Munjit Johal

From:	Munjit Johal
Sent:	Monday, April 10, 2006 6:41 PM
To:	janwallace@att.net
Subject:	auditors mgmt rep letter
Attachments:	MANAGEMENT_REPRESENTATION_LETTER[1].doc

Jan

attached is the auditors management rep letter. everything seems fine, but look at paragraphs 5 and 19. thank you.

munjit

Full Message Headers

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Received: from web82501.mail.mud.yahoo.com ([209.191.86.188])
          by worldnet.att.net (mtiwmxc15) with SMTP
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X-Originating-IP: [209.191.86.188]
Received: (qmail 27589 invoked by uid 60001); 10 Apr 2006 22:41:42 -0000
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  g;
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Message-ID: <20060410224142.27587.qmail@web82501.mail.mud.yahoo.com>
Received: from [70.132.153.14] by web82501.mail.mud.yahoo.com via HTTP;
 Mon, 10 Apr 2006 15:41:42 PDT
Date: Mon, 10 Apr 2006 15:41:42 -0700 (PDT)
From: Munjit Johal <munjit_j@sbcglobal.net>
Subject: auditors mgmt rep letter
To: janwallace@att.net
Status: RO
MIME-Version: 1.0
Content-Type: multipart/mixed;
    boundary="--boundary-LibPST-iamunique-89771008_-_-"
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SDI Ltd (letterhead).

February 24, 2006

Kabani & Company, Inc.,
6033 West Century Blvd, Suite 810
Los Angeles, CA 90045

We are providing this letter in connection with your audit of the consolidated balance sheet of Secured Diversified Investment, Ltd. as of December 31, 2005 and the related consolidated statement of operations and stockholders equity (deficit), and cash flow for the year ended December 31, 2005 and 2004 for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of SDI, Ltd. in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the consolidated financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of February 24, 2006 the following representations made to you during your audit.

1. The consolidated financial statements referred to above are fairly presented in conformity with generally accepted accounting principles.

2. We have made available to you all—

   a. Financial records and related data.

   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies including Security and exchange commission, concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements.

5. There has been no:

   a. Fraud involving management or employees who have significant roles in internal control.
   b. Fraud involving others that could have a material effect on the consolidated financial statements.

6. The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

7. The following have been properly recorded or disclosed in the consolidated financial statements:

   a. Related party transactions and related accounts payable, loans and leasing arrangements.

   b. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.

   c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

   d. Agreements to repurchase assets previously sold.

   e. There are no Guarantees, whether written or oral, under which the company is contingently liable other than those disclosed in the consolidated financial statements.

8. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the consolidated financial statements. We understand that *near term* means the period within one year of the date of the consolidated financial statements. In addition, we have no knowledge of concentrations existing at the date of the consolidated financial statements that make the company vulnerable to the risk of severe impact that have not been properly disclosed in the consolidated financial statements.

9. There are no:

    a. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency.

    b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance Statement of Financial Accounting Standards No. 5.

    c. Other liabilities or gain or loss contingencies including our environmental remediation liabilities or potential liabilities that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.

10. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

11. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.

12. We represent that:

    a. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.

    b. Adequate provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.

    c. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements have been properly disclosed.

    d. We have identified all accounting estimates that could be material to the consolidated financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

    e. All the subsequent events & commitments have been properly and adequately disclosed per Note 12 & 20 to the consolidated financial statements.

13. All known liabilities of the company are included in the consolidated financial statements at December 31, 2005.

14. Adequate provision has been made in the consolidated financial statements for 2005 and 2004 in respect of income taxes and deferred income taxes.

15. There were no purchase or sales commitments which required adjustments to the consolidated financial statements as of December 31, 2005 or disclosure to the consolidated financial statements.

16. Adequate hazard and liability insurances are in force to protect the interests of the company.

17. No other events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the consolidated financial statements other than those disclosed in the consolidated financial statements.

18. There were no options or warrants that had been granted other than those disclosed in the consolidated financial statements.

19. With respect to the discontinued operations of Spencer Springs LLC, Nationwide Commercial Brokerage and Diversified Commercial Mortgage, the Company had settled all its rights and obligations and there are no intercompany accounts to be settled and there is no income or expenses to be recorded.

20. Income or loss from operations including gain or loss on disposal of above mentioned subsidiaries are properly recorded and disclosed in the consolidated financial statements.

21. With respect to the sale of real estate assets and investments on equity basis the Company had settled all its rights and obligations and there are no intercompany accounts to be settled and there is no income or expenses to be recorded.

22. Gain or loss on sale of assets and investments on equity basis are properly recorded and disclosed in the consolidated financial statements.

23. The Company is not liable for any expenses in case of default of Roger Anderson note receivable of $950,000 which is part of sale of Spencer Springs real estate in 2004 and sale of the Company's remaining interest in Spencer Springs entity in March 2005.

24. All purchases of real estate assets subsequent to 12/31/05 are arms length transactions.

Very truly yours,
SECURED DIVERSIFIED INVESTMENT, LTD

By: ____________________________________
Its: Chief Executive Officer and President

By: ____________________________________
Its: Chief Financial Officer