

SECURED DIVERSIFIED INVESTMENT LTD
Form 10-Q
November 19, 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 September 30, 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
(State or other jurisdiction of incorporation or
organization)

80-0068489
(IRS Employer Identification No.)

3416 Via Lido, Suite F Newport Beach, CA 92263
(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

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities and Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. N/A

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
162,862 common shares as of November 17, 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 September 30, 2008 (unaudited and December 31 2007);</u>
<u>F-2</u>	<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2008 and 2007 (unaudited);</u>
<u>F-3</u>	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 (unaudited);</u>
<u>F-4</u>	<u>Notes to Unaudited Consolidated Financial Statements;</u>

These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended September 30, 2008 are not necessarily indicative of the results that can be expected for the full year.

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SECURED DIVERSIFIED INVESTMENT, LTD.
Consolidated Balance Sheet

ASSETS

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Cash and cash equivalents	14,741	1,684
Prepaid expenses	-	-
Real estate held for investment	150,000	\$ 200,000
Net asset held for sale	-	18,612
Total Assets	\$ 164,741	\$ 220,296

LIABILITIES AND STOCKHOLDERS' DEFICIT

Accounts payable	348,499	173,747
Accrued expenses	244,418	154,741
Payroll liabilities	90,426	90,426
Total Liabilities	\$ 683,343	418,914

STOCKHOLDERS' DEFICIT

Preferred Stock, \$0.01 par value, 2,500,000 shares authorized, -0- and -0- shares issued & outstanding, respectively	-	-
Common Stock, 100,000,000 shares authorized, \$0.001 par value, 162,862 and 162,862 shares issued and outstanding, respectively	163	163
Additional paid in capital	8,818,647	8,818,647
Unissued shares	5,830	5,830
Accumulated Deficit	(9,343,242)	(9,023,258)
Total Stockholders' Deficit	(518,602)	(198,618)
Total Liabilities and Stockholder's Deficit	\$ 164,741	\$ 220,296

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

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SECURED DIVERSIFIED INVESTMENT, LTD
 Statements of Operations
 (Unaudited)

	For the Three Month Periods Ended September 30,		For the Nine Month Periods ended September 30,	
	2008	2007	2008	2007
REVENUES				
Rental Income	\$ -	\$ -	\$ -	\$ -
Commission Income	-	-	-	-
Total Net Revenues	-	-	-	0
OPERATING EXPENSES				
General and Administrative Expenses	12,318	109,665	248,316	386,618
Loss on impairment of property	0	100,000	50,000	100,000
Operating Loss	(12,318)	(209,665)	(298,316)	(486,618)
Other Income (expenses)				
Interest Expense	0	(813)	(3,056)	(3,741)
Interest Income	-	-	-	-
Minority Interest	-	-	-	-
Impairment Loss				
Other net income (expenses)	(18,612)	-	(18,612)	11,694
Total Other Income and (Expenses)	(18,612)	(813)	(21,668)	7,953
Loss from Continuing Operations	(30,930)	(210,478)	(319,984)	(478,666)
Discontinued Operations:				
Income (loss) from discontinued operations (including gain or (loss) on disposal)	0	402,279	0	398,259
NET INCOME (LOSS)	\$ (30,930)	\$ 191,801	\$ (319,984)	\$ (80,407)
Basic income (loss) per common share, from discontinued operations				
	\$ -	\$ 2.47	\$ -	\$ 2.45
Basic loss per common share, from continued operations				
	\$ (0.19)	\$ (1.29)	\$ (1.96)	\$ (2.94)

Basic income (loss) per common share	\$	(0.19)	\$	1.18	\$	(1.96)	\$	(0.49)
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Basic and diluted weight average shares		162,862		162,862		162,862		162,862
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The accompanying notes are an integral part of these financial statements.

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

For the Nine Month periods ended September
 30,

	2008	2007
Cash flows from operating activities:		
Net Loss	\$ (319,984)	\$ (80,406)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Shares cancelled	-	-
Shares to be issued	-	-
Gain on settlement of debt and litigation	-	(9,998)
Impairment loss	50,000	100,000
Increase (decrease) in assets and liabilities:		
Prepaid expenses	-	(9,882)
Other assets	-	-
Asset held for sale	18,612	4,932
Payroll liabilities	-	64,355
Accounts payable, accrued expenses	264,429	212,955
Net cash provided by (used in) operating activities of continued operations	13,057	281,956
Net cash provided by (used in) operating activities of discontinued operations	-	(267,659)
Net cash provided by (used in) operating activities	13,057	14,297
Cash flows from investing activities:		
Investment in real estate	-	-
Net cash used in investing activities of continued operations	-	-
Net cash used in investing activities of discontinued operations	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Proceeds from notes payable	-	-
	-	-

Net cash used in financing activities of continued operations				
Net cash used in financing activities of discontinued operations	-			(17,949)
Net cash used in financing activities	0			(17,949)
Net increase (decrease) in cash & cash equivalent	13,057			(3,652)
Cash & cash equivalent, beginning period	1,684			12,885
Cash & cash equivalent, end of period	\$ 14,741		\$ 9,235	
Supplemental disclosure:				
Cash paid for interest	\$ -		\$ 30,394	
Cash paid for income tax	\$ -		\$ -	
Supplemental disclosure - Non cash investing & financing activities:				
The Company settled following debts through transfer of property/ownership interest as at September 30, 2007:				
Mortgage note payable	\$ -		\$ 370,000	
Mortgage note payable	\$ -		\$ 646,340	
Mortgage note payable	\$ -		\$ 110,000	
Mortgage note payable - related party	\$ -		\$ 71,630	
Mortgage note payable - related party	\$ -		\$ 67,000	

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

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SECURED DIVERSIFIED INVESTMENT, INC.

Notes to Financial Statements

September 30, 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 September 30, 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 September 30, 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 of Financial Condition and Results of Operations

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

On June 26, 2008, we were served with an involuntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court"), Case No. 08-16332. The bankruptcy court's Order for Relief was entered on July 30, 2008. During the pendency of our chapter 11 bankruptcy case, we are continuing to operate our business as a "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Currently, our only remaining non-cash asset is a 25% tenant -in-common interest in three buildings located at 5203 - 5205 East Lincoln Drive in Paradise Valley, Maricopa County, Arizona 85253. 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.

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Results of Operations for the three and nine months ended September 30, 2008 and 2007

Comparison the three and nine months ended September 30, 2008 and 2007.

Income. We recorded a loss from continuing operations of \$30,930 for the three months ended September 30, 2008, compared with a loss from continuing operations of \$210,478 for the three months ended September 30, 2007. We recorded a loss from continuing operations of \$319,984 for the nine months ended September 30, 2008, compared with a loss from continuing operations of \$478,666 for the nine months ended September 30, 2007.

We recorded a loss \$0 from discontinued operations for the three months ended September 30, 2008 as compared with a loss from discontinued operations of \$402,279 for the same period ended 2007. We recorded a loss of \$0 from discontinued operations for the nine months ended September 30, 2008 as compared with a loss from discontinued operations of \$398,259 for the same period ended 2007.

Operating Expenses. Operating and administrative expenses consist primarily of payroll expenses, legal and, formerly, accounting fees and costs associated with the acquisition and ownership of real properties. We had operating expenses of \$12,318 for the three month period ended September 30, 2008 compared with \$209,665 for the three months ended September 30, 2007. We had operating expenses of \$298,316 for the nine months ended September 30, 2008 compared with \$468,618 for the nine months ended September 30, 2007.

Other Expenses. We reported other expenses of \$18,612 for the three months ended September 30, 2008 compared with \$813 for the three months ended September 30, 2007. We reported other expenses of \$21,668 for the nine months ended September 30, 2008 compared with other income of \$7,953 for the nine months ended September 30, 2007.

Net Loss. We reported a net loss of \$30,930 or \$0.19 per share for the three months ended September 30, 2008 compared to a net income of \$191,801 or \$1.18 per share for the three months ended September 30, 2007. We reported a net loss of \$319,984 or \$1.96 per share for the nine months ended September 30, 2008 compared to a net loss of \$80,407 or \$0.49 per share for the nine months ended September 30, 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.

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At September 30, 2008, we had \$14,741 in cash and cash equivalents to meet our immediate short-term liquidity requirements.

Cash Flows from Operating Activities

Net cash provided by operating activities was \$13,057 for the nine months ended September 30, 2008 compared to net cash provided by operating activities of \$14,297 for the same period ended September 30, 2007.

Cash Flows from Investing Activities

Net cash provided by investing activities amounted to \$0 for the nine months ended September 30, 2008 compared to the \$0 for same period ended September 30, 2007.

Cash Flows from Financing Activities

Cash provided by financing activities amounted was \$0 for the nine months ended September 30, 2008, compared to cash used by financing activities of \$17,949 for the same period ended September 30, 2007.

Off Balance Sheet Arrangements

As of September 30, 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 September 30, 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, our Chief Executive Officer and Chief Financial Officer has concluded that our internal control over financial reporting was not effective as of September 30, 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 September 30, 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.

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We are unable to remedy our internal controls until we are able to locate another business opportunity, or receive financing to hire additional employees.

Limitations on the Effectiveness of Internal Controls

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are currently a debtor-in-possession in a case under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) currently pending in the United States Bankruptcy Court for the District of Nevada (the “Bankruptcy Court”), Case No. 08-16332.

In conjunction with our largest creditor, Cane Clark LLP, we have proposed a Joint Plan of Reorganization. If approved, our plan of reorganization will extinguish our outstanding non-priority unsecured debts in exchange for the issuance of new common stock to creditors. All currently outstanding equity interests would be extinguished under the proposed plan. Our plan also calls for a share exchange to be performed with a private operating company under which the owners of the private company would become the majority owners of Secured Diversified Investment, Ltd. Upon approval of our proposed plan of reorganization and upon consummation of the proposed share exchange transaction, we would go forward with the operations of the private company.

We have mailed copies of the proposed plan together with a court-approved disclosure statement regarding the plan to all of our shareholders and creditors. A Bankruptcy Court hearing on confirmation of the reorganization plan is currently scheduled for December 8, 2008 at 9:30 a.m.

Complete copies of our proposed plan of reorganization and the related disclosure statement are available upon request from our bankruptcy counsel, David W. Huston, Esq. Ph: (702) 384-9555.

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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 September 30, 2008.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Description of Exhibit

Number

31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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: November 19, 2008

By: /s/Munjit
Johal

Munjit Johal

Title: Chief Executive Officer,
Chief Financial Officer and
Director