2007

Transitional Small Business Disclosure Format (Check One): Yes [ ] No [X]

Explanatory Note

The purpose of this Amendment No. 2 to the Annual Report on Form 10-KSB previously filed with the United States Securities and Exchange Commission on June 12, 2007, is to revise the subsection *Investments* in Note 3 of the Notes to Consolidated Financial Statements.

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PART I

Item 1. Description of Business

Corporate History

We were initially formed under the laws of the State of Utah on November 22, 1978 to pursue a position in the entertainment industry focusing on transactions involving the purchase and sale of literary property rights in connection with all types of theatrical pictures, plays, television films, music publications and other forms of entertainment. Ultimately, our efforts in the entertainment industry were unsuccessful, so we decided to search out other business opportunities. On July 23, 2002, our shareholders voted to change the direction of our business and pursue ownerships interests in a portfolio of real properties. To further our new objective, we moved our domicile to Nevada and changed our name from “Book Corporation of America” to “Secured Diversified Investment Ltd.”

Business of Issuer

Mortgage Lending

During the reporting period, we attempted to extend our business model to include mortgage banking operations. We established a wholly-owned subsidiary, Secured Lending, LLC (“Secured Lending”), and hoped to undertake a mortgage lending operation in the State of Arizona.

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

On August 31, 2006, however, the Branch Agreement and the accompanying Assignment Agreement were cancelled. The relationship among Americash, Jan Wallace, and Secured Lending could not be sustained under Arizona mortgage banking regulations. The arrangement therefore mutually discontinued.

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

As a result of these setbacks, and the declining real estate market, we have decided to terminate our plans to establish a mortgage lending operation in the State of Arizona. Therefore, Secured Lending does not have any current business activity.

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Property Investments

We have undertaken a business model includes investing in properties that will provide immediate appreciation with little debt service strategically located in Arizona, Nevada and Utah.

Since our inception, however, we have been unsuccessful in pursing revenues with our investment properties the majority of these properties were acquired in an asset 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 sufficent 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. As a result of the problems with our properties, our ability to raise capital was met with failure in several instances prior to and during the reporting period. At the date of this annual report, our company stands 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.

Lincoln Drive Property

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

Cactus Road Property

Also in the first quarter of 2006, we acquired a 33 1/3% tenant-in-common interest in property located at 12202 North Scottsdale Road, Phoenix, Arizona 85054. The property consists of 2,180 square feet situated on approximately 38,587 square feet of land strategically located on a heavily trafficked corner. We invested in the property that was remodelled and retrofitted by Ms. Wallace, which included a complete repair and replacement of the roof, electrical retrofitting, plumbing repairs, HVAC repairs, renovation and remodelling of the kitchen area. In occupying the premises, Secured Lending undertook certain tenant improvements on the property in the amount of $38,000. The property has been completely repaired and remodeled and was occupied by Secured Lending during the reporting period with all tenant improvements completed. Since that time, Secured Lending has become an inactive business. We still occupy rental space in our Cactus Road Property for the property investment side of our business. Because of the property’s

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heavily trafficked location, we believe that it will appreciate and provide us a profit in the event we elect to sell it at some future date.

The Katella Center

We own a 100% interest in the Katella Center, a strip mall consisting of six retail rental units of various sizes totalling approximately 9,500 square feet, located at 632-650 E. Katella Avenue in Orange, California. The property was acquired in March 2003, and is in fair condition.

The Katella Center is currently generating monthly net cash flow of approximately $3,000. The property is located on approximately 35,800 square feet of leased ground owned by a non-affiliated third party. The lease has a 52-year term that expires in March 2017. The ground lease payment is currently $3,000 per month. Commencing June 1, 2007, however, the annual ground lease payment shall revert to 7% of the fair market value of the land. The ground lessor has indicated that the new ground lease payment will increase to $4,760 per month with annual CPI increases commencing June 1, 2007. As a result of the ground lease adjustment the property will generate an estimated monthly cash flow of $2,300.

While there will be enough cash flow to service the obligations of the property, the $370,000 loan underlying the first deed of trust matures on June 25th, 2007. We have requested an extension of the first trust, however, the lender is requiring a substantial pay down of approximately $100,000. We do not have the resources to comply with this condition. In light of the short term remaining on the ground lease and the maturity of the first trust deed on June 25th, 2007, we have very limited options. We are attempting to refinance the property but have been unsuccessful. There are no assurances that we will be able to refinance the property. Management has thoroughly reviewed the issues concerning this property and as a result had listed the property for sale with Voit Commercial Brokerage for $350,000, on September 30, 2006. We received no offers and the property is no longer listed.. We have impaired this property for $512,533 as of December 31, 2006. We face a potential liability in the lender foreclosing on the property, as well as deficiency claims on any remaining amounts under the loan.

Campus Drive Office Building

We are the managing member and own a 53.8% membership interest in a limited liability company known as Diversified Commercial Brokers, LLC (“Diversified”). The primary asset of Diversified is an 8,685 square office building located at 5030 Campus Drive in Newport Beach, California 92660. This property was acquired in February 2003.

Subsequent to the reporting period, on April 10, 2007, we entered into a Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the “Purchase Agreement”) with Campus Drive, LLC, an unrelated third-party (the “Purchaser”), for the sale of the Campus Drive Office Building for $1,300,000.

We lease the land on which the office building sits. Secured Diversified Investment, Ltd, guaranteed the land lease obligations in 2003 when the property was acquired. The lease has a

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

Competition

The acquisition and leasing of real estate is highly competitive. We compete for tenants with owners and developers of similar properties located in our respective markets primarily on the basis of location, rent charged, services provided, and the design and condition of our buildings. We also experience competition when attempting to acquire real estate, including competition from domestic and foreign financial institutions, other real estate companies, life insurance companies, pension trusts, trust funds, partnerships and individual investors. If there is a drop in the rental market, we may be unable to compete successfully against existing and future competitors, who have less debt and more financial support who could lower rents and could harm our margins and our business operations.

Patents, Licenses, Trademarks, Franchises, Concessions, Royalty Agreements, or Labor Contracts

We do not own, either legally or beneficially, any patent or trademark.

Research and Development

We did not incur any research and development expenditures in the fiscal years ended December 31, 2006 or 2005.

Compliance with Environmental Laws

We are subject to various federal, state and local laws and regulations relating to environmental matters. Under these laws, we are exposed to liability primarily as an owner or operator of real property and, as such, we may be responsible for the cleanup or other remediation of contaminated property. Contamination for which we may be liable could include historic contamination, spills of hazardous materials in the course of our tenants' regular business operations and spills or releases of hydraulic or other toxic oils. An owner or operator can be liable for contamination or hazardous or toxic substances in some circumstances whether or not the owner or operator knew of, or was responsible for, the presence of such contamination or hazardous or toxic substances. In addition, the presence of contamination or hazardous or toxic substances on property, or the failure to properly clean up or remediate such contamination or hazardous or toxic substances when present, may materially and adversely affect our ability to sell or lease such contaminated property or to borrow using such property as collateral.

Asbestos-containing material, or ACM, may be present in some of our properties. Environmental laws govern the presence, maintenance and removal of asbestos. We believe that we manage ACM in accordance with applicable laws. We plan to continue managing ACM as appropriate and in accordance with applicable laws and believe that the cost to do so will not be material.

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Compliance with existing environmental laws has not had a material adverse effect on our financial condition and results of operations, and we do not believe it will have such an impact in the future. In addition, we have not incurred, and do not expect to incur any material costs or liabilities due to environmental contamination at properties we currently own or have owned in the past. However, we cannot predict the impact of new or changed laws or regulations on our current properties or on properties that we may acquire in the future. We have no current plans for substantial capital expenditures with respect to compliance with environmental laws.

Employees

We currently have two total employees.

Item 2. Description of Property

Our Properties at December 31, 2006

Katella Center, Orange, California

We own a 100% interest in the Katella Center, a strip mall consisting of six retail rental units of various sizes totalling approximately 9,500 square feet, located at 632-650 E. Katella Avenue in Orange, California. The property is in fair condition. Currently, the building is subject to a first trust deed held by Val-Chris Investments with a principal balance of $370,000 and fixed interest rate of 11.5%. Our monthly payments on the loan are interest only. The loan matured on June 25, 2006, at which time the principal balance was due. The loan has been extended and the new maturity date is June 25th, 2007. The building was subject to a second trust deed held by Prime Time Auctions, Inc. with a principal balance of $25,000 and a fixed interest rate of 15%. The loan matured on January 1, 2006 and has been paid in full off. Prime Time Auctions, Inc. is a minority shareholder of our company.

As of December 31, 2006, the Katella Center generated monthly net cash flow of approximately $3,000. The property is located on approximately 35,800 square feet of leased ground owned by a non-affiliated third party. The lease has a 52-year term that expires in March 2017. The ground lease payment is currently $3,000 per month. Commencing June 1, 2007, the ground lease payment shall increase to $4,760 per month with annual CPI adjustments. The ground lease adjustment will decrease monthly cash flow to approximately $2,300 per month. Additionally, one of the tenants is behind with their rent, and a bad debt provision has been established. The financial difficulties of this 10-KSB will impare cash flow. We may be required to find another tenant which may be difficult in the current environment.

The $370,000 loan underlying the first deed of trust matures on June 25th, 2007. We have requested an extension of the first trust, however, the lender is requiring a substantial pay down of approximately $100,000. We do not have the resources to comply with this condition. In light of the short term remaining on the ground lease and the maturity of the first trust deed on June 25th, 2007, we have very limited options. We are attempting to refinance the property but efforts as of this filing have been unsuccessful. There are no assurances that we will be able to refinance the property. Management has thoroughly reviewed the issues concerning this property and as a result had listed the property for sale with Voit Commercial Brokerage for $350,000, on

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September 30, 2006. We received no offers and the property is no longer listed. We have impaired this property for $512,533 as of December 31, 2006. We face a potential liability in the lender foreclosing on the property, as well as deficiency claims on any remaining amounts under the loan.

In light of the impairment the aggregate undepreciated tax basis of the Katella Center for federal income tax purposes was $-0- as of December 31, 2006. Depreciation and amortization are computed for federal income tax purposes on the straight-line method over lives which range up to 39 years. The current real estate tax rate for the Katella Center is $.02247 per $100 of assessed value. Property taxes (including penalties) due for the Katella Center for the 2006 tax year are $5,644. The April 10th, 2007 property tax installment is delinquent.

The property is managed by PSG Enterprises, an unrelated third party. PSG Enterprises charges us $750 per month in management fees. The property is adequately covered by insurance.

Campus Drive Office Building, Newport Beach, California

We are the managing member and own a 53.8% membership interest in a limited liability company known as Diversified Commercial Brokers, LLC ("Diversified"). Wayne Sutterfield, our former director and current large shareholder, owns the remaining 46.2% membership interest in Diversified. The primary asset of Diversified is an 8,685 square office building located at 5030 Campus Drive in Newport Beach, California 92660. The property is in good condition. The building is subject to a first trust deed held by Pacific Western Bank with a principal balance of $661,174 at December 31, 2006 and a yearly variable rate of interest currently at 8% and capped at 10.875%. Monthly payments of principal and interest are amortized over a period of 20 years and will mature on at February 2, 2013. There is no prepayment penalty after March 2, 2006. We have a $70,000 certificate of deposit with Pacific Western Bank to further secure the loan.

The building is also subject to a second deed of trust held by CGC Professional Bldg, the entity that sold us the building, with a principal balance of $110,000 and fixed interest rate of 8%. Our monthly payments on the loan are interest only. The loan matures on February 4, 2008, at which time the principal balance is due.

In addition, the building is subject to a third deed of trust held by Wayne Sutterfield, our former director, with a principal balance of $71,630 and fixed interest rate of 8%. Mr. Sutterfield receives an 8% preferential treatment on his investment. Our monthly payments on the loan are interest only. The loan matured on December 31, 2006. We are in default and have been so notified by Mr. Sutterfield. We are in dicusssion with Mr. Sutterfield to resolve a matter, if we are unable to sell the properties.

We also encumbered the property with a $67,000 note due to Mr. Sutterfield. This note was originally secured by the T-Rex property when it was acquired in 2003. The note called for interest only payments at 8% per annum. We made no payments and accrued all interest. The sale of the T-Rex property did not generate cash proceeds and we did not have sufficient liquidity to pay this note.

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In order to complete the T-Rex property sale, Mr. Sutterfield agreed to forebear payment at the closing and extended the debt by securing it with the Campus Drive Office Building. The loan was originally set to mature August 16, 2006, but has been extended to February 16, 2007, at which time the principal balance and all accrued interest, approximately $25,003, was due. The loan remains unpaid and we are in default of this note.

We lease the land on which the office building sits. The lease has a 55-year term that expires in June 30, 2034. The ground lease payment is currently $3,608 per month. In June 2009, the ground lease payment will adjust to 8% of the fair market value of the land through June 2019 and in June 2019 the lease will again adjust to 8% of the fair market value of the land through maturity. Fair market value is determined as if the leased premises were vacant, unimproved and unencumbered and free from zoning restrictions so as to permit all uses permitted as of commencement date of lease. The lease contains options for two additional terms of ten years each. For each term the ground lease payment will adjust to 8% of the fair market value of the land. The ground lease adjustment may adversely affect the property.

The aggregate undepreciated tax basis of depreciable real property at the Campus Drive Office Building for federal income tax purposes was $1,033,624 as of December 31, 2006. Depreciation and amortization are computed for federal income tax purposes on the straight-line method over lives which range up to 39 years. The current real estate tax rate for the Campus Drive Office Building is $.02033 per $100 of assessed value. Property taxes due for the Campus Drive Office Building for the 2006 tax year are $8,676. There are also supplemental taxes due. The property taxes are delinquent.

The property is managed by PSG Enterprises, an unrelated third party. PSG Enterprises charges Diversified $750 per month in management fees. The principal of PSG Enterprises is also a principal of CGC Professional Building from whom the property was acquired. The property is adequately covered by insurance.

Recently Acquired Properties - Subsequent to Reported Period

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 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.

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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.

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.

Property Information

The following table sets forth the average annual occupancy rate and rent per square foot for our properties held as of April 17, 2007:

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Property	Occupancy Rate	Average Rent/Sq. Ft.
The Katella Center*	100%	$1.34
Campus Drive Office Building	100%	$1.77
Lincoln Drive property	100%	$3.69
Cactus Road property	Vacant	N/A

The following chart sets forth certain information concerning lease expirations (assuming no renewals) for our properties held as of April 17, 2007: *As of the filing a bad debt provision has been established with respect to one tenant.

Property	Year	Number of Leases Expiring	Total Square Footage of Expiring Leases	Total Annual Rental Covered by Expiring Leases	% of Gross Annual Rental
The Katella Center	2007	4	3,048	$50,715	27.2%
	2008	3	7,212	$109,289	72.8%
	2009	-	-		-
	2010	-	-	-	-
	2011	-	-	-	-
Campus Drive Office Building(1)	2007	3	1,889	$56,760	30.9%
	2008	1	1,306	$31,200	16.5%
	2009	-	-	-	-
	2010	1	3,463	$77,616	42.2%
	2011	-	-	-	-
Lincoln Drive property	2007	1	1,024	$36,000	18.4%
	2008	-	-	-	-
	2009	2	3,391	$159,600	81.6%
	2010	-	-	-	-
	2011	-	-	-	-
Cactus Road property	N/A	N/A	N/A	N/A	N/A

(1) We have four month-to-month leases on the Campus Drive Office Building. These leases account for a total of 1,035 square feet, total annual rent in the amount of $49,500, and 26.9% of the gross annual rental for the

property.

The following table sets forth those tenants at our properties, as of April 17, 2007 that occupied more than 10% of the rentable square footage at the respective properties, the square feet occupied, the average rent per square feet for such tenant.

Property	**Tenants**	**Business**	**Sq. Ft. Rental (% of Total)**	**Rent/Sq. Ft.**
The Katella Center	Strings by Judith Ted Nguyen Bloomers Cookies	Clothing mfg Remodelling Retail and Baking	4,445 / 46.0% 2,170 / 22.5% 1,262 / 13.1%	$1.30 $1.34 $1.37
Campus Drive Office Building	Borders & Associates Coast to Coast	Architects Copying Office	3,463 / 40.0% 1,306/ 15.1%	$1.97 $2.00
Lincoln Drive property	Joel D. Designs Fazoql Hague Showcase	Florists & Gift Shop Furniture Sales Furniture & Gift Shop	1,024 / 23.2% 1,472 / 33.3% 1,919 / 43.5%	$2.93 $4.96 $3.13
Cactus Road property	N/A	N/A	N/A	N/A

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Item 3. Legal Proceedings

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

Alliance has deposited the funds with the court and has asked for a declaration of rights regarding the funds. On April 5, 2007, this matter was settled with all parties involved. Each of the parties involved will pay its prorata share of these costs.

On January 5, 2007, our company and Ms. Jan Wallace 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, and *William S. Biddle v. Secured Diversified Investment, Ltd.* (case no. 06CC03959) in the Superior Court of California, County of Orange (the “Lawsuits”), as well as other claims involving Mr. Strand and our company as set forth in the Agreement.

With respect to the $267,000 that Alliance Title Company deposited with the Superior Court of California in the matter of *Alliance Title Company, Inc. v. Secured Diversified Investment, Ltd.* (case no. 06CC02129), we had previously entered into a settlement agreement with Mr. William S. Biddle, Mr. Gernot Trolf, and Nationwide Commercial Brokers, Inc. that provides an order of disbursement as follows: $45,000 to Mr. Biddle, $42,000 to Mr. Trolf, $33,803 to Nationwide, and $33,803 to our company. Pursuant to an order dated May 16, 2006, Alliance Title Company, Inc. received $22,395 for attorney fees in the interpleader action. This left a balance of $89,998 remaining with the Superior Court of California. 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 to the above disbursement, the Settlement Agreement provides for a mutual release of claims, forbearance of prosecution, and dismissal of the Lawsuits with prejudice. 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 under the Settlement Agreement, Mr. Strand granted an irrevocable proxy in connection with any shares of stock beneficially owned by him.

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

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

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

Market Information

Our common stock is currently quoted on the OTC Bulletin Board ("OTCBB"), which is sponsored by the NASD. The OTCBB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks", as well as volume information. Our shares are quoted on the OTCBB under the symbol "SDVFE"

The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTCBB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2006		
Quarter Ended	High $	Low $
March 31, 2006	0.1495	0.02
June 30, 2006	0.03	0.03
September 30, 2006	0.03	0
December 31, 2006	0.15	0

Fiscal Year Ended December 31, 2005		
Quarter Ended	High $	Low $
March 31, 2005	0.45	0.30
June 30, 2005	0.30	0.25
September 30, 2005	0.25	0.25
December 31, 2005	0.25	0.05

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the

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NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Our Common Stock

As of April 17, 2007, we had approximately 436 holders of record of our common stock and several other stockholders hold shares in street name.

Dividends

There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or

2. Our total assets would be less than the sum of our total liabilities, plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

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Recent Sales of Unregistered Securities

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933 during the reporting period which were not previously included in a Quarterly Report on Form 10-QSB or Current Report on Form 8-K.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about our compensation plans under which shares of common stock may be issued upon the exercise of options as of December 31, 2006.

Equity Compensation Plans as of December 31, 2006

	A	B	C
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))**
Equity compensation plans approved by security holders	0	0	1,000,000
Equity compensation plans not approved by security holders	400,000	$0.50-$2.00	0
Total	400,000	$0.50-$2.00	1,000,000

On March 8, 2006, our Board of Directors adopted the 2006 Stock Option Plan of Secured Diversified Investment, Ltd (the “2006 Plan”). The 2006 plan authorizes the grant of stock options during any 12 month period that does not exceed the greater of: (1) $1 million, (2) 15% of our total assets, or (3) 15% of our issued and outstanding common stock of the company. No options have been issued under the 2006 Plan.

Item 6. Management's Discussion and Analysis or Plan of Operation

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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.

Results of Operations for the Years Ended December 31, 2006 and 2005

Results of Operations

Comparison of years ended December 31, 2006 and 2005.

Income. Income consists primarily of rental income from commercial properties pursuant to tenant leases. We reported income of $336,945 for the fiscal year ended December 31, 2006, compared with net income of $549,205 for the same period ended December 31, 2005.

Additionally, we discontinued operations of our mortage lending subsidiary. We record a loss from discontinued operations $153,672 for the fiscal year ended Decebmer 31, 2006, compared to a gain on discontinued operations of $342,647 for the fiscal year ended December 31, 2005.

General and Administrative Expenses. Operating and administrative expenses consist primarily of payroll expenses, legal and accounting fees and costs associated with the acquisition and ownership of real properties. These expenses decreased by $1,581,303 to $850,600 for the fiscal year ended December 31, 2006, compared to $2,431,903 for the fiscal year ended December 31, 2005. The decrease is attributable to the reduction of overhead including payroll, payroll taxes, office rent, professional fees, and the sale of poorly performing properties resulting in the reduction of leasing commissions, land lease payments, property taxes and related carrying costs.

Depreciation. Depreciation for the fiscal year ended December 31, 2006 was $42,583 compared to

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$43,950 in depreciation expense for the fiscal year ended December 31, 2005. The depreciation was attributable primarily to the Katella Business Center and 5030 Campus Drive.

Interest and Other Income and Expense. Interest expense consists of mortgage interest paid on our properties. Interest expense was $137,921 for the fiscal year ended December 31, 2006 compared to $193,894 for the fiscal year ended December 31, 2005. The decrease in interest expense is attributable to the sale of properties and the corresponding reduction in debt. Interest expense was attributable primarily to the Katella Business Center and 5030 Campus Drive properties. After recognizing an impairment of $214,977 with respect to Katella Center in 2005, we recognized an additional impairment in the amount of $248,137 at December 31, 2006.

Net Income (Loss) We reported a net loss of $(740,202) or $(0.04) per share for the fiscal year ended December 31, 2006 compared to a net income of $793,828 or $0.05 per share for the fiscal year ended December 31, 2005. Net loss from continuing operations was $586,530 or $(0.03) per share for the fiscal year ended December 31, 2006 compared to net income of $451,182 or $0.03 per share for the fiscal year ended December 31, 2005. Discontinued operations accounted for a loss of ($153,672) or ($0.00) for the fiscal year ended December 31, 2006. The net income from disposal of discontinued operations was $342,646, or $0.02 per share for the fiscal year ended December 31, 2005. The net income in 2005 was attributable to the sale of properties and subsidiaries.

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.

We anticipate that we will be dependent, for the short future, on additional investment capital to fund operating expenses, and additional property or business acquisitions before achieving operating profitability. Since our inception, we have covered our capital requirement shortfall through financing from our control shareholders, high cost debt from refinancing activities, or the disposition of assets.

At December 31, 2006, we had $12,885 of cash and cash equivalents as compared to $1,230,404 of cash and cash equivalents at December 31, 2005 to meet our immediate short-term liquidity requirements. As noted earlier in this report, we have been unsuccessful in pursing revenues with our investment properties the majority of these properties were acquired in an asset 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 sufficent 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. The difference in our cash position from December 31, 2006 to December 31, 2005 is a result of cash infused from sale of the Cannery in 2005 without an equivelent sale in 2006. As a result of the problems with our properties, our ability to raise capital was met with failure in several instances prior to and during the reporting period. At the date of this annual report, our company stands 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.

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

Cash Flows from Operating Activities

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Net cash used by operating activities was $(883,350) for the fiscal year ended December 31, 2006 comparable to net cash used by operating activities of $(1,568,281) for the fiscal year ended December 31, 2005.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to $(199,426) for the fiscal year ended December 31, 2006 compared to net cash provided by investing activities in the amount of $2,984,167 for the fiscal year ended December 31, 2005.

Cash Flows from Financing Activities

Cash used in financing activities amounted to $(134,743) for the fiscal year ended December 31, 2006 compared to $(220,916) for the fiscal year ended December 31, 2005.

Off Balance Sheet Arrangements

As of December 31, 2006, there were no off balance sheet arrangements.

Critical Accounting Estimates and Policies

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. 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

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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.

Going Concern

At December 31, 2006, the Company had an accumulated deficit of $8,735,061, reported net loss of $740,202, and reported cash of only $12,885. The Company does not have adequate cash reserves to pay 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.

Recently Issued Accounting Pronouncements

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. Adoption of SFAS 158 is not expected to have a material impact on the Company’s consolidated 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

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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.

In September 2006, the SEC released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 provides interpretive guidance on the SEC's views regarding the process of quantifying materiality of financial statement misstatements. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of this accounting pronouncement is not expected to have a material effect on the 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.

In July 2006, the FASB issued Interpretation No. 48 (FIN No. 48), Accounting for Uncertainty in Income Taxes. This interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. The adoption of this accounting pronouncement is not expected to have a material effect on the consolidated financial statements.

In March 2006, the FASB issued FAS 156 (SFAS No. 156), Accounting for Servicing of financial Assets — an amendment of FASB Statement No. 140. This standard clarifies when to separately account for servicing rights, requires servicing rights to be separately recognized initially at fair value, and provides the option of subsequently accounting for servicing rights at either fair value or under the amortization method. The standard is effective for fiscal years beginning after September 15, 2006 but can be adopted early as long as financial statements for the fiscal year in which early adoption is elected, including interim statements, have not yet been issued. The adoption of this accounting pronouncement is not expected to have a material effect on the consolidated financial statements.

In February 2006, the FASB issued FAS 155 (SFAS No. 155), Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140. This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that would otherwise have to be accounted for separately. The new statement also requires companies to identify interests in securitized financial assets that are freestanding derivatives or contain embedded derivatives that would have to be accounted for separately, clarifies which interest-and principal-only strips are subject to Statement No. 133, and amends Statement No. 140 to revise the conditions of a qualifying special purpose entity due to the new requirement to identify whether interests in securitized financial assets are freestanding derivatives or contain embedded derivates. This statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, but can be adopted early as long as financial statements for the fiscal year in which early adoption is elected, including interim statements, have not yet been issued. The adoption of this accounting pronouncement is not expected to have a material effect on the consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections — a replacement of Accounting Principles Board Opinion ("APB") Opinion No. 20 and FASB Statement No. 3. This statement applies to all voluntary changes in accounting principle and changes required by an accounting pronouncement where no specific transition provisions are included. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Retrospective application is limited to the direct effects of the change; the indirect effects should be recognized in the period of the change. This statement carries forward without change the guidance contained in APB Opinion No. 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. However, SFAS No. 154 redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. The provisions of SFAS No. 154 are effective for accounting changes and corrections of errors made in fiscal periods that begin after December 15, 2005, although early adoption is permitted. The adoption of this accounting pronouncement did not have a material effect on the consolidated financial statements.

In March 2005, the FASB issued Interpretation No. 47 (FIN No. 47), Accounting for Conditional Asset Retirement Obligations, and Interpretation of FASB Statement No. 143. This interpretation clarifies the timing for recording certain asset retirement obligations required by FASB Statement No. 143, Accounting for Asset Retirement Obligations. The provisions of FIN No. 47 are effective for years ending after December 15, 2005. The adoption of this accounting pronouncement did not have a material effect on the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123R (revised 2004), "Share-Based Payment." SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be
settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that is currently used and requires that such transactions be accounted for using a fair value-based method and recognized as expense in the consolidated statement of operations. The effective date of SFAS No. 123R was for annual periods beginning after June 15, 2005. After assessing the potential negative impact of the provisions of SFAS No. 123R on the consolidated financial statements in fiscal year 2006, it was decided to minimize exposure to the accounting pronouncement by accelerating the vesting of all outstanding unvested options. Effective July 20, 2005, all outstanding unvested options were accelerated so as to be fully vested as of such date (see Note 9 to the Consolidated Financial Statements).

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. APB Opinion No. 29, "Accounting for Nonmonetary Transactions," provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception of exchanges of nonmonetary assets that do not have commercial substance. The provisions of this Statement are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this accounting pronouncement did not have a material effect on the consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4.” SFAS No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) be recorded as current period charges and that the allocation of fixed production overhead to inventory be based on the normal capacity of the production facilities. SFAS No. 151 was effective for the fiscal year beginning on October 1, 2005. The adoption of this accounting pronouncement did not have a material effect on the consolidated financial statements

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Item 7. Financial Statements

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