

Wallace/Black  
Progress Report SDI  
Time Period: April to June 30

Jan Wallace was hired into the position as President to guide the company's management and the Board of Directors to conduct the business of Secured Diversified Investment, Ltd. (SDI) as best represents a Publicly Traded company.

1. The first three months are to assess the viability of the company's mission statement as represented in its business plan, the management structure and the officers' ability to carry out this mission and the everyday running of the company.
2. Additionally, to assess the financial viability of the company; an examination of fiscal policy, assessment of cash flow, the company's balance sheet and the capability of the CFO to oversee auditors and legal council to guide them through the reporting structures required by the SEC.
3. Finally, an assessment of the contracts, obligations, assets, reporting structures, liabilities, stock positioning, share distribution and its values as they relate to the public market were determined.

(1) The business plan of SDI is over-stated, lacking in detail, financial proformas and clearly is not a reliable product to release to the investor community. When asked, it was Gernot Trolf, the C.O.O., who over saw the creation of the business plan. Upon further investigation, as hard as he tries, Mr. Trolf was ill-equipped and ill-qualified to handle such a task and even though management is aware of his short comings, they still left it in his hands for years to accomplish. Wallace/Black tasked with the job of recreating a new business plan has been blocked because we are still to go through Mr. Trolf who does not want to step down. This work project has been on the agenda for 7 wks.

This same scenario exists with the website. Our receptionist, whose husband is a computer programmer, was asked to assist for a redesign of the website as a local solution, but once again, up to a week ago Mr. Trolf said he was in charge of it.

SDI committed \$2,500+ \$1,500 to Mr. Jamieson to write a business plan to no avail as the product was weak and thusly trashed at a loss to the company.

The management structure in the company is top-heavy "more Chiefs than Indians".

Cliff Strand, while qualified in the real estate market, is totally unqualified to run a public company. He lacks the knowledge to make sound decisions and looks to outside council for advice (an extremely costly burden to the company as

demonstrated by Chris Wilson's bills.) Even then the advice cannot be assessed appropriately because he has no system of "checks and balances", the lack of personal prior experience makes it difficult for him to assess, rely or gauge the information. Thus, a chain of events, such as ill-fated contracts, deals with market makers, officers that have come and gone, and deal negotiations, has impacted the management down the chain of command and the whole company to its present dire condition.

I have yet to discover records from staff meetings, organizational plans, status reports or any other kind of reports or updates crafted by the CEO, the COO or the Vice President of this company as a regular course of business.

The personal business relationships between management, the Board, officers and outside contacts, are given priority when making business decisions resulting in financial harm to the company.

Examples:

Chris Wilson, lawyer, friend of Kachimata, the auditor, was instrumental in the "E" on the SDI trading symbol.

Don DuBeau, friends to Cliff and Bill. (the disastrous DuBeau deal.) cost the company \$50,000USD.

Gernot Trolf: Mr. Trolf old shareholder of SCDI now C.O.O., has proven his consistent inability to handle just about every task under his management (T-Rex damage amounts to about \$50,000 loss to the company. When I requested that Mr. Trolf be removed, I was met with opposition on that decision based on "oh, he will sue" or "he's been here so long, he drives all the way from San Diego," "why don't we just pay him and move him into NCB" or "let's just find something for him to do."

Gernot Trolf: Mr. Trolf has no fit in his role as C.O.O. or the ability to handle the majority of the tasks he considers under his job description. He has mishandled virtually every asset in the SDI family of properties. He just barely avoided the threat of a harassment suit from a former receptionist. He develops problematic relationships between he and property managers. He has caused rental losses from T-Rex. The company should remove this position, the title and eliminate the payroll burden.

Cliff Strand: Mr. Strand CEO runs the company like that of a private entity. He does not grasp that the responsibility of a CEO is, "the buck stops here". No matter the prior management incapacities, the blame cannot be shifted. It cannot always be someone else's fault, never his. If he truly possesses the capabilities of his title and has the sufficient knowledge to counter poor decisions, he would have a better, more successful company. He does not.

Bill Biddle: Mr. Biddle serves as Vice President of Acquisitions. Bill Biddle's ability to harness "good properties" is not a sufficient qualification to retain him as a full-time employee or an officer of the company. First, he can do this from anywhere; instead he drives 2 days a week running up expenses for the company, commanding a large salary that the company cannot afford. There has been no activity for almost 2 years in acquisitions.

As a director he has no knowledge of the public market or the ultimate responsibility of holding a seat and the ramifications of his decisions on a public Board. His personal behavioral habits cannot be tolerated. His constant yelling and barrage of threats to fellow officers and employees, and his inability to follow procedure and guidelines is a recipe for disaster. His style of presentation does not instill outside investors with confidence. While his personal contributions are heart felt and personality charming, the company should take the appropriate business steps to neutralize the situation.

Munjit Johal: Mr Johal serves as CFO, and has demonstrated a high degree of competence and great patience in dealing with individuals who are inexperienced in understanding the financial processes necessary to keep this company reporting according to the rules set out by the SEC, or of even simple accounting practices. Poor legal counsel via Chris Wilson, and Cliff Strand, CEO, who wants to argue with procedures he does not understand, has stymied and put him in harms way, as a signing officer of the company. Cliff authorizes expenditures with little responsibility to its loss or consequence to the company's bottom line, or profitability.

It was Mr. Johal who was first to forgive accruals, and took no personal stock incentive to reduce the debt of the company. It took 6 weeks to work out contracts that reduced approximately \$750,000 dollars of debt off the books of the company, which will result in a positive quarter for the first time on the company's books. Mr. Johal is an officer of this company and deserves his salary.

Jim Brondino: Mr. Brondino is a consultant to the company. Mr. Brondino brings some much needed conservatism and organization to the company's property acquisitions and on-going property management. He is focused and diligent in his tasks and has the experience to make sound decisions. He is instrumental in delivering a high quality work product that will help the company to become more efficient and consistent in its documentation. These products will move the company forward while, removing the ill-fated guess work that presently exists

. (2) Financially the company is virtually insolvent. Its debts cannot be serviced by its income stream. The auditors also have a "going concern" on the books. The company has just come off of an "E" on its symbol, which impedes the company's ability to raise capital. The stock is depressed with no trading

volume. The float of the company, (2 million shares), has been impaired, which makes it impossible to make a market in the stock. Millions of shares of stock will be free-trading shortly, which will once again put pressure on the stock. Munjit, the CFO, the auditors and Kyleen Cane, the company's present S.E.C. attorney, are poised to file the needed amendments, because of the "E," to get the company back in proper reporting order. The shortage of capital requires that Munjit has no choice but to freeze company funds in order to use cash proceeds where it is most needed. He is ultimately tasked to take care of the financial status of the company and is personally liable under the Sarbanes-Oxley Act. His decisions must be heeded, as it is his responsibility. I support him 100%.

The Board must look at all alternatives, including a Chapter 11 re-organization in order to protect the company's assets if so required. The Board cannot sit back and wait for \$2 million "on the come" from the sale of the Cannery as a solution.

Part of my mandate is to bring capital into the company. The "E" on our symbol was our first impediment to bring investors. The second was the heavy burden of the payroll debt of the company and the over inflated salaries. Every investor Wallace/Black introduced to SDI was not interested in putting "new money to pay old debt" All of this was relayed to Cliff and Bill and Gernot. Actions were taken to re-write contracts. Bill said he would not sign and give up anything unless he sees an investor that can deliver. Against my better judgment, I brought in an investor, Mr. Leonard Yablon, at my own expense. My assessment was that the company, under due diligence would not stand up, the enclosed report is the outcome.

Immediate cash infusion is mandatory to the survival of SDI

(3) Following are contracts, liabilities, shares and law- suits on going and or settled.

-Duane Schwaab- settled at a cost of \$1,800 gain to the company, plus share certificates were issued dating back 16 months.

-Carlos Royal- Approximately \$21,000 of an outstanding commission payment was settled for \$10,000 cash \$5K+\$5K over two months and the rest in stock certificates which were delivered.

Bob Jaimieson (on-going) \$1,500 for a business plan this is still outstanding, but feel very confident that we will lower it by half.

-Louis Leon law-suit is on going. \$15,000 has already been spent. We are looking for a summary judgment. The suit is dependant on Cobra issues

- The release of the services by Chris Wilson, attorney, who was a totally ineffectual attorney for SDI. His poor advice will be felt through this company for a while.
- He has moved out of our offices. He owes rent and is holding over \$5,000.00 deposited in our trust account and will not release these funds. Presently, SDI is getting the documents to file a complaint to the Bar in California.
  - REIT shares; the float of the company shall be restated on the company's books to add 2 million free-trading shares. This may create a negative impact on the share holdings of Cliff Strand, Bill Biddle, Bob Leonard, Sumy Leonard and Wayne Sutterfield, but is a great positive impact to the company. It will be placed back to where it should have always been. It allows the company to access market makers to make a market in the company's stock, which will add value to the company and its shareholders.
  - A new competent SEC. attorney is in place, and will reduce costs associated with the filings of the company by half over that of last year's costs, under Chris Wilson.
  - Also on going corporate counsel has been retained and available to the company for only \$2,000.00 per month.
  - Installed organizational charts and documents to assist with due diligence pertaining to our present and future properties, including financial forms to track our monthly rent rolls.
  - Removed old employment contracts and accruals to a reduction of debt of over approximately \$750,000USD.
  - Issuance of stock to multiple parties that have been outstanding for over a year.
  - Clarification of the company's bylaws, compensation and audit committee for the officers and directors to properly account for the company.
    - T-Rex (on going) The company is in a default position of about \$46,000.00. Notice has been given by Gary Vandenberg. Company has set up a task force to handle the problem: Jan Wallace – negotiation
  - Jim Brondino – day to day monitoring of T-Rex Business.
  - Cliff Strand - to market and rid the company of the T-Rex from SDI. It is presently on the books at zero valuation. Presently Jan has negotiated a standstill until after the board meeting (E-mails enclosed).
  - A standstill oral agreement is in place over a 30,000USD agreement with a marketing company that was signed a year ago by Mr. Strand. We have informed the company that we will not pay towards this agreement. At best, they may want to accept 3,000USD as a form of settlement.

Every day more issues come up and is handheld swiftly there is no longer any time to leave issues to ponder.

In closing, I was hired to spend 3 days a week on the business of SDI at \$8,500 a month. I presently spend twice that time on the business of SDI and have the cell phone and office phone records to prove it. The present management of SDI is ineffectual. What they don't know or understand, their inability to change to formal structure, to remove personal involvement from business issues, which only clouds their ability to make decisions to problems that present themselves on a daily basis, will only bring further harm to the company.

My first 3 months and my ability to effectuate change could have taken much less time than it has, if the education process with management had not been so consuming. So, all personalities aside, this Board is presented with hard business decisions. This is a public company and an on-going business. My recommendation is to create a plan to remove Cliff Strand as CEO, Bill Biddle as Vice President of Acquisitions and Gernot Trolf as COO of SDI. Munjit to immediately put tight financial constraints in place to reduce overhead and personel until the company has cash infusion.

- Allow Jan Wallace to work with Jim Brondino to assess the company's assets and fix, sell or renegotiate leases for the company's properties.

- Allow Jan Wallace to run the day to day operation of the business as is necessary in a public company.

Otherwise leave everything status quo and proceed as you see fit.

Yours respectfully

Jan Wallace  
Chairman, Wallace/Black