

**GLOBAL DIVERSIFIED INDUSTRIES INC.**

**(GDVI - OTC:BB)**

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Recent Price: **\$0.0760**  
Target Price: **\$0.3000**

SPECULATIVE STRONG BUY RATING

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**Giant Leaps in Modular Construction with Aurora™ Brand**

**Company Overview**

Global Diversified Industries Inc. (OTC BB:GDVI) is a holding company that operates Global Modular, Inc. which is a subsidiary engaged in the business of modular construction with a strong emphasis on educational projects in North and South of California. The company also has a Leasing division part of Global Modular, that offer a variety of flexible financing options to customers.

- GDVI has delivered **7 consecutive quarters of uninterrupted profitability.**
- **73% of all classrooms in California are over 25 years old that needs to be refurbished or replaced.** C.A.S.H. projections reveal that **40 000 new classrooms is needed in the next 4 years, at a total cost of over \$40 billion.**
- Global Diversified Industries, Inc., opened its **100,000 square foot facility** in Chowchilla in 2003. This new state-of-the-art facility is equipped and staffed to produce and deliver product at a **full annual capacity of \$50 million.**
- The **intellectual properties acquired from the Aurora bankruptcy**, provides Global Modular with a complete line of new products and brand name that is well recognized in the industry. This company has a **38 year track record** in the modular construction business and **well-established brand name.**
- **State legislation effective since 1998** to help address this situation now requires that **at least 20% of all new state funded classrooms be portable or modular structures.**
- GDVI anticipates that with a **larger skilled workforce**, it will **satisfy its production backlog of close to \$8 million during the next 6 months.**
- Global Modular intends to **expand its product line, to serve the commercial/business sector, as early as FY2007 or FY2008.** This will diversify its revenue mix and business concentration and open up more opportunities for growth.
- In November 2005, **voters passed a \$4 billion Los Angeles School Bond Measure** that would provide money to complete an ambitious overhaul and expansion in the Los Angeles school system. The project, which **is scheduled for completion in 2012, calls for about 160 new schools and extensive renovations to hundreds of others.**
- Global believes it can **capture more business and market share** in the state since it is centrally based in Chowchilla, CA and willing and able to **ship both in Northern and Southerly directions**, unlike most of its rivals. Global Modular now possesses adequate DSA approved designs that **can meet virtually any type configuration and aesthetic alternatives a school district may desire.**
- **GDVI shares appear attractive on a forward PE basis (5.8x on FY2007 EPS) and sits at a discount (15.2x) to the current sector average PE ratio of 21.4x. We forecast FY 2007 Revenues of \$26 million and minimum after tax profit of \$1.95 million, which we anticipate will lead to a higher rating of GDVI. We have a favorable view of the strategic positioning of the company, the ability to execute against its business model. The school modular construction industry in California appears set to continue its growth cycle. This upswing could be propagated for at least another 5 years, which will enable GDVI to eventually reach its current maximum production capacity of \$50 million at its manufacturing facility within the next 3 years. This growth in project activity and top line sales can boost earnings per share and fuel price appreciation. See INVESTMENT THESIS & RECOMMENDATION for more in-depth discussion (Page 8-10).**



Long Term Debt (01-31-06)	0.827	
Total Cash (01-31-06)	0.107	
	<b>4/30/2006</b>	<b>4/30/2007</b>
	<b>(1st 9 mo)</b>	
Earnings Per Share (EPS)	FY2006 A	FY2007 E
	0.003	0.013
Book Value (\$/share)	0.034	0.051
	<b>(1st 9 mo)</b>	
	FY2006 A	FY2007 E
Total Revenue	11.516	26.000
Cost of Sales	8.378	18.915
Gross Profit/Loss	3.138	7.085
Operating expenditures	2.236	4.680
Income/Loss from Operations	0.902	2.405
Net Interest Expense	0.408	0.449
Tax Items	-0.001	0.000
Net Income	0.495	1.956
NA = Not applicable/Not Available. A = Actual Reported figures E = Estimates		
Balance Sheet & Financial Statement Extracts (1/31/2006)		
Current Assets	6.086	
Current Liabilities	2.981	
Total Assets	8.901	
Total Shareholders Equity	5.092	
Operating cashflow (9mo 1/06)	-0.892	
Capital Structure (as at 01-31-06)		
Authorized Common Stock	400 000 000	
Auth Series A Prefs Stock	10 000 000	
Issued Series A Prefs Stock	666 667	
Warrants Outstanding	1 500 000	
Outstanding Stock Options	5 500 000	

See Appendix A-1 for Analyst Certification and Important Disclosures.

## THE COMPANY

Global Diversified Industries Inc. (**OTC BB: GDVI**) is incorporated under the laws of the State of Nevada, and is in the business of designing, manufacturing and marketing re-locatable modular structures such as classrooms and office buildings to end users as well as to third party leasing agents for use primarily within the state of California and other Western States. The company was created in December 2001 and has been manufacturing modular buildings for the past 3 years.

The company's vision is to **secure a significant portion of the educational market** by initially focusing on meeting demand for modular classrooms and buildings on the West Coast and then replicate this success in other states in the nation, such as Florida and Arizona that have warmer climates, more suited towards modular structures. This will likely be accomplished via an **acquisition based strategy** that will be subject to identifying companies that can complement GDVI's core business and sourcing the raising capital to complete such acquisitions.

The company is a holding company that currently **operates two wholly owned subsidiaries, Lutrex Enterprises, Inc.**, an entity, which holds equipment and inventory for the holding company and **Global Modular, Inc.**, a sales, marketing and manufacturing of modular type structures and also is responsible for modular construction work and renovation.

**Global Modular incorporates the latest in construction software, allowing it to better manage and monitor projects from start to finish** incorporating cost vs. profit ratios, construction and manufacturing schedules, purchasing, receiving and other facets of industrial management. The company's work is found in Northern and Southern California, with numerous projects on budget for school systems throughout the state. GDVI used to operate MBS Corporation as separate subsidiary that handled all construction services, but has recently decided to **create a construction division within Global Modular**. This change has reduced operating and other expenses and improved project coordination during construction.



### Global Modular, Inc.

Global Modular, Inc designs, manufactures and markets pre-fabricated, modular type structures. Its product lines consist of a variety of relocatable (portable) classroom designs, and designs used specifically for permanent modular construction, i.e., complete schools, wing additions, etc. Global Modular's capabilities include single-story "slab-on-grade" construction, where a concrete slab is poured on site, which also serves as the floor.

The structures are built in its factory and shipped to the site for installation on the concrete slab. The modular division has **secured rights to state-of-the-art two-story designs** recently owned by Aurora Modular Industries, Inc. All of Global Modularity's portable/modular structures are engineered and constructed in accordance with pre-approved building plans, commonly referred to as P.C.'s or "pre-checked" plans that **conform to structural and seismic safety specifications administered by the California Department of State Architects (DSA)**. The DSA regulates all California school construction on public real estate and the DSA's standards are considered to be more rigorous than the standards that typically regulate other classes of commercial portable structures.

Global Modular also enjoys the benefit of providing educational customers with product contracted under a **"piggyback clause"**. The State of California allows school districts to canvass proposals from modular classroom vendors under a bidding process where the successful bidder can provide other public school districts and municipalities portable classrooms under a "piggyback contract" issued by the originating school district. This process saves school districts valuable time and resources from the necessity of soliciting bids. **A modular vendor who possesses a "piggybackable contract" containing competitive pricing and a variety of design options, may have access to future business for up to 5 years,** depending on the term of this contract.

**Global Modular has recently received assignment of a second piggyback contract from a Southern California school district.** This piggyback contract includes all appropriate pricing parameters pertinent to Global's "permanent modular construction" designs. **Global Modularity's 2 piggyback contracts provides them the flexibility to offer California public schools and municipalities an expanded variety of design and pricing alternatives** to meet virtually any design request by the school district and/or architect. At some point during the current or successive fiscal year, Global Modular intends to expand its product line to serve the commercial/business sector. This sector consists of retail, industrial and institutional (including educational institutions that reside on private property). This sector adheres to building designs and specifications administered by the Department of Housing (DOH).

Among Global Modular's asset base is its integrated, state-of-the-art, automated manufacturing process which includes equipment, raw material and marketing collateral that are specifically designed for the high capacity fabrication of modular structures. **Future revenue generation and growth partially depends on the success of marketing efforts to the educational sector for single-story and two-story designs.**

The company's subsidiary Global Modular, Inc. has secured necessary architectural and engineering approvals from the State of California (Division of the State Architect) for their single story and two-story designs. The two-story design is desirable by school districts since individual two-story buildings can be installed side-by-side to form a cluster of buildings, occupying hundreds of students. The two-story design is fully equipped with easy access to the second story by stairs and balcony along with a hydraulic elevator to accommodate handicap students, teachers and visitors.

**School districts continue to turn to two-story portable classrooms to satisfy their space dilemma** since they have little real estate to surrender. Since the recent acquisition of Aurora Modular Industries intellectual property; the promotion of single-story slab-on-grade and two-story designs will be the main focus of our sales team during the next several years. Global Modular now possesses adequate DSA approved designs that can meet virtually any type configuration and aesthetic alternatives a school district may desire.

In 2003, Global Diversified Industries, Inc. acquired MBS Construction with the goal to incorporate MBS Construction's expertise to compliment Global Modular's single source provider of modular services. Management has recently decided to **create a construction division within Global Modular**. MBS is no longer active as a modular contractor. **This change has reduced operating and other expenses and improved project coordination during construction.**

Construction services currently provided to California school districts by **Global Modular's Construction** division are:

- ❖ Earth work including full site preparation.
- ❖ Concrete foundations and other flatwork.
- ❖ Utilities installation and connections.
- ❖ Modular building installation.
- ❖ Decks and ramps, pre-manufactured and site installed.
- ❖ Permit application and approval through local building and zoning authorities.
- ❖ Liaison services with state building code governing authorities.
- ❖ Mechanical (heating and air-conditioning) installations.
- ❖ Building demolition.
- ❖ Fencing.
- ❖ Landscaping.
- ❖ Refurbishment of existing modular and/or traditionally built structures.
- ❖ Relocation of DSA or DOH existing portable structures.

## CUSTOMERS & FACTORY

The company's primary customer base include educational institutions, child care and municipality sectors. **Its product line consists of portable classroom designs, including single-story and two-story floor plans.** GDVI incorporates the latest in construction software and the company's portable classroom structures are engineered and constructed in accordance with pre-approved building plans known as P.C.'s (pre-checked) plans. **All of the buildings in the product line comply with safety specifications that are administered by the California Department of State Architects (DSA)** and considered earthquake-resistant.

The company **increased the selection of its base models from 3 designs to 12 following the purchase of Aurora.** Modular buildings are manufactured in a plant and shipped to the site of the client pre-fabricated as opposed to traditional buildings which are constructed on-site. The new generation of modular buildings is permanent construction built right on a cement slab and some designs are without floors that literally put them on the same footing as other buildings.

Global Diversified Industries, Inc., opened its 100,000 square foot facility in Chowchilla in 2003. This new facility is equipped and staffed to produce and deliver product at **a full annual capacity of \$50 million.** As of January 31, 2006 the company had **153 employees and GDVI anticipates that the current number of employees will satisfy its production backlog during the next 6 months.** The company does not expect to have any collective bargaining agreements covering any of its employees.

*See Appendix A-I for Analyst Certification and Important Disclosures.*

Designs for both Aurora and Global Modular include (amongst other) the following building types, most of which can be tailored for the clients needs:

- o Cafeteria/Auditorium
- o Child Care/ Headstart
- o Classroom
- o Instant Schools
- o Library/Science Labs/Multimedia
- o Office/Administration
- o Restrooms
- o Two-Story

## INDUSTRY & STRATEGY

California is the **3<sup>rd</sup> largest school district system in the nation**. Public school enrollment exceeds 6 million and is growing. There are almost 1,000 school districts accounting for **8,000 individual schools and over \$80 billion in school facilities**. The budget crisis in the school system in the State of California poses a massive challenge and remains unresolved.

**State legislation effective since 1998** to help address this situation now requires that **at least 20% of all new state funded classrooms be portable or modular structures**. This is due to the fact that modular classrooms are faster to build, more cost-effective, offer flexibility of use, are easier to finance and provide financing incentives. There is an undeniable increased demand for portable school buildings for the state of California.

According to a recent interview with Global CEO Phil Hamilton, he mentioned that today 73% of all classrooms in CA are over 25 years old and that in California Public school expenditures exceed \$50 billion annually. Moreover it is **estimated that the state currently needs 40,000 new classrooms** at a total projected cost of \$40 billion including improvements to existing buildings.

The recent departure of Aurora Modular and another competitor has reduced the supply side of the modular industry in California to only 10 players, including GDVI. Global believes it can capture more business and market share in the state since it is centrally based in Chowchilla, CA and willing and able to ship both in Northern and Southerly directions, unlike most of its rivals. Several California school district projects have been delayed last year after the bankruptcy of Aurora and another modular builder. This has set the stage for moving towards the most active and busiest quotation period the company has experienced since it started production 3 years ago.

The company's marketing team recently displayed its Aurora products at the **27th Annual C.A.S.H. Conference** in Sacramento. **C.A.S.H. is The California Coalition for Adequate School Housing**. This was a very **successful conference for the company because of the enormous interest among schools needing new facilities in the Aurora line**. C.A.S.H. says that public school enrollment.

In November 2005, **voters passed a \$4 billion Los Angeles School Bond Measure** that would provide money to complete an ambitious overhaul and expansion in the Los Angeles school system, which is one of the most overcrowded in the nation. Since 1997, voters have supported three similar bonds worth \$9.5 billion. The Measure was endorsed by many politicians and civic groups, including Los Angeles Mayor Antonio Villaraigosa. The project, which **is scheduled for completion in 2012, calls for about 160 new schools and extensive renovations to hundreds of others**.

The impact from previously passed bond measures has already been felt throughout the industry and GDVI expects the most recent bond measures to impact favorably on its results over both the near and medium term.



CALIFORNIA'S  
COALITION  
*for* ADEQUATE  
SCHOOL HOUSING<sup>SM</sup>



## RECENT DEVELOPMENTS & OUTLOOK

The company decided to hire another 50 highly skilled workers in April 2005 to expand its workforce to meet growing orderflow. This step followed the purchase of one of the state's largest manufacturers of prefabricated classrooms and other buildings throughout California, Aurora Modular Industries. This company has a 38 year track record in the modular construction business and well-established brand name. For decades, the **Aurora™ design has been considered the trendsetter for versatility, aesthetics and durability throughout the modular building industry.**

Global Diversified Industries Inc. concluded the acquisition at very favorable terms for **purchase consideration of \$500,000** in late 2004, after the Moreno Valley based, Aurora filed for bankruptcy in August 2004. Despite brisk order flow Aurora encountered financial difficulty in part because it could not absorb the construction costs that have been increasing throughout the United States. GDVI obtained both the proprietary rights of Aurora, including its engineering and designs which now forms the highest line of products offered by GDVI. This acquisition has been very lucrative for GDVI thus far and **the stake in the acquired firm was appraised by an independent outside party at a value of \$5 million.** The future looks bright for GDVI to capture substantial market share, especially for school districts that has purchased Aurora product exclusively prior to the departure of Aurora.

During the remainder of FY 2006, Global Modular will continue to focus its attention on the sales and marketing of portable classrooms and modular buildings to the California public and private school sectors including California municipalities. Since the state of California has been experiencing an **influx in student enrollment over the past several years, and the forecast for the next 10 years is for continuous increasing enrollments, the portable classroom manufacturing industry has become more successful.**

**In an effort to keep up with demand for additional classroom space, modular manufacturers are expecting increased production backlogs throughout the remainder of FY2007 and into FY2008.**

## FINANCIALS

The company filed Form 10-QSB with comprehensive financial information and operational discussion with the SEC for the first 9 months of FY2006 on March 15, 2006. Global Diversified Industries, Inc. has an April 30 year end.

As a result of increasing order flow and heavy quoting activity the company is experiencing substantial organic growth and has managed to stage an extraordinary performance by **posting 7 consecutive quarters of profitability. Revenue growth has been outstanding, climbing from only \$3.9 million in FY2004 to \$9.2 million in FY2005.** Total revenues increased to \$11.516, million in the 9 months ended January 31, 2006 from \$5.83 million in the 9 months ended January 31, 2005. The increase is attributed to 4 major contracts with school districts in Southern California. The school districts wanted to use the building design, which was acquired through the Aurora bankruptcy. The increase is attributed to Global Modular substantially increasing sales with its new line products acquired from the Aurora bankruptcy. **Global Modular is now recognized by the California School Districts as one of the major manufacturers of classroom buildings. For FY 2006 we expect Global Diversified Industries, Inc. revenues to come in at approximately \$15 million.**

Cost of goods sold (COGS) was \$8.378 million and \$3.53 million respectively for the nine months ended January 31, 2006 and 2005. Gross profit was \$3.137 million and \$2.297 million respectively for the 9 months ended January 31, 2006 and 2005. COGS increased due to the increased sales generated by the products offered from the purchase of the Aurora intellectual property. COGS increased due to the increased sales generated by the products offered from the purchase of the Aurora intellectual property and this new product mix also resulted in gross margin declining from 39.3% in 2005 to 26.9% in 2006. A portion of gross margin deterioration can be attributed to Global and MBS Construction finishing the field construction work on 4 major projects. The field construction normally has a lower profit margin than the manufacturing.

Total operating expenses increased to \$2.234 million in the 9 months ended January 31, 2006 from \$1.940 million in the 9 months ended January 31, 2005. This is mainly attributed to the company's increase in sales of over 100% as compared to the same period last year. Operating expenses as percentage of revenues improved to 19.3% in 9 months ended January 2006 from 33.2% for 9 months ended January 2005.

The accumulated shareholder deficit as at January 31, 2006 stood at \$2.647 million. Long-term liabilities as at the end of January 2006 totaled \$0.827 million, consisting of Long-term Notes payable. During the 9 months 400 000 shares of common stock was issued in exchange for conversion of notes. On September 8, 2005 the company announced that its **current lender has been increased its credit facility by \$1 million, from \$2 million to \$3 million, and reduced the effective interest rate in these funds by 1%.** The confidence shown in Global Diversified by this financial institution gives the company access to additional funds at lower cost, needed to grow the business and reduce the backlog.

**Other noteworthy financial and per share statistics are listed in the table found on page 1 of this report.**

## Liquidity and Capital Resources

As of January 31, 2006, GDVI had a **working capital surplus of \$3.105 million. Net income was \$0.493 million for the 9 months ended January 31, 2005 or \$0.003 per share.** The company generated a **negative cash flow from operations of \$892,050** for the 9 month period ended January 31, 2006. This negative operating cashflow is primarily attributable to the company's net income adjusted for depreciation and amortization of \$0.213 million being reduced by an increase in accounts receivable of \$0.889 million an increase in inventory of \$0.858 million. Cash flows used in investing activities for the 9-month period ended January 31, 2006 consisted of the acquisition of \$0.338 million of equipment and architectural plans used in operations.

The company funded operations during the same period by financing activities i.e. increasing debt to lenders by \$0.850 million and the reduction of debt to related parties by \$8,500. The company raised \$50,000 of cash by the sale of common stock and stock subscriptions, net of costs and fees.

As a result of limited capital resources and revenues from operations, the **GDVI has relied on the issuance of equity securities to non-employees in exchange for services.** In order to conserve its limited operating capital resources, the company anticipates continuing to compensate non-employees for services during the next 12 months. This policy may have a material effect on the company's results of operations during the coming year.

By adjusting its operations and development to the level of capitalization, **management believes it has sufficient capital resources to meet projected cash flow needs through the next 12 months.** However, if thereafter, the company is unsuccessful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to them, it could have a material adverse effect on our business, results of operations, liquidity and financial condition.

In prior periods, the company has also borrowed funds from significant shareholders of the company to satisfy certain obligations. There are no assurances that the company will be able to borrow funds from significant shareholders of the company in the future. **Cash and cash equivalents as at end of Q3 FY 2006 was \$107,642 compared to \$446,082 on April 30, 2005 the end of the 2005 financial year.**

## RISK FACTORS /CONCERNS

**The longer term consistency of profit potential, remain uncertain and future operating results may continue to fluctuate.** The company's ability to execute against its stated business model is not yet fully proven. There can be no assurance that the company will be able to generate sufficient revenues from the sale of their modular buildings and related products. **GDVI may have negative cash flow from operations to continue for the next 4 quarters** as it continues to develop and market its business. If cash generated by operations is insufficient to satisfy the company's liquidity requirements, the company may be required to sell additional equity or debt securities.

GDVI is **principally dependent on the expertise of its board of directors and especially the CEO Phil Hamilton and the management team and skilled laborers**, the loss of which could materially adversely affect future anticipated operating and financial results.

GDVI is also controlled by a few shareholders. The principal shareholders are the CEO, and the Secretary/Treasurer who collectively controls as much as 34% of the **voting rights** of issued shares of GDVI common stock as at last reporting date. **Subsequently these parties are in the position to exercise major influence on the election of GDVI's directors and control the policies and operations and major strategic decisions. Current liquidity and cash position are likely insufficient to fund acquisitions, and if insufficient operating cashflow is generated in FY2007 the company may hurt the company's expansion plans. Despite the recent vacuum that has been formed in the industry with the departure of 2 modular construction companies in California, competition remains fiercely competitive, where GDVI faces opposition from larger and better funded rivals.** Increased competition could result in price reductions, fewer product orders, and reduced operating margins, any of which could materially and adversely affect our business, financial condition and results of operations.

GDVI does not foresee any regulatory changes from the DOH or DSA that could adversely affect the products they intend to produce and projects they intend to work on and place competitive bids for. The sale of many of GDVI's products to certain government and/or private customers may require contract performance bonding. The **availability of contract bonding** in the remediation market has been curtailed since the September 11, 2001 World Trade Center disaster. **California School districts often require a payment and performance bond for 100% of the contract amount. The bonding requirements could limit the number and size of projects requiring bonds undertaken by the company.** In the event contract bonding cannot be obtained at an economical price or collateral requirements are beyond the financial capability of GDVI the failure to obtain contract bonding could have a material adverse effect on the company's business, financial condition and results of operations.

GDVI continues to pursue a strategy of rapid growth, and plan to expand significantly its manufacturing capability and devote substantial resources to marketing, sales, administrative, operational, financial and other systems and resources. Such expansion will place significant demands on marketing, sales, administrative, operational, financial and management information systems, controls and procedures. Accordingly, future performance and profitability will depend on the ability of management and key employees to manage the all subsidiaries as a cohesive enterprise; manage expansion through the timely implementation and maintenance of appropriate administrative, operational, financial and management information systems, controls and procedures; add internal capacity, facilities and third-party sourcing arrangements as and when needed; maintain service quality controls; and attract, train, retain, motivate and manage effectively all GDVI employees.

There can be no assurance that we will integrate and manage successfully new systems, controls and procedures for our business, or that our systems, controls, procedures, facilities and personnel, even if successfully integrated, will be adequate to support our projected future operations. Any failure to implement and maintain such systems, controls and procedures, add internal capacity, facilities and third-party sourcing arrangements or attract, train, retain, motivate and manage effectively our employees could have a material adverse effect on our business, financial condition and results of operations. There are also additional **risks associated with pursuing acquisitions**, such as exposure to unknown liabilities, unforeseen costs and expenses associated with closing of the acquisition such as legal fees and other costs associated with integration of the acquired business units, which can cause fluctuation in quarterly and annual financial performance.

Trading in the shares will continue to be subject to major fluctuations for the foreseeable future. The stock is thinly traded at prices below \$1.00 and selling of small positions could have a negative impact on the share price in absence of sufficient liquidity. The reverse is true if one or more large investors decide to acquire a block of GDVI shares that would result in demand outstripping supply and result in an upward squeeze in the price given **the low liquidity and daily trading volume**.

**We caution that historical volume activity on GDVI has been noticeably light, but we are unable to forecast if trading volumes will improve over the coming months.** Major dilution of common stock can occur if company issues large blocks of common stock or stock options/warrants are exercised into common stock, that can negatively impact on the value of the shares either theoretically or if sold in the open market.

GDVI's common stock is listed on the OTC Bulletin Board. NASD and SEC Regulations covering rules on Penny Stocks apply for GDVI, subjecting NASD broker-dealers to additional sales practice and disclosure requirements.

Further elaboration on these above mentioned and other risk factors can be found in **Form 10-KSB filed with the SEC on August 15, 2005.**

## MANAGEMENT & BOARD OF DIRECTORS

The company is in the process of assembling a team of top-level professionals. Ten of the company's top level managers together hold more than 25 each or more than 250 years combined.

### Phil Hamilton – President/Chairman

Phillip Hamilton, age 57 has over 30 years entrepreneurial and senior management experience in the manufacturing business. From 1996 to 2000, Mr. Hamilton has been a consultant to Top Line Building Products. Top Line Building Products is a truss manufacturing plants with annual revenues of approximately \$8 million, which provides its products to major homebuilders in Northern California. As the CEO, Mr. Hamilton has directed the marketing, sales and production activities of the company, as well as re-designing the original truss plant into a modern state of the arts manufacturing plant with new production stations.

From 1996 to Feb 2000, Mr. Hamilton was the Chairman and CEO of Pacesetter Industries, Inc. Pacesetter Industries was one of the largest modular manufacturers of residential and commercial buildings in California. As Chief Executive Officer, Mr. Hamilton was responsible for managing the marketing, sales and production activities of the company. Pacesetter was built from inception into one of California's largest modular manufacturers producing and installing thousands of residential and commercial building. Pacesetter Industries, Inc. employed a staff of over 650 employees with annual sales of \$50 million in 1999. Pacesetter Industries, Inc. filed a Chapter 11 bankruptcy on February 29, 2000 in Fresno County that was finally converted to a Chapter 7.

Mr. Hamilton attended Pacific Union College taking courses in Business Administration.

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**Adam DeBard – Secretary/Treasurer/Director**

Adam N. DeBard, age 37, has over 15 years of experience in the manufacturing and technology business sectors. From January 2001 to 2004, Mr. DeBard has been the Chief Information Officer for Top Line Building Products. As the CIO, Mr. DeBard was responsible for the design, implementation and management of a corporate wide computer network, as well as preparation of production analysis reports for senior management and equipment leases and acquisitions.

From 1997 to December 2000, Mr. DeBard was the Vice President and Chief Information Officer for Pacesetter Industries, Inc. As such, Mr. DeBard was responsible for all computer software and hardware acquisitions, installations and maintenance for multiple branch offices, as well as responsible for preparing a monthly analysis report of the automated production line for senior management. Mr. DeBard was responsible for: computerizing the purchasing, estimation, production and engineering systems for the company.

Mr. DeBard attended Walla Walla College for 4 years in the Business Administration.

**INVESTMENT THESIS AND RECOMMENDATION**

Our analysis suggests that Global Diversified Industries Inc. is an interesting speculative play among micro-cap companies offering exposure to the investor on large unmet need for portable classrooms in the state of California and other modular structures. The investor enjoys the added benefit of being able to partake in an opportunity to invest in a company that has a good order flow visibility and positioned in a market that is in a growth cycle in a cyclical upturn that management expects to last at least until 2010.

Between the company's state of the art facility, the Aurora™ brand and the state of California's bond approvals, Global Diversified Industries, Inc. could be well positioned to become one of the dominant players in modular manufacturing in the West Coast and possibly across the country.

Both operating and financial risk involved in investing in a young construction/manufactured housing company are typically high and should be considered by investors. In this case the risks are tied mainly to capital and labor accessibility and logistical obstacles that can obstruct the pace of growth if manufacturing is unable to deliver product on time which can thwart GDVI's competitive advantages. SG&A costs, pricing, inventory and building costs need to be managed well in order to achieve consistent profitability and stabilize margins. Readers should understand that there can be no assurance that the company will be able to fast-track its intended path towards clinching large contracts and maintain the pace of revenue growth experience in recent quarters, that will flow through directly to the top and or bottom line to build a consistent longer term profitable track record to enrich shareholder value.

We therefore only recommend investors that have a high tolerance for risk that are able and willing to forfeit either most or all of their capital in search for extraordinary returns, to consider investing in the shares. Also, in our view investors willing to commit capital to GDVI should do so with absolute minimum 2 year investment horizon, but preferably longer, to allow ample opportunity for growth to emerge until broader price discovery can materialize within the investment community that will allow the value behind the Aurora brand to be unlocked as new construction contracts come to the fore and the company lifts factory utilization to levels closer to full capacity. Short term we expect that the price of GDVI has bottomed from a technical point of view. We believe that the company will be able to manage its organic growth and deliver a solid financial and operational performance in FY2007, that will ultimately lead to re-rating of the stock to better reflect what we believe is a more realistic reflection of the true worth of the company.

One of the core reasons which is pivotal to our bullish argument for upside in GDVI, results from our interpretation of the financial data and sales and net income growth trends for Global Diversified Industries Inc. in recent quarters. This taken together with good visibility in a stable and rational market underpinned by the spending earmarked for new classrooms and/or improvements to educational buildings, present to us both a value and growth opportunity in GDVI stock for prospective and existing shareholders that can make tactical investment decisions and have the patience to allow for these bullish catalysts to react.

Based on recent outlook provided by management for FY 2006 for each of the respective units of the company, we expect modular construction business activity to remain strong in FY2006. We expect some improvement in the operating cost structure in FY2007 that will result in EPS increase of close to 119% on top line revenue growth (\$15 million in FY FY2006 to at least \$26 million in FY2007) of roughly 73%. Under the assumption that any further capital raising activity is well-managed to contain any further major I/O (issued and outstanding stock) increases and operating cash flow improve in FY 2007 as more progress is made to streamline and manage all the construction operations efficiently to meet demand, we are of the opinion that GDVI stock has compelling upside potential.

Given managements and our own independent forecasts, we are of the opinion that revenue potential of \$26 million is achievable for FY 2007. Using our gross margin (27%) and operating cost (18% of revenue) assumptions we estimate a net pre-tax and interest paid profit of \$2.85 million for FY 2007, and forecast FY 2007 EPS of +1.3c (assuming 149 million weighted number of shares outstanding). We have not made allowance for 34% effective tax rate or tax expense in FY 2007 under the assumption that the company will be able to utilize tax credits for that financial year. If this assumption is incorrect it could result in EPS of 0.9c instead of 1.3c and lead to a lower average present value of closer to 21c (SEE TABLE AND DISCUSSION BELOW).

Our view is that the shares are not reflecting the expected positive financial improvements we expect in FY 2007 and FY2008. Given the current rate of growth in top line revenue and profits in recent quarters and above average growth expected in next 2 years, we argue that the PE, Price to Book multiples and Price to Sales multiples for GDVI should be at a premium to the sector average, rather than a discount. Our stance is that the market is assigning a low probability to the fact that high above industry peer average growth rates can be maintained off a swelling revenue base.

We believe that the current low multiples cannot be justified and that the low rating of the shares will be reversed once the company further advances its superb financial track record and investor recognition improves that often results in a pull to par effect that will close the rating gap between GDVI and its industry. Companies in the GDVI peer group used in our analysis are PHHM (Palm Harbor Homes), CAV (Cavalier Homes Inc.), NOBH (Nobility Homes Inc.), CHB (Champion Enterprises Inc.), CVCO (Cavco Industries Inc.), SKY (Skyline Corp.).

Using our FY 2007 and FY 2008 EPS forecasts and applying a forward 12 and 24 month PE multiples of 25.7x and 25.7x respectively, we arrive at forward share values of 28.1c and 32.7c going out 12 and 24 months. The PE ratios chosen are based on a blend of peer comparatives and as a function of the expected growth rate, or PEG methodology. The industry average PE on a historic basis is currently at 21.4. Incorporating for the above par growth that GDVI can post relative to the sector as a whole, we select a PE of 25.7 (or at 20% premium which is 1.2 times the average PE of 21.4. We applied a discount rate (k) of 20%, which is a function of the stocks beta measure, risk-free rate etc.

{k=Risk-free rate + (Market risk premium) \* Beta}

		Forward PE multiple	EPS Growth	PEG Multiple	Forward Price	Discount Rate (k)	Present Value
<b>FY 2007 EPS</b>	<b>0.013</b>	<b>25.7</b>	<b>119%</b>	<b>0.107</b>	<b>0.34</b>	<b>20%</b>	<b>0.281</b>
<b>FY 2008 EPS</b>	<b>0.018</b>	<b>25.7</b>	<b>40%</b>	<b>0.514</b>	<b>0.47</b>	<b>20%</b>	<b>0.327</b>
<b>Average</b>							<b>0.3040</b>

<b>Price to Book</b>	<b>2.22</b>	<b>Assumptions</b>	<b>Beta</b>	<b>1.80</b>
<b>Price to Sales</b>	<b>0.98</b>		<b>R<sub>f</sub></b>	<b>1.8%</b>
<b>Current PE</b>	<b>15.20</b>		<b>R<sub>m</sub></b>	<b>12.0%</b>
<b>Forward PE</b>	<b>5.78</b>		<b>k</b>	<b>20.2%</b>
<b>(FY 2007 EPS)</b>			<b><math>k=R_f+(R_m-R_f)*Beta</math></b>	
<b>EV</b>	<b>12.03</b>		<b>(* estimation for FY 2006)</b>	
<b>EBITDA*</b>	<b>3.49</b>	<b>(** 1st 9 months of FY2006)</b>		
<b>EV/EBITDA</b>	<b>3.4</b>			
<b>LT Debt/Equity</b>	<b>0.162</b>	<b>Operating cashflow **</b>	<b>-0.892</b>	
<b>Current Ratio</b>	<b>2.042</b>	<b>Operating cashflow/share</b>	<b>-0.006</b>	

We compute a present value of these two future values (forward price) by discounting and determining the average between these two present values (SEE TABLE ABOVE). This process yields a result of 30.40c which is our mathematical estimate of the value of GDVI under these assumptions. Given these calculations and our bottom up analysis which is more qualitative in nature, we set a 12 month target price for the security of \$0.3000.

All factors considered, we anticipate a stake in GDVI clearly has compelling upside potential in the coming 12 months. Our 12 month price target also implies a market capitalization of \$44 million which equates to a forward Price to Sales ratio of 0.89x the maximum factory capacity of \$50 million which we see GDVI closing in on in the next 24-36 months. This price-to-book ratio compares favorably with the current industry metric of 0.97x and looks undemanding over a 24-36 month timeframe.

*See Appendix A-1 for Analyst Certification and Important Disclosures.*

We HIGHLIGHT to the reader that this forecast is made under the assumption that the company can attain our FY2007 revenue expectation of \$26 million and a minimum of 1.3c positive EPS. Moreover, we believe that the present market for GDVI shares is far from efficient, does not fully reflect the leverage possible from ramping production and manufacturing capacity utilization nor does it take into account acquisition based growth prospects or any value for future business stemming from entry into the commercial sector for modular construction.

To summarize, we view that the share price and corresponding market capitalization does not adequately reflect the company's progress and solid fundamental outlook given the demand for modular buildings from the school system in California. The dynamics of the OTCBB is unlikely to consistently support true valuations based on financial performance. Financial performance similar to Global Diversified Industries Inc.'s is supporting better share price to sales performance on national exchanges.

After reporting only \$3.9 million in revenue in April 2004, the company expects to report over \$25 million in revenue in April 2007. Global Diversified Industries Inc.'s earnings and balance sheet metrics beat many peer construction and modular housing companies listed on national exchanges. Global Diversified Industries Inc.'s market capitalization value (\$11.3 million) is currently at only 0.43 times FY 2007 revenue forecast of \$26 million. Once the company can announce further education contracts and reduce or erase its existing backlog, investor awareness and visibility of GDVI will increase which can raise the rating on the stock beyond our target price goal.

Under these assumptions we initiate coverage on GDVI with a SPECULATIVE STRONG BUY rating, which is our highest category rating. The rating assumes that the covered company will deliver returns that outperform that of the broad market (as measured by the S&P 500 index) by 25% or more over the next 12 months.

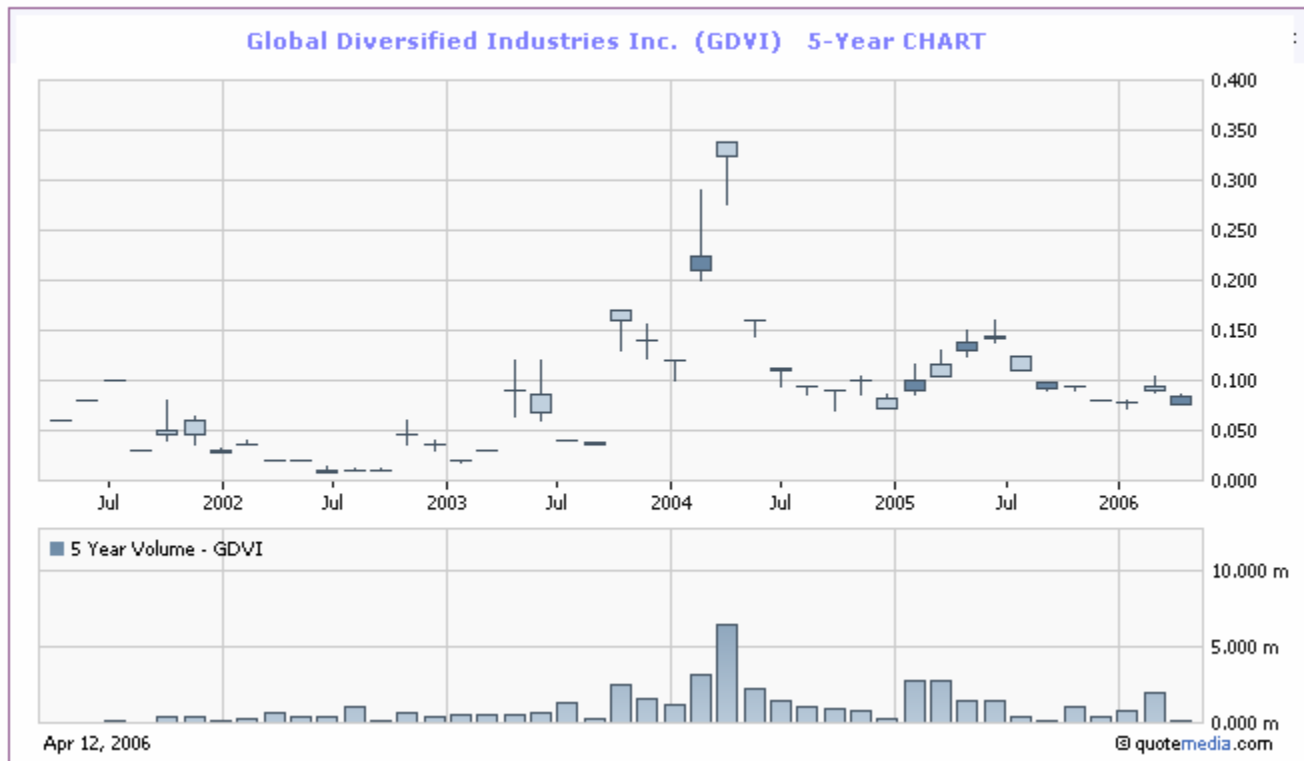
*Risk to our recommendation include amongst other: failure of sales efforts to its targeted customer base and landing of further modular construction contracts on school and municipality level, a slowdown in growth of current contract and product revenue streams that will lead to a contraction in forward PE multiple assumptions. New competition in regional markets or pricing wars, any stringent or bold unforeseen regulatory changes impacting adversely on current and/or prospective market segments that GDVI will conduct their business in, any inability to obtain necessary financing from capital markets when needed, to continue its construction projects or to pursue acquisitions and/or major share dilution that can occur, if large quantities of shares are issued to extinguish debt or paid for services, are some additional factors that will counteract price appreciation potential or cause shares to decline in value.*

*Any failure to obtain contract bonding and collateral on projects can restrict future business activity and hurt operations and financial performance, the inability to achieve revenues in the future that depends in significant part upon Global Diversified Industries Inc.'s ability to build upon existing relationships with customers familiar with the Aurora suite of products, and provide support to customers on new and refurbishing projects can hamper share price performance. As a result, any cancellation, reduction or delay in future scheduled agreed projects may materially adversely affect the business, financial condition and results of operations and additional risk factors that could adversely affect the attainment of our share price target include: general economic conditions and a variety of factors that is outside the control of the company, risk to inventory losses due to inventory revaluations if deemed necessary. Reduced capital spending budgets by GDVI customers caused by an unanticipated industry downturn in the modular building sector or a major contraction in nationwide construction industry in general, albeit unlikely can lead to soft demand for products and services, which can result in decreased revenues, earnings levels or growth rates.*

*We would caution that given the size of the company (microcap) and risks involved, overall we advise private client positions be limited below 5% of the client's total portfolio size.*

## Charts For Global Diversified Industries Inc.

4/13/2006 4:20 AM

**ANALYST CERTIFICATIONS****APPENDIX-A1**

The research analyst, who upon request wrote this report, certifies that the views expressed in this research report, accurately reflects his personal view about the subject company. The analyst also certifies that he does not own or have any beneficial interest in shares of the covered company, also that no part of his compensation was, is or will be directly or indirectly related to the specific recommendation or view expressed in this report.

Based on the facts that were provided, the industry trends present and sources of information used to produce this report, it is my best opinion and reflection of what the company's rating and share appreciation potential could be once research coverage is widely adopted. Investors are urged to consider this report as only a single factor in making their investment decision. Information, opinions or recommendations contained in this report or research note are submitted solely for advisory and information purposes and we also do not accept any obligation to provide updates to this report in future.

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