STRONGHOLD TECHNOLOGIES INC
Form SB-2
September 24, 2002

As filed with the Securities and Exchange Commission on September 24, 2002

Registration Statement No.

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

FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

STRONGHOLD TECHNOLOGIES, INC.
(Name of small business issuer in its charter)

Nevada	3576	22-376235
(State of incorporation or jurisdiction of organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

777 Terrace Avenue
Hasbrouck Heights, New Jersey 07604
(201) 727-1464
(Address and telephone number of principal executive offices)

Christopher J. Carey
President and Chief Executive Officer
Stronghold Technologies, Inc.
777 Terrace Avenue
Hasbrouck Heights, New Jersey 07604
(201) 727-1464

(Name, address and telephone number of agent for service)

Copies of all communications, including all communications sent to the agent for service, should be sent to:

Raymond P. Thek, Esq.
Hale and Dorr LLP
650 College Avenue East
Princeton, New Jersey 08540

Approximate date of proposed sale to the public: From time to time after the effective date of the registration statement until such time that all of the shares of common stock registered hereunder have been sold.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. |X|

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check and following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_|

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. |_|

CALCULATION OF REGISTRATION FEE

Title of Shares to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price (
Common Stock, par value $0.0001 per share:			
Shares issued and outstanding..................	10,013,750	$ 1.80 (2)	$ 18,024,750 (
Shares issued pursuant to outstanding warrants..	2,002,750	1.88 (3)	3,765,170 (
TOTAL...	12,016,500		$ 21,789,920

(1) For the sole purpose of calculating the registration fee, the number of shares to be registered under this Registration Statement has been divided between two (2) subtotals.
(2) Pursuant to Rule 457(c), this price is calcuated based upon the average of the bid and asked price as reported on the Over-the-Counter Bulletin Board on September 19, 2002.
(3) Pursuant to Rule 457(g), this price is calculated based on a weighted average exercise price of $1.88 per share covering 2,002,750 shares subject to outstanding warrants.

THE COMPANY HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE COMPANY SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), SHALL DETERMINE.

Pursuant to Rule 429, this is a combined registration statement that covers

2,011,000 shares being carried forward from Registration Statement No. 333-54822 and 12,016,500 shares being registered for the first time by this registration statement. As such, this Registration Statement also serves as post-effective Amendment No. 2 to the Registration Statement on Form SB-2, Registration No. 333-54822.

In accordance with the undertaking of the Registrant set forth in Registration Statement No. 333-54822, effective as of the date and time this registration statement is declared effective, the Registrant hereby deregisters such shares of its common stock that were registered on such registration statement but were cancelled.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL, NOR DOES IT SEEK AN OFFER TO BUY, THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

STRONGHOLD TECHNOLOGIES, INC.

14,027,500 Shares of Common Stock

This prospectus relates to the resale by the selling stockholders of 14,027,500 shares of our common stock. The selling stockholders may sell the shares from time to time at the prevailing market price or in negotiated transactions.

We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is quoted on the NASD Over-The-Counter Bulletin Board under the trading symbol "SGHT".

AS YOU REVIEW THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 4.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _________, 2002

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YOU MAY RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR SALE OF COMMON STOCK MEANS THAT INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT AFTER THE DATE OF THIS PROSPECTUS. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR SOLICITATION OF ANY OFFER TO BUY THESE SHARES OF COMMON STOCK IN ANY CIRCUMSTANCES UNDER WHICH THE OFFER OR SOLICITATION IS UNLAWFUL.

PROSPECTUS SUMMARY

THIS IS ONLY A SUMMARY AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THE ENTIRE PROSPECTUS, ESPECIALLY "RISK FACTORS" AND OUR FINANCIAL STATEMENTS AND THE RELATED NOTES INCLUDED IN THIS PROSPECTUS, BEFORE DECIDING TO INVEST IN SHARES OF OUR COMMON STOCK.

OUR BUSINESS

OUR COMPANY

We market and sell an integrated wireless technology, called DEALERADVANCE(TM) , through our wholly-owned subsidiary, a New Jersey entity, Stronghold Technologies, Inc. Among many features, DEALERADVANCE(TM) allows automobile dealers to capture a customer's purchasing requirements, search inventory at multiple locations, locate an appropriate vehicle in stock and print out the necessary forms. DEALERADVANCE(TM) is a handheld device, which allows sales professionals to increase sales, improve customer follow-up, and reduce administrative costs.

OUR PRODUCTS

Our DEALERADVANCE(TM) suite of software systems has been designed to maximize revenues and reduce operating expenses at the dealer level. We have completed development of our DEALERADVANCE SALES SOLUTION(TM), designed to increase sales by effectively capturing a greater percentage of unsold customer prospects and maximizing their "be-back" (return) and closure rates. Our first pilot system for DEALERADVANCE SALES SOLUTION(TM) was installed in April 2001 and we completed our pilot phase with a sixth installation in September 2001. Currently DEALERADVANCE SALES SOLUTION(TM) is operating in 34 total sites in Connecticut, Georgia, Florida, Arizona, California, New York, New Jersey, Virginia, Nevada and North Carolina.

Our future products are intended to include the DEALERADVANCE SERVICE SOLUTION(TM)and the DEALERADVANCE INVENTORY MANAGEMENT SOLUTIONS(TM), which are products also designed to increase revenues and maximize profitability by effectively managing dealer service operations, their customers and vehicle inventory. DEALERADVANCE SERVICE SOLUTION(TM) is intended to allow automobile service advisors to leave their desks and meet and greet clients in their cars in the service lanes at the dealership to process their service orders. DEALERADVANCE INVENTORY MANAGEMENT SOLUTION(TM) is intended to provide a handheld device for the scanning of incoming and outgoing vehicles, which will immediately adjust inventory on hand for sale. These products are not unlike the handheld and wireless systems used in the auto rental industry. We are now accustomed to returning our car where the attendant scans the car, brings up the rental terms, completes the sale and prints out a receipt, all without having to step over to a counter.

OUR CHALLENGES

Currently there are no other front-end or Customer Relationship Management ("CRM") systems that perform comparably to DEALERADVANCE SALES SOLUTION(TM). However, we expect emerging competitive players in the wireless handheld solutions market in the future.

We have a history of operating losses and have incurred significant net losses in each fiscal quarter since our inception. From inception to the quarter ending June 30, 2002, we incurred net losses totaling $4,013,797 and we had a net loss of $2,420,088 for the fiscal year ended December 31, 2001. We expect to continue to incur net losses and negative cash flows as we develop our products and market the Stronghold brand. We are still in the verification and validation stages of our DealerAdvance(TM) suite of products. We expect to introduce our DEALERADVANCE SERVICE SOLUTION(TM)

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and DEALERADVANCE INVENTORY MANAGEMENT SOLUTION(TM) over the next two years. These solutions are still in the development stages and are not yet at the point where they are ready to be installed in test sites. While we have received positive feedback and market acceptance of DEALERADVANCE SALES SOLUTION(TM) by the test sites, thirty-four systems is a small number and results in such sites may not be indicative of the overall market acceptance and success of DealerAdvance Sales Solution(TM) or our entire DEALERADVANCE(TM) suite of products. The economy may also have an impact on the market acceptance of our products. Big-ticket consumer purchases are sensitive to broad economic trends. Therefore, our business could suffer if our customers - automobile dealerships - are affected by the continuing poor economic conditions. For example, if dealer sales are trending downward, capital expenditures like those associated with our DEALERADVANCE(TM) suite of products may be delayed or abandoned.

OUR HISTORY

We were created on September 8, 2000, under the name TDT Development, Inc. On May 16, 2002 we acquired Stronghold Technologies, Inc., a New Jersey corporation, pursuant to a merger of such entity into our wholly-owned subsidiary, TDT Stronghold Acquisition Corp. ("Acquisition Sub"). After the closing of the merger, Acquisition Sub, the survivor of the merger, changed its name to Stronghold Technologies, Inc. and remains our wholly-owned subsidiary. On July 11, 2002 we changed our name from TDT Development, Inc. to Stronghold Technologies, Inc. Finally, on July 19, 2002 we exchanged all of the shares that we held in our two other wholly-owned subsidiaries, Terre di Toscana, Inc. and Terres Toscanes, Inc., for 75,000 shares of our common stock held by Mr. Pietro Bortolatti, our former president. These subsidiaries conducted an import and distribution business specializing in truffle-based food products. As a result of the exchange with Mr. Bortolatti, we are no longer involved in the truffle business. The sale of these subsidiaries was part of our effort to focus on the handheld technology business.

The selling stockholders referred to in this prospectus are the owners of our common stock and warrants that may be exercised for shares of our common stock. All references to "we," "us," "our," or similar terms used in this prospectus refer to Stronghold Technologies, Inc., a Nevada corporation, formerly known as TDT Development, Inc., and the filer of this prospectus. All references to "Stronghold" used in this prospectus refer to our wholly-owned subsidiary, Stronghold Technologies, Inc., a New Jersey corporation. All references to the "Predecessor Entity" refer to the New Jersey corporation we acquired on May 16, 2002, Stronghold Technologies, Inc., which was merged with and into Stronghold.

Our principal executive offices are located at 777 Terrace Avenue, Hasbrouck Heights, New Jersey 07604. Our telephone number at that location is

201-727-1464 and Stronghold's Internet address is www.strongholdtech.com. The information contained on such website is not incorporated by reference in this prospectus.

The Offering

Shares offered by the selling stockholders	14,027,500
Common stock outstanding	10,022,000
Use of proceeds	The selling stockholders will receive the net proceeds from the sale of shares. We will receive none of the proceeds from the sale of shares offered by this prospectus.
Trading symbol	"SGHT" quoted on the NASD Over-The-Counter Bulletin Board

RISK FACTORS

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW BEFORE YOU PURCHASE ANY OF OUR COMMON STOCK. THESE RISKS AND UNCERTAINTIES ARE NOT THE ONLY ONES WE FACE. UNKNOWN ADDITIONAL RISKS AND UNCERTAINTIES, OR ONES THAT WE CURRENTLY CONSIDER IMMATERIAL, MAY ALSO IMPAIR OUR BUSINESS OPERATIONS. IF ANY OF THESE RISKS OR UNCERTAINTIES ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS COULD BE MATERIALLY ADVERSELY AFFECTED. IN THIS EVENT YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

RISKS CONCERNING OUR BUSINESS

WE HAVE A HISTORY OF INCURRING NET LOSSES, WE EXPECT OUR NET LOSSES TO CONTINUE AS A RESULT OF PLANNED INCREASES IN OPERATING EXPENSES AND WE MAY NEVER ACHIEVE PROFITABILITY

We have a history of operating losses in our wireless business and have incurred significant net losses in such business in each fiscal quarter since our inception. From inception to the quarter ending June 30, 2002, we incurred net losses totaling $4,013,797 and we had a net loss of $2,420,088 for the fiscal year ended December 31, 2001. We expect to continue to incur net losses and negative cash flows throughout 2002 because we intend to increase operating expenses to develop the Stronghold brand through marketing, promotion and enhancement of our services. As a result of this expected increase in operating expenses, we will need to generate significant additional revenue to achieve profitability. Our ability to generate and sustain significant additional revenues or achieve profitability will depend upon the factors discussed elsewhere in this "Risk Factors" section, as well as numerous other factors outside of our control, including:

- Development of competing products that are more effective or less costly than ours;
- Our ability to develop and commercialize our own products and technologies; and
- Our ability to achieve increased sales for our existing products and sales for any new products.

It is possible that we may never achieve profitability and, even if we do achieve profitability, we may not sustain or increase profitability on a quarterly or annual basis in the future. If we do not achieve sustained profitability, we will be unable to continue our operations.

WE HAVE A LIMITED OPERATING HISTORY

We were formed in September 2000 to import and market truffle oil products. Our focus has recently shifted to development and marketing of handheld wireless technology for the automotive dealer software market. We entered this business through the acquisition of an entity with only 23 months of operating history. We must, therefore, be considered to be subject to all of the risks inherent in the establishment of a new business enterprise. Our limited operating history makes it difficult to evaluate our financial performance and prospects. We cannot assure you at this time that we will operate profitably or that we will have adequate working capital to meet our obligations as they become due. Because of our limited financial history, we believe that period-to-period comparisons of our results of operations will not be meaningful in the short term and should not be relied upon as indicators of future performance.

IF WE FAIL TO GAIN MARKET ACCEPTANCE OF OUR PRODUCTS, OUR BUSINESS AND RESULTS OF OPERATIONS WOULD BE HARMED

We are still in the verification and validation stages of our DEALERADVANCE(TM) suite of products. Our first pilot system for DEALERADVANCE SALES SOLUTION(TM) was installed in April 2001 and our sixth and final pilot system was installed in September 2001. We have implemented a total of 29 additional sites during 2002, 28 of which are still operating. We expect to introduce our DEALERADVANCE SERVICE SOLUTION(TM) and DEALERADVANCE INVENTORY MANAGEMENT SOLUTION(TM) over the next two years. These solutions are still in the development stages and are not yet at the point where they are ready to be installed in test sites. While we have received positive feedback and market acceptance of DEALERADVANCE SALES SOLUTION(TM) by the test sites, we have overall limited commerical sales to dealers. Thirty-five total systems is a small number and results in such sites may not be indicative of the overall market acceptance and success of DEALERADVANCE SALES SOLUTIONS(TM) or our entire DEALERADVANCE(TM) suite of products. We may experience design, marketing, and other difficulties that could delay or prevent our development, introduction, or marketing of these and other new products and enhancements. In addition, the costs of developing and marketing our products may far outweigh the revenue stream from our products. Finally, our prospects for success will depend on our ability to successfully sell our products to key automobile dealerships that may be inhibited from doing business with us because of their commitment to their own technologies and products or because of our relatively small size and lack of sales and production history.

The nature of our handheld product and technology requires us to market almost exclusively to automobile dealerships. Should any particular dealership or conglomerate of dealerships favor other providers of similar services or not utilize our services to the extent anticipated, our business may be adversely affected. The economy may also have an impact on the market acceptance of our

products. Big-ticket consumer purchases are sensitive to broad economic trends. Therefore, our business could suffer if our customers - automobile dealerships - are affected by the continuing poor economic conditions. For example, if dealer sales are trending downward, capital expenditures like those associated without our DEALERADVANCE (TM) suite of products may be delayed or abandoned.

IF WE FAIL TO PROPERLY MANAGE OUR GROWTH, OUR BUSINESS AND RESULTS OF OPERATIONS WOULD BE HARMED

We have begun expanding our operations in anticipation of an aggressive rollout of our DEALERADVANCE(TM) product suite. In the past eight months our sales and marketing team has increased from 7 to 20 employees. We have strategically hired additional sales representatives in six more states in the past six months, expanding into Arizona, Virginia, Southern California, Florida, Illinois, Ohio, Texas and Georgia. Additionally, we must continue to develop and expand our systems and operations as the number of automobile dealerships installing our products and requiring our ongoing services increases. The pace of our anticipated expansion, together with the level of expertise and technological sophistication required to provide implementation and support services, demands an unusual amount of focus on the operational needs of our future customers for quality and reliability, as well as timely delivery and post-installation and post-consultation field and remote support. This development and expansion has placed, and we expect it to continue to place, strain on our managerial, operational and financial resources.

We may be unable to develop and expand our systems and operations for one or more of the following reasons:

- We may not be able to locate or hire at reasonable compensation rates qualified and experienced sales staff and other employees necessary to expand our capacity on a timely basis;

- We may not be able to obtain the hardware necessary to expand the automobile dealership capacity of our products on a timely basis;

- We may not be able to expand our customer service, billing and other related support systems;

- We may not be able to integrate new management and employees into our overall operations;

- We may not be able to establish improved financial and accounting systems; and

- We may not be able to successfully integrate our internal operations with the operations of our product manufacturers, distributors and suppliers to product and market commercially viable products.

If we cannot manage our growth effectively, our business and operating results will suffer. Additionally, any failure on our part to develop and maintain our wireless technology products if we experience rapid growth could significantly adversely affect our reputation and brand name which could reduce demand for our services and adversely affect our business, financial condition and operating results.

IF WE ARE UNABLE TO OBTAIN SUFFICIENT FUNDS, AND INCUR A CASH FLOW DEFICIT, OUR BUSINESS COULD SUFFER

Although we believe that the funds raised through our recent private

placement offerings of common stock to certain private investors and Series A Preferred Stock and warrants for common stock to Stanford Venture Capital Holdings, Inc. will be sufficient for our needs for the immediate future, we anticipate that we will be required to raise additional capital by the end of 2002 and over the next several years in order to operate according to our business plan. We may have difficulty obtaining additional funds as and if needed, and we may have to accept terms that would adversely affect our shareholders. For example, the terms of any future financings may impose restrictions on our right to declare dividends or on the manner in which we conduct our business. Also, lending institutions or private investors may impose restrictions on future decisions by us to make capital expenditures, acquisitions or asset sales.

We may not be able to locate additional funding sources at all or on acceptable terms. If we cannot raise funds on acceptable terms, if and when needed, we may not be able to develop or enhance our products to customers, grow our business or respond to competitive pressures or unanticipated requirements, which could seriously harm our business.

Since inception, we have financed all of our operations through private equity financings and a commerical bank loan. Our future capital requirements depend on numerous factors, including:

- The scope of our research and development;
- Our ability to attract business partners willing to share in our development costs;
- Our ability to successfully commercialize our technology;
- Competing technological and market developments; and
- Our ability to enter into collaborative arrangements for the development, regulatory approval and commercialization of other products.

WE DEPEND ON ATTRACTING AND RETAINING KEY PERSONNEL

We are highly dependent on the principal members of our management, research and sales staff. The loss of their services might significantly delay or prevent the achievement of development or strategic objectives. Our success depends on our ability to retain key employees and to attract additional qualified employees. Competition for personnel is intense, and we cannot assure you that we will be able to retain existing personnel or attract and retain additional highly qualified employees in the future.

Our subsidiary, Stronghold, has an employment agreement in place with its President and Chief Executive Officer, Christopher J. Carey, which provides for vesting of stock options for the purchase of shares of our common stock based on continued employment or on the achievement of performance objectives as set forth in the employment agreement. Stronghold does not have similar retention provisions in employment agreements with its other key personnel. If we are unable to hire and retain personnel in key positions, our business could be significantly and adversely affected unless qualified replacements can be found.

Our success is dependent on the vision, technological knowledge, business relationships and abilities of our current president, Mr. Carey. Any reduction of Mr. Carey's role in the handheld technology business would have a material adverse effect on us. Mr. Carey's employment contract expires on December 31, 2004.

RISKS CONCERNING OUR HANDHELD TECHNOLOGY

AN INTERRUPTION IN THE SUPPLY OF PRODUCTS AND SERVICES THAT WE OBTAIN FROM THIRD PARTIES COULD CAUSE A DECLINE IN SALES OF OUR PRODUCTS AND SERVICES

We are dependant upon certain providers of operating software, including Microsoft and their Pocket PC software, to provide the backdrop for our applications work. If there are significant changes to this software, or if this software stops being available or supported, we will experience a disruption to our product and to our development effort.

In designing, developing and supporting our wireless data services, we rely on mobile device manufacturers, content providers, database providers and software providers. These suppliers may experience difficulty in supplying us products or services sufficient to meet our needs or they may terminate or fail to renew contracts for supplying us these products or services on terms we find acceptable. Any significant interruption in the supply of any of these products or services could cause a decline in sales of our products and services, unless and until we are able to replace the functionality provided by these products and services. We also depend on third parties to deliver and support reliable products, enhance their current products, develop new products on a timely and cost- effective basis and respond to emerging industry standards and other technological changes.

COMPETITION IN THE WIRELESS TECHNOLOGY INDUSTRY IS INTENSE AND TECHNOLOGY IS CHANGING RAPIDLY

Many wireless technology and software companies are engaged in research and development activities relating to our range of products. The market for handheld wireless technology is intensely competitive, rapidly changing and undergoing consolidation. We may be unable to compete successfully against our current and future competitors, which may result in price reductions, reduced margins and the inability to achieve market acceptance for our products. Our competitors in the field

are companies that include major international car dealership service companies, specialized technology companies, and, potentially, our joint venture and strategic alliance partners. Such companies include: Automotive Directions, Higher Gear, Autobase, Cowboy Corporation and Autotown, among others. Many of these competitors have substantially greater financial, marketing, sales, distribution and technical resources than us and have more experience in research and development, sales, service, manufacturing and marketing. We anticipate increased competition in the future as new companies enter the market and new technologies become available. Our technology may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors.

WE MAY NOT HAVE ADEQUATELY PROTECTED OUR INTELLECTUAL PROPERTY RIGHTS

Our success depends on our ability to sell products and services for which we may not have intellectual property rights. We currently do not have patents on any of our intellectual property. We have filed for a patent, which protects a number of developments pertaining to the management of information flow for automotive dealer-based software. An additional application is currently being planned which will address certain proprietary features pertaining to our systems components, related equipment and software modules. We cannot assure you we will be successful in protecting our intellectual property through patent law. In addition, although we have applied for U.S. federal trademark

protection, we do not have any U.S. federal trademark registrations for the marks "DealerAdvance Sales Solution", "DealerAdvance Service Solution", "DealerAdvance Inventory Management Solution", or certain of our other marks and we may not be able to obtain such registrations due to conflicting marks or otherwise. We rely primarily on trade secret laws, patent law, copyright law, unfair competition law and confidentiality agreements to protect our intellectual property. To the extent that intellectual property law does not adequately protect our technology, other companies could develop and market similar products or services, which could adversely affect our business.

WE MAY BE SUED BY THIRD PARTIES FOR INFRINGEMENT OF THEIR PROPRIETARY RIGHTS AND WE MAY INCUR DEFENSE COSTS AND POSSIBLY ROYALTY OBLIGATIONS OR LOSE THE RIGHT TO USE TECHNOLOGY IMPORTANT TO OUR BUSINESS

The wireless technology and software industries are characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement or other violations of intellectual property rights. As the number of participants in our market increases, the possibility of an intellectual property claim against us could increase. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may adversely affect us by, for example, causing us to enter into costly royalty arrangements or forcing us to incur settlement or litigation costs.

RISKS CONCERNING OUR CAPITAL STRUCTURE

OUR MANAGEMENT AND OTHER AFFILIATES HAVE SIGNIFICANT CONTROL OF OUR COMMON STOCK AND COULD CONTROL OUR ACTIONS IN A MANNER THAT CONFLICTS WITH OUR INTERESTS AND THE INTERESTS OF OTHER STOCKHOLDERS

As of September 19, 2002, our executive officers, directors and affiliated entities together beneficially own approximately 77.3% of the outstanding shares of our common stock, assuming the exercise of warrants which are currently exercisable and held by such persons, and the conversion of outstanding shares of our Series A $1.50 Convertible Preferred Stock held by such persons. As a result, these stockholders, acting together, will be able to exercise considerable influence over matters requiring approval by our stockholders, including the election of directors, and may not always act in the best interests of other stockholders. Such a concentration of ownership may have the effect of delaying or preventing a change in control of our company, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices.

WE ARE CONTROLLED BY OUR PRESIDENT, WHICH MAY RESULT IN YOU HAVING NO CONTROL IN OUR DIRECTION OR AFFAIRS

Our president owns approximately 57% of our current outstanding common stock. As a result, he has the ability to control our company and direct our affairs and business, including the approval of significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. Any of these events could decrease the market price of our common stock.

SHARES ELIGIBLE FOR PUBLIC SALE

As of September 19, 2002, we had 10,022,000 shares of our common stock issued and outstanding. We are registering 8,011,000 of such shares hereunder. In addition, we are registering 4,005,500 shares of our common stock, which will be issued upon the exercise of certain warrants outstanding and upon the conversion of certain shares of our preferred stock. Consequently, sales of substantial amounts of our common stock in the public market, whether by purchasers in this offering or stockholders holding shares of our registered common stock, or the perception that such sales could occur, may adversely affect the market price of our common stock.

RISKS CONCERNING OUR OFFERING

UNLESS A PUBLIC MARKET DEVELOPS FOR OUR COMMON STOCK, YOU MAY NOT BE ABLE TO SELL YOUR SHARES

There has been no active market for our common stock. There can be no assurance, moreover, that an active trading market will ever develop or, if developed, that it will be maintained. Failure to develop or maintain an active trading market could negatively affect the price of our securities, and you may be unable to sell your shares. In addition, you may find it difficult to obtain accurate quotations as to the value of shares of our common stock and may suffer a loss of all or a substantial portion of your investment.

OUR STOCK PRICE MAY FLUCTUATE AFTER THIS OFFERING

We cannot guarantee that you will be able to resell the shares of our common stock at or above your purchase price. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- Quarterly variations in operating results;
- The progress or perceived progress of our research, development and sales efforts;
- Changes in accounting treatments or principles;
- Announcements by us or our competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships;
- Additions or departures of key personnel;
- Future public and private offerings or resale of our common stock or other securities;
- Stock market price and volume fluctuations of publicly-traded companies in general and development companies in particular; and
- General political, economic and market conditions.

VOLATILITY OF TRADING MARKET MAY AFFECT YOUR INVESTMENT

The market price for our securities is highly volatile. Factors such as our financial results, introduction of new products in the marketplace, and various factors affecting the automobile industry and the wireless industry generally, including extreme volatility and extended steep declines in equity market values of other wireless-related publicly traded companies, as well as sharp declines in private equity valuations of wireless-related privately-held companies, may have a significant impact on the market price of our securities, as well as price and volume volatility affecting small and emerging growth companies, in general, and not necessarily related to the operating performance of such companies.

OUR COMMON STOCK IS CONSIDERED A PENNY STOCK AND MAY BE DIFFICULT TO SELL

The SEC has adopted regulations, which generally define penny stock to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. Presently, the market price of our common stock is less than $5.00 per share. Therefore, the SEC "penny stock" rules govern the trading in our common stock. These rules require, among other things, that any broker engaging in a transaction in our securities provide its customers with the following:

- A risk disclosure document;
- Disclosure of market quotations, if any;
- Disclosure of the compensation of the broker and its salespersons in the transaction; and
- Monthly account statements showing the market values of our securities held in the customer's accounts.

The broker must provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer's confirmation. Generally, brokers may be less willing to effect transactions in penny stocks. This may make it more difficult for investors to dispose of our common stock. In addition, the broker prepares the information provided to the broker's customer. Because we do not prepare the information, we cannot assure you that such information is accurate, complete or current.

BECAUSE WE DO NOT INTEND TO PAY ANY CASH DIVIDENDS ON OUR SHARES OF COMMON STOCK, OUR STOCKHOLDERS WILL NOT BE ABLE TO RECEIVE A RETURN ON THEIR SHARES UNLESS THEY SELL THEM

We have never paid or declared any cash dividends on our common stock or other securities and intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain financial information and statements regarding our operations and financial prospects of a forward-looking nature. Any statements contained in this prospectus which are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as, "may", "will", "intend", "expect", "believe", "anticipate", "could", "estimate", "plan" or "continue" or the negative variations of those words or comparable terminology are intended to identify forward-looking statements. There can be no assurance of any kind that such forward-looking information and statements will be reflective in any way of our actual future operations and/or financial results, and any of such information and statements should not be relied upon either in whole or in part in connection with any decision to invest in the shares. There are a number of important factors that could cause actual events or our actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth above under the caption "Risk Factors" included in this prospectus and other factors expressed from time to time in our filings with the Securities and Exchange Commission. We do not undertake to update any forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the stockholder's shares

offered by this prospectus. All proceeds from the sale of the stockholders' shares will be for the account of the selling shareholders.

DETERMINATION OF OFFERING PRICE

The selling security holders may sell all or a portion of their shares in the over-the-counter market at prices prevailing at the time of sale, or related to the market price at the time of sale, or at other negotiated prices. The offering price has no relationship to any established criteria of value, such as book value or earnings per share. Consequently, we cannot determine what the actual offering price will be either now or at the time of sale.

DILUTION

10,022,000 of the shares offered for sale by the selling security holders are already outstanding and, therefore, do not contribute to dilution. 2,002,750 shares offered for sale by the selling security holders relate to shares issuable upon exercise of outstanding warrants. To the extent such warrants are exercised at an exercise price less than the price per share paid by purchasers pursuant to this offering, there would be dilution to such purchasers. In addition, as of

September 13, 2002, there were options outstanding pursuant to our stock plans to purchase 1,400,056 shares of common stock at a weighted average exercise, price of $.53. To the extent any of these options are exercised, there will be further dilution to existing or future shareholders.

SELLING SECURITY HOLDERS

All of the shares of our common stock offered under this prospectus are being sold by the holders thereof and not by the Company. We will not receive any of the proceeds from sales of shares offered under this prospectus.

All costs, expenses and fees in connection with the registration of the selling stockholders' shares will be borne by us. All brokerage commissions, if any, attributable to the sale of shares by selling stockholders will be borne by such holders.

The selling stockholders are offering a total of 14,027,500 shares of our common stock. The selling stockholders are not themselves, nor are they affiliated with, broker-dealers. The following table sets forth:

- the name of each person or entity who is a selling stockholder;
- the number of securities owned by each such person at the time of this offering;
- the number of shares of common stock which may be offered under this prospectus; and
- the number of shares of common stock such person will own after the completion of this offering.

The column "Number of Shares Owned After the Offering" gives effect to the sale of all the shares of common stock being offered by this prospectus. However, the selling stockholders may sell none of the shares or less than all of the shares listed on the table. In addition, the shares listed below may be sold pursuant to this prospectus or in privately negotiated transactions. Accordingly, we cannot estimate the number of shares of common stock that the selling stockholders will sell under this prospectus.

Selling Stockholder	Number of Shares Owned	Number of Shares Offered in the Offering	
		%(1)	#
Jenadosa Holdings Limited	125,000	*	125,000
South Edge International Ltd.	125,000	*	125,000
Highgate Resources, Ltd.	125,000	*	125,000
Effingham Investments, Ltd..................	125,000	*	125,000
Viking Investment Group II, Inc.	275,000	2	275,000
DePasquale, Joseph Francois, Dr.	150,000	*	150,000
Ellul, Adrien	150,000	*	150,000
Turf Holding Ltd.	40,000	*	40,000
Ming Capital Enterprises Ltd.	50,000	*	50,000
Private Investment Company, Ltd.	40,000	*	40,000
Partner Marketing AG	40,000	*	40,000
HAPI Handels-und	40,000	*	40,000
CCD Consulting	40,000	*	40,000
Seloz Gestion & Finance S.A	40,000	*	40,000
Tel-Ex-Ka AG...............................	40,000	*	40,000
UG Overseas Ltd.	200,000	1.4	200,000
Sylvia Paris	1,000	*	1,000
Pierre Desmarais	1,000	*	1,000
Marie-Claude Jacques	1,000	*	1,000
Richard Hull	1,000	*	1,000

Julie Bourne	1,000	*	1,000
Samuel Coustant	1,000	*	1,000
Genevieve Sabourin	1,000	*	1,000
Laliberte Normande	1,000	*	1,000
France Desgagne	1,000	*	1,000
Sylvia Ianiri Phelps	1,000	*	1,000
Parenteau Corporation	320,000	2.3	320,000
Alain Trottier	1,000	*	1,000
Pierre Marcotte	1,000	*	1,000
Claude Paris	1,000	*	1,000
Greg Derkevorkina	1,000	*	1,000
Linda Moses	1,000	*	1,000
Eirini Demetelin	1,000	*	1,000
KGL Investments, Ltd.	30,000	*	30,000
David Rector (2)	15,000	*	15,000
CEDE & Co.	25,000	*	25,000
Christopher J. Carey (3)...................	5,697,917	40.6	5,697,917
Salvatore D'Ambra (4)......................	437,500	3.1	437,500
Lenard J. Berger (5).......................	437,500	3.1	437,500
James J. Cummiskey (6).....................	437,500	3.1	437,500
Amie Carey.................................	218,750	1.6	218,750
Christopher Carey Jr.......................	218,750	1.6	218,750
Carol Carlson..............................	43,750	*	43,750
Hertha Codey...............................	43,750	*	43,750

William Carey Jr.	43,750	*	43,750
Michael Carey	43,750	*	43,750
Susan Weaver Sanders	43,750	*	43,750
Stanford Venture Capital Holdings, Inc. (7)	3,004,124	21.4	3,004,124
Osvaldo Pi (8)	250,344	1.8	250,344
Daniel T. Bogar (8)	250,344	1.8	250,344
William R. Fuselmann (8)	250,344	1.8	250,344
Ronald H. Stein (8)	250,344	1.8	250,344
Frank A. and Maria T. Cirino	2,000	*	2,000
Joseph Kelly	200,000	1.4	200,000
Robert Cox	60,000	*	60,000
Hugh Abernathy	50,000	*	50,000
John Dudzik	20,000	*	20,000
Geoff Pleau	5,000	*	5,000
Geraldine S. Cummiskey	4,000	*	4,000
Catherine M. Cummiskey	3,333	*	3,333
Total	14,027,500	100%	14,027,500

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(1) Percentages assume the conversion of Stanford's 2,002,750 shares of Series A $1.50 Convertible Preferred Stock into the same number of shares of our common stock and the exercise of outstanding warrants to purchase a total of 2,002,750 shares of common stock.
(2) David Rector was a director of TDT Development, Inc. prior to the merger between TDT and the Predecessor Entity. Mr. Rector is no longer our director.
(3) 3,937,500 of these shares are owned by Christopher J. Carey and his wife, Mary Carey, as Joint Tenants with Right of Survivorship. Christopher J. Carey is our President and Chief Executive Officer and is a director.
(4) Salvatore D'Ambra is our Chief Engineer and Vice President.
(5) Lenard J. Berger is our Chief Technology Officer and Vice President.
(6) James J. Cummiskey is our Vice President of Sales and Marketing.
(7) Consists of 2,002,750 shares of common stock issuable upon the conversion of 2,002,750 shares of our Series A $1.50 Convertible Preferred Stock and 1,001,374 shares of common stock issuable upon the exercise of a warrant.
(8) Consists of 250,344 shares of common stock issuable upon the exercise of warrants.

* Indicates less than one percent of the total outstanding common stock.

PLAN OF DISTRIBUTION

The selling stockholders and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock covered by this prospectus at prevailing market prices or privately negotiated prices. We will pay the expenses incurred to register the shares being offered by the selling stockholders for resale, but the selling stockholders will pay any

underwriting discounts and brokerage commissions associated with these sales. Any commission or discount will be negotiated immediately prior to the sale with the broker-dealer or agent. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- privately negotiated transactions; and
- a combination of any such methods of sale.

In addition, any shares that qualify for sale under Rule 144 may be sold under Rule 144 rather than through this prospectus.

In offering the shares covered by this prospectus, the selling stockholders and any broker-dealers who execute sales for the selling stockholders may be deemed to be an "underwriter" within the meaning of the Securities Act in connection with such sales. Any profits realized by the selling stockholders and the compensation of any broker-dealer may be deemed to be underwriting discounts and commissions.

Selling shareholders may sell their shares in all 50 states in the U.S.

LEGAL PROCEEDINGS

We are not a party to, nor are we aware of, any existing, pending or threatened lawsuits or other legal actions.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Our executive officers and directors and their respective ages and positions as of September 19, 2002 are as follows:

Name	Age	Position(s)
Christopher J. Carey.......	50	President, Chief Executive Officer and Directo
Lenard Berger.............	33	Chief Technology Officer and Vice President
James Cummiskey...........	38	Vice President of Sales and Marketing
Salvatore D'Ambra..........	42	Chief Engineer and Vice President
Robert J. Corliss*.........	49	Director
Robert Cox*................	61	Director
William Lenahan*...........	51	Director
Luis Delahoz*.............	42	Director

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* Member of audit, compensation and governance/nominating committees.

CHRISTOPHER J. CAREY has served as our President and Chief Executive Officer since May 2002. Mr. Carey is also the founder, President and Chief Executive Officer of our wholly-owned subsidiary, also called Stronghold Technologies, Inc. ("Stronghold"). Since its founding in 2000, Mr. Carey has set the strategic direction and corporate vision for Stronghold, drawing on over 25 years of experience

building successful, technology-focused businesses. From 1976 until 1996, Mr. Carey was President and Chief Executive Officer of Datatec Industries, Inc., which became North America's largest specialist in the rapid deployment of network and computing systems. After negotiating a merger with Glasgal Communications in 1996, Mr. Carey became President of Datatec Systems, Inc., the combined entity. Mr. Carey is currently a member of Board of Trustees of The Albert Dorman Honors College, New Jersey Institute of Technology, and a past Chairman of the New Jersey Chapter of the Young President's Organization.

ROBERT J. CORLISS has been our director since May 2002. Mr. Corliss has been, since 1998, the President and Chief Executive Officer of the Athlete's Foot Group, Inc., a privately owned, 800-store retail chain with operations in 50 countries. Since 1999, Mr. Corliss has been a member of the board of Kahala Corporation, a publicly traded franchising corporation dedicated to the design, development and marketing of quick service restaurants serving nutritious products. From 1996 until 1998, Mr. Corliss was the President and Chief Executive Officer of Infinity Sports, Inc., a manufacturer, distributor and licensor of athletic products primarily under the brand Bike Athletic. Prior to founding Infinity Sports, Inc., Mr. Corliss was the Chief Executive Officer and President of Hermann's Sporting Goods retail chain. Mr. Corliss is very active in the sporting goods industry and serves on the Board of Directors of The Athlete's Foot Group, Inc. He is on the Advisory Council for the Sporting Goods Manufacturers Association's recently announced Physical Education for Progress (P.E.P.) initiative. Additionally, Mr. Corliss serves as a Director and Executive Committee member of the National Retail Federation and the National Retail Foundation and serves on the Board of Directors for The World Federation of the Sporting Goods Industry. He is also an Advisor for Emory University's Goizueta Business School.

ROBERT COX has been our director since May 2002. Mr. Cox is a retired business executive. From 1996 until 2000, Mr. Cox served as President and a Director of Summit Bancorp, a $39 billion NJ bank holding company. Mr. Cox was the Chief Executive Officer of The Summit Bancorporation from 1994 until 1996, when Summit Bancorporation merged into UJB Financial. Mr. Cox is currently a member the Board of Trustees of NJ SEEDS, a state-wide educational not-for-profit. Mr. Cox also sits on the Board of Directors of the Bay View Bank and the Bay View Capital Corporation in San Mateo, CA. Active in New Jersey's business and community service organizations, Mr. Cox is a former Chairman of the New Jersey Bankers Association (NJBA) and is an honorary chairman of its Board of Directors.

WILLIAM LENAHAN has been our director since May 2002. Mr. Lenahan has been the Chief Executive Officer of KMC Telecom Holdings, Inc. since 2000. KMC is a $500 million nationwide provider of next generation telecommunications, including outsourcing services, consulting and financing for metro access and advanced voice, data and Internet services to business customers. Mr. Lenahan was the President and CEO of BellSouth Wireless Data (currently Cingular Wireless) from 1984 to 2000 responsible for financial performance and nationwide wireless data strategy for this division of BellSouth Corporation. Mr. Lenahan has served nearly 30 years in the information technology, telecommunications and data industries. Presently, Mr. Lenahan serves on the Board of Broadbeam Corporation.

LUIS DELAHOZ has been our director since May 2002. Mr. Delahoz is the current President and Chief Executive Officer of TWS International, Inc., a leading provider of professional technical consulting services to the rapidly growing telecommunications industry. From 1998 until 2001, Mr. Delahoz was the Executive Vice President of Client Soft, Inc., a provider of e-business solutions. In 1996, Mr. Delahoz co-founded TOC Global Communications, Inc., where he served as Vice President

until 1998. Currently, Mr. Delahoz is a member of the Boards of Directors of TWS, Inc. and TWS International, Inc.

LENARD BERGER has served as our Chief Technology Officer and Vice President since May 2002. Mr. Berger is also the Chief Technology Officer and Vice President of Stronghold. Prior to the founding of Stronghold's predecessor entity in 2000, Mr. Berger was the President of eBNetworks, a division of Computer Horizons, Inc. From 1990 until 1999, Mr. Berger was the Vice President of RPM Consulting, Inc.

JAMES CUMMISKEY has served as our Vice President of Sales and Marketing since May 2002. Mr. Cummiskey is also the Vice President of Sales and Marketing of Stronghold. Prior to the founding of Stronghold's predecessor entity in 2000, Mr. Cummiskey was the Vice President of Sales and Marketing for Payback Training Systems, Inc. From 1996 until 1998, Mr. Cummiskey was the Vice President of Sales and Marketing for Datatec Industries, Inc.

SALVATORE D'AMBRA has served as our Vice President and Chief Engineer since May 2002. Mr. D'Ambra is also the Vice President and Chief Engineer of Stronghold. Prior to the founding of Stronghold's predecessor entity in 2000, Mr. D'Ambra was the President and Chief Executive Officer of Pagecount, Inc. From 1985 until 1996 Mr. D'Ambra was a Professor of Graduate Engineering at Loyola College of Maryland.

EXECUTIVE OFFICERS

Each executive officer serves at the discretion of our board of directors and holds office until his successor is elected and qualified or until his earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

BOARD COMMITTEES

Our board of directors has an audit committee, compensation committee and governance/nominating committee. The audit committee reviews the results and scope of the audit and other services provided by our independent public accountant. The compensation committee establishes the compensation policies applicable to our executive officers and administers and grants stock options pursuant to our stock plans. The governance/nominating committee oversees board procedures and nominates prospective members of the board should a vacancy arise. The current members of each of the audit, compensation and governance/nominating committees are Messrs. Corliss, Cox, Lenahan and Delahoz.

DIRECTOR COMPENSATION

Each director is paid an annual fee of $10,000. Directors that serve on one or more committees of the board are paid $1,000 per committee per year. In addition, each non-employee board member will receive an option grant to purchase 40,000 shares of common stock, which will vest 50% on each of the first and second anniversaries of the date of grant. We also reimburse directors for reasonable out-of-pocket expenses incurred in attending meetings of the board of directors and any meetings of its committees.

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EXECUTIVE COMPENSATION

We have not paid any salaries or bonuses to any of our officers from our inception through the date hereof. All of our executive officers also serve as

officers of and are paid by our operating subsidiary, Stronghold. The following table shows other compensation paid during the fiscal years ended December 31, 2001 and 2000 to our former president and other former executive officers. The table also provides information regarding executive compensation for our current president and three other most highly compensated executive officers. We refer to all of these officers collectively as our "named executive officers".

Summary Compensation Table

Name and Principal Position	Annual Compensation Year	Salary	Bonus	Other Annual Compensation (1)	All Other Compensation (2
Former Officers and Directors					
Pietro Bortolatti................. President, Chief Executive Officer and Chairman of the Board	2001	$ 0	$ 0	$20,500	$ --
	2000	0	0	4,000	--
Tiziana DiRocco.................. Vice President and Director of European Operations	2001	0	0	15,370	--
	2000	0	0	20,800	--
David Rector..................... Director	2001	0	0	0	16,224
	2000	0	0	0	37,677
Current Officers(3)					
Christopher J. Carey............. President, Chief Executive Officer and Chairman of the Board	2002	(4)	--	--	--
Lenard Berger.................... Vice President and Chief Technology Officer	2002	(5)	--	--	--
Salvatore D'Ambra................ Vice President - Development	2002	(6)	--	--	--
James J. Cummiskey............... Vice President - Sales	2002	(7)	--	--	--

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(1) Commissions of sales from Terre Di Toscana, Inc., and Terres Toscanas, Inc.
(2) Includes consulting service fees paid to the David Stephen Group, of which David Rector, our former director, is a principal.
(3) On May 16, 2002, our wholly-owned subsidiary merged with a New Jersey corporation, Stronghold Technologies, Inc. (the "Predecessor Entity"). Our wholly-owned subsidiary survived and changed its name to Stronghold Technologies, Inc. ("Stronghold"). Pursuant to the merger, the stockholders of the Predecessor Entity acquired a controlling interest in us. As a condition to the merger, our existing executive officers were required to resign and a new management team resumed operations.
(4) Christopher J. Carey became our President and Chief Executive Officer on May 16, 2002, following the merger. Mr. Carey also remains the President, Chief Executive Officer and the sole Director of Stronghold. Mr. Carey's base salary from May 15, 2002 until December 31, 2002 will be $260,000, as set forth in his

Employment Agreement with Stronghold. The terms of Mr. Carey's Employment Agreement are more fully set forth below.

(5) Lenard Berger has been our Vice President and Chief Technology Officer since the merger, and holds the same positions at Stronghold. Mr. Berger's base salary for the period of August 2001 through August 2002 is $150,000, as set forth in his Employment Agreement with Stronghold. As of August 2002, Mr. Berger's salary increases to $175,000. The terms of Mr. Berger's Employment Agreement are more fully set forth below.

(6) Salvatore D'Ambra has been our Vice President - Development of Stronghold since the merger, and holds the same position at Stronghold. Mr. D'Ambra's base salary for the period of August 2001 through August 2002 is $150,000, as set forth in his Employment Agreement with Stronghold. As of August 2002, Mr. D'Ambra's salary increases to $175,000. The terms of Mr. D'Ambra's Employment Agreement are more fully set forth below.

(7) James J. Cummiskey has been our Vice President - Sales of Stronghold since the merger, and holds the same position at Stronghold. Mr. Cummiskey's base salary for the period of August 2001 through August 2002 is $150,000, as set out in his Employment Agreement with Stronghold. As of August 2002, Mr. Cummiskey's salary increases to $175,000. The terms of Mr. Cummiskey's Employment Agreement are more fully set forth below.

OPTION GRANTS

We did not grant any stock options or stock appreciation rights to any of our named executive officers during 2001.

The Predecessor Entity granted options to its named executive officers during the years 2000 and 2002. When we acquired the Predecessor Entity on May 16, 2002, each outstanding option was automatically converted into an option to acquire, on the same terms and conditions as were applicable under the original option, such number of shares of our common stock as was equal to the number of existing options multiplied by 2.1875. The exercise price was also adjusted to the exercise price that was equal to the existing exercise price divided by 2.1875.

Options granted to certain of the Predecessor Entity's named executive officers in 2000 vest only if certain fiscal year net sales goals are achieved for fiscal years 2002 and 2003. Certain options which were subject to vesting based on net sales goals for fiscal year 2001 failed to vest because the Predecessor Entity did not achieve the established goals. Such unvested options, and any future unvested options, lapse and are not subject to further vesting. The vesting schedules for certain of the named executive officers are set forth below (amounts reflect the number of shares of Predecessor Entity common stock, except for the column entitled "Options Remaining As Converted"):

Named Executive Officer	Grant Date	Total Predecessor Entity Options Granted	Options Lapsed in 2001	Number of Options Subject to Vest in 2002		Number of Options Subject to Vest in		
				Net Sales		Net Sales		
				> $5m	>$ 10m	> $10m	> $20	>
Lenard Berger	11/12/00	100,000	(20,000)	15,000	15,000	10,000	15,000	25

Salvatore D'Ambra	11/12/00	45,000	(10,000)	10,000	15,000	10,000	15,000	20
James Cummiskey	11/12/00	45,000	(10,000)	10,000	15,000	10,000	15,000	20

On May 15, 2002, the Predecessor Entity granted an option for 200,000 shares of its common stock to Christopher J Carey. While Mr. Carey is employed by Stronghold, the options will vest on the earlier of: (i) the seventh anniversary of May 15, 2002; or (ii) the achievement of the performance goals based on the plan and budget approved by the Board of Directors, as set forth below (amounts reflect the number of shares of Predecessor Entity common stock, except for the column entitled "Cumulative Options Vested As Converted"):

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Total Options Vesting For Fiscal Year For Achieving the Specified Percentage of the Planned EBITDA(1)

Fiscal Year Ending	80-100%	100-120%	Over 120%
2002	12,500	24,000	40,000
2003	23,000	45,750	80,000
2004	23,000	45,750	80,000

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(1) "EBITDA" refers to our earnings before interest, taxes, depreciation and amortization.

2002 STOCK INCENTIVE PLAN

On July 17, 2002, our board of directors adopted, and on July 31, 2002, our stockholders approved, our 2002 stock incentive plan. The 2002 plan replaced our 2000 stock option plan. Up to 300,000 shares of our common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted under the 2002 Plan.

The 2002 plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code, nonstatutory stock options, restricted stock awards and other stock-based awards.

Our officers, employees, directors, consultants and advisors and those of our subsidiaries are eligible to receive awards under the 2002 plan. Under present law, however, incentive stock options may only be granted to employees. No participant may receive any award for more than 50,000 shares in any calendar year. As of September 13, 2002, options to purchase an aggregate of 141,550 shares of our common stock at a weighted average exercise price per share of $1.50 were outstanding under the 2002 plan.

Optionees receive the right to purchase a specified number of shares of our common stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. We may grant options at an exercise price less than, equal to or greater than the fair market value of our common stock on the date of grant. Under present law, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code may not be granted at an exercise price less than the fair market value of the common stock on the date

of grant or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of our voting power. The 2002 plan permits our board of directors to determine how optionees may pay the exercise price of their options, including by cash, check or in connection with a "cashless exercise" through a broker, by surrender to us of shares of common stock, by delivery to us of a promissory note, or by any combination of the permitted forms of payment.

As of September 13, 2002, approximately 38 persons were eligible to receive awards under the 2002 plan, including our four executive officers and our four non-employee directors. The granting of awards under the 2002 plan is discretionary.

Our board of directors administers the 2002 plan. Our board of directors has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the plan and to interpret its provisions. It may delegate authority under the 2002 plan to one or more committees of the board of directors. Subject to any applicable limitations contained in the 2002 plan, our board of

directors or a committee of the board of directors or executive officer to whom our board of directors delegates authority, as the case may be, selects the recipients of awards and determines:

- the number of shares of common stock covered by options and the dates upon which such options become exercisable;
- the exercise price of options;
- the duration of options; and
- the number of shares of common stock subject to any restricted stock or other stock-based awards and the terms and conditions of such awards, including the conditions for repurchase, issue price and repurchase price.

In the event of a merger, liquidation or other acquisition event, our board of directors is authorized to provide for outstanding options or other stock-based awards to be assumed or substituted for by the acquiror. If the acquiror refuses to assume or substitute for outstanding options, they will accelerate, becoming fully exercisable and free of restrictions, prior to consummation of the acquisition event. In addition, following an acquisition event, under some circumstances, an assumed or substituted award will accelerate if the employment of its holder with the acquiror is terminated within one year of the acquisition event.

No award may be granted under the 2002 plan after July 2012, but the vesting and effectiveness of awards previously granted may extend beyond that date. Our board of directors may at any time amend, suspend or terminate the 2002 plan, except that no award granted after an amendment of the 2002 plan and designated as subject to Section 162(m) of the Internal Revenue Code by our board of directors shall become exercisable, realizable or vested, to the extent the amendment was required to grant such award, unless and until such amendment is approved by our stockholders.

2002 CALIFORNIA STOCK INCENTIVE PLAN

On August 20, 2002, our board of directors adopted, and our stockholders approved, our 2002 California stock incentive plan. The California plan is identical to our 2002 plan described above, except that options under the California plan may only be granted to employees who are California residents. Up to 100,000 shares of our common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted

under the California plan. As of September 13, 2002, options to purchase an aggregate of 69,600 shares of our common stock at a weighted average exercise price per share of $1.50 were outstanding under the 2002 California plan. As of September 13, 2002, seven persons were eligible to receive awards under the 2002 California Stock Incentive Plan

2000 STOCK OPTION PLAN THAT WE ASSUMED WHEN WE ACQUIRED THE PREDECESSOR ENTITY

On May 16, 2002 we acquired the Predecessor Entity and we assumed the Predecessor Entity's 2000 Stock Option Plan so that all of its issued and outstanding options would remain intact. However, each outstanding option was automatically converted into an option to acquire, on the same terms and conditions as were applicable under the original option, such number of shares of our common stock as was equal to the number of outstanding options multiplied by 2.1875. The exercise price was also adjusted to the exercise price that was equal to the existing exercise price divided by 2.1875. The total number of the Predecessor Entity's options that we assumed was 543,500 (after cancellations) at a weighted average exercise price per share of $.78, which converted into options to purchase 1,188,907 shares of our common stock at a weighted average exercise price of $.36.

Optionees under the 2000 Stock Option Plan received the right to purchase a specified number of shares common stock at a specified option price and subject to such other terms and conditions as were specified in connection with the option grant. The predecessor entity's board had the authority to grant options at an exercise price less than, equal to or greater than the fair market value of its common stock on the date of grant. The 2000 plan permitted the predecessor entity's board of directors to determine how optionees may pay the exercise price of their options, including by cash, check or in connection with a "cashless exercise" through a broker, by surrender to us of shares of common stock, by delivery to us of a promissory note, or by any combination of the permitted forms of payment. The board of directors also had the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the plan and to interpret its provisions. The board could delegate authority under the 2000 plan to one or more committees of the board of directors.

The board of directors or a committee of the board of directors or executive officer to whom the board of directors delegated authority, as the case may have been, selected the recipients of awards and determined:

- the number of shares of common stock covered by options and the dates upon which such options became exercisable;
- the exercise price of options; and
- the duration of options.

The 2000 plan provided that in the event of a merger, the board of directors was authorized to provide for outstanding options or other stock-based awards to be assumed by the acquiror. If we had chosen not to assume the outstanding options, the board has the authority to accelerate the options such that they would have become fully exercisable and free of restrictions, prior to consummation of the acquisition event.

No more awards may be granted under the 2000 plan, although the vesting and effectiveness of awards previously granted will continue according to the terms of the grant agreement and the 2000 plan.

EMPLOYMENT AGREEMENTS WITH EXECUTIVE OFFICERS

CHRISTOPHER J. CAREY

On May 15, 2002, our wholly-owned subsidiary, Stronghold Technologies, Inc. ("Stronghold") assumed the employment agreement that was in place between Christopher J. Carey and the Predecessor Entity. Under the terms of the agreement, Mr. Carey's employment as Chairman of the Board, President and Chief Executive Officer of Stronghold will continue until December 31, 2004, unless sooner terminated. Mr. Carey receives a base salary of $260,000 per year. Such base salary shall be raised, effective January 1, 2003 to the annualized rate of $300,000 and raised, effective January 1, 2004 to the annualized rate of $350,000. Such salary will be reviewed annually and is subject to increase as determined by the Board of Directors of Stronghold (the "Board") or the Compensation Committee in its sole discretion.

The employment agreement provides that each fiscal year after fiscal year 2002, Mr. Carey will be eligible to receive an annual bonus based upon Stronghold meeting and exceeding its annual budget, as same has been reviewed and approved by the Board for earnings before interest, taxes, depreciation and amortization ("EBITDA"). This bonus will be earned according to the following: (i) if Stronghold

achieves 90-100% of budgeted EBITDA, Mr. Carey will receive a bonus of 10% of his then current annual base salary; (ii) if Stronghold achieves 101-110% of budgeted EBITDA, Mr. Carey will receive a total bonus of 20% of his then current annual base; and (iii) if Stronghold achieves 111-120% of budgeted EBITDA, Mr. Carey will receive a total bonus of 30% of his then current annual base salary; (iv) if Stronghold achieves 121-130% of budgeted EBITDA, Mr. Carey will receive a total bonus of 40% of his then current annual base salary; (v) if Stronghold achieves 131-140% of budgeted EBITDA, Mr. Carey will receive a total bonus of 50% of his then current annual base salary; (vi) if Stronghold achieves 141-150% of budgeted EBITDA, Mr. Carey will receive a total bonus of 55% of his then current annual base salary; and (vii) if Stronghold achieves 151% or more of budgeted EBITDA, Mr. Carey will receive a total bonus of 60% of his then current annual base salary. The bonus, if any, shall be paid in one lump sum within sixty (60) days after the close of the fiscal year for which it was earned.

In accordance with the agreement, the Predecessor Entity granted to Mr. Carey stock options under the 2000 Stock Option Plan for the purchase of an aggregate of 200,000 shares of the predecessor entity's common stock at an option exercise price equal of $1.50 per share, the fair market value of the underlying common stock on the date of the grant. Such option converted into an option to purchase 437,500 shares of our common stock when we merged with the Predecessor Entity and our wholly-owned subsidiary, Stronghold, assumed the 2000 Stock Option Plan. While Mr. Carey is employed by Stronghold, the option will become exercisable on the earlier of: (i) the seventh anniversary of May 15, 2002; or (ii) the achievement of the performance goals set forth above in the Section entitled "Option Grants".

Upon a change in control of Stronghold, the unvested portion of the options shall immediately vest and become exercisable by Mr. Carey

If Stronghold terminates Mr. Carey's employment (i) after the expiration of the term of employment; or (ii) with cause; or if Mr. Carey resigns for no good reason, he will receive all accrued compensation and vested benefits. If Stronghold terminates his employment without cause, Mr. Carey will receive all unpaid accrued compensation, vested benefits and a severance benefit equal to his base salary until the earlier of the balance of the term of his agreement, the renewal term or twelve months following the date of termination.

Mr. Carey's agreement contains a confidentiality provision and further provides that Mr. Carey may not work for, or hold 1% or more of the outstanding capital stock of a publicly traded corporation, which is a competing business anywhere in the world for one year after the conclusion of his employment.

LENARD BERGER

On August 1, 2000, the Predecessor Entity entered into an employment agreement with Lenard Berger, which Stronghold assumed. Under the terms of the agreement, Mr. Berger's employment as Vice President - Chief Technology Officer will continue until July 31, 2005 unless sooner terminated. Mr. Berger received a base salary of $10,500 per month during the first six months of the term of the agreement and $12,500 per month commencing February 1, 2001. During the second year of the term of the agreement, Mr. Berger's base salary will be $150,000, but may increase to $175,000 if Stronghold's Net Sales, as defined below, achieved in the first year of the term of the agreement equal or exceed $2,000,000. During the third year of the term of the agreement, Mr. Berger's base salary will be $175,000, but may increase to $200,000 if Stronghold's Net Sales, as defined below, achieved in the

second year of the term of the agreement equal or exceed $10,000,000. During the fourth and fifth years of the term of his agreement, Mr. Berger's base salary will be increased annually by a percentage determined by the Consumers Price Index. Beginning his second year of employment, Mr. Berger is eligible for a commission not to exceed $50,000 for any year during the balance of the term of the agreement. The commission is equal to 1% of net sales, which is determined by subtracting certain costs from the gross sales of products and services. Mr. Berger is also eligible to receive extra compensation at the discretion of Stronghold's board of directors, a car allowance and any insurance and 401(k) plans provided by the employer.

Pursuant to his employment agreement, Mr. Berger received an option grant to purchase 100,000 shares of Stronghold's predecessor entity's common stock. Such option converted into an option to purchase 218,750 shares of our common stock when we merged with the predecessor entity. The vesting schedule for such grant is set forth above under the section entitled "Option Grants". Upon a change of control of Stronghold, 50% of any unvested options shall become vested and exercisable immediately. If we or Stronghold register shares of common stock in an initial public offering, Mr. Berger has the right to include any shares of common stock that he owns in the registration.

If Stronghold terminates Mr. Berger's employment without cause, he will receive payment of his base salary in effect at the time of his termination for a period of one month, if termination occurs during the first six months of the initial term of the agreement and the lesser of (x) base salary payable for the balance of the term of the agreement or (y) two months base salary, if termination occurs during the second six months during the initial term of the agreement. If Mr. Berger resigns for good reason after the first full year of employment, Mr. Berger shall receive as his severance pay the lesser of (x) base salary payable for the balance of the then existing term of the agreement or (y) two months' base salary, plus one week's base salary for each full or part year worked after the first year of employment. In addition, Mr. Berger will be paid his allocable share of the "Accumulated Adjustments Account", which is his share of any amounts taxable to S Corporation shareholders but not fully distributed to such shareholders.

Mr. Berger's agreement provides that all rights to discoveries, inventions, improvements, and innovations related to Stronghold's business that originates during the term of Mr. Berger's employment will be the exclusive property of

Stronghold. Mr. Berger's agreement also contains a confidentiality provision and further provides that Mr. Berger may not work for or hold 5% or more of the outstanding capital stock of a publicly traded corporation, which is a competing business anywhere in the world for one year after the conclusion of his employment.

SALVATORE D'AMBRA

On July 10, 2000, the Predecessor Entity entered into an employment agreement with Salvatore D'Ambra, which Stronghold assumed. Under the terms of the agreement, Mr. D'Ambra's employment as Vice President - Development will continue until July 9, 2005 unless sooner terminated. Mr. D'Ambra's base salary is $102,000, $112,000 and $122,000 for his first, second and third years of employment, respectively. Thereafter, Mr. D'Ambra's base salary will be increased annually by a percentage determined by the Consumers Price Index. Beginning his second year of employment, Mr. D'Ambra is also eligible for a commission not to exceed $8,000 for the second year of the term of the agreement and $28,000 for any year during the balance of the term of the agreement. The commission is equal to 1% of net sales, as defined above. Mr. D'Ambra is also eligible to receive extra compensation at the discretion of the board of directors, a car allowance and any insurance and 401(k)

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plans provided by the employer. If we or Stronghold register shares of common stock in an initial public offering, Mr. D'Ambra has the right to include any shares of common stock that he owns in the registration.

Mr. D'Ambra received an option grant to purchase 45,000 shares of Stronghold's common stock. Such option converted into an option to purchase 98,438 shares of our common stock when we merged with the predecessor entity. The vesting schedule for such grant is set forth above under the section entitled "Option Grants". Upon a change of control of Stronghold, 50% of any unvested options shall become vested and exercisable immediately. If we or Stronghold register shares of common stock in an initial public offering, Mr. D'Ambra has the right to include any shares of common stock that he owns in the registration.

If Stronghold terminates Mr. D'Ambra's employment without cause, he will receive payment of his base salary in effect at the time of his termination for a period of one month, if termination occurs during the first six months of the initial term of the agreement and the lesser of (x) base salary payable for the balance of the term of the agreement or (y) two months base salary, if termination occurs during the second six months during the initial term of the agreement. If Mr. D'Ambra resigns for good reason after the first full year, the Mr. D'Ambra will receive as severance pay the lesser of (x) base salary payable for the balance of the then existing term of the agreement or (y) two months' base salary, plus one week's base salary for each full or part year worked after the first year of employment. In addition, Mr. D'Ambra shall be paid his allocable share of the Accumulated Adjustments Account, as described above.

Mr. D'Ambra's agreement provides that all rights to discoveries, inventions, improvements, and innovations related to Stronghold's business that originates during the term of Mr. D'Ambra 's employment will be the exclusive property of Stronghold. Mr. D'Ambra's agreement also contains a confidentiality provision and further provides that Mr. D'Ambra may not work for or hold 5% or more of the outstanding capital stock of a publicly traded corporation, which is a competing business anywhere in the world for one year after the conclusion of his employment.

JAMES J. CUMMISKEY

On August 14, 2000, the Predecessor Entity entered into an employment agreement with James J. Cummiskey, which Stronghold assumed. Under the terms of the agreement, Mr. Cummiskey's employment as Vice President - Sales and Marketing will continue until August 13, 2004 unless sooner terminated. Mr. Cummiskey's base salary is $180,000 and $192,000 for his first and second years of employment, respectively. Thereafter, Mr. Cummiskey's base salary will be increased annually by a percentage determined by the Consumers Price Index. Mr. Cummiskey is also eligible for a commission not to exceed $20,000 for the first year of the term of the agreement and $50,000 for any year during the balance of the term of the agreement. The commission is equal to 1% of net sales, as defined above. Mr. Cummiskey is also eligible to receive extra compensation at the discretion of the board of directors, a car allowance and any insurance and 401(k) plans provided by the employer. If we or Stronghold register shares of common stock in an initial public offering, Mr. Cummiskey has the right to include any shares that he owns in the registration.

Mr. Cummiskey also received an option grant to purchase 45,000 shares of Stronghold's common stock. Such option converted into an option to purchase 98,438 shares of our common stock when we merged with the predecessor entity. The vesting schedule for such grant is set forth above under the section entitled "Option Grants". Upon a change of control of Stronghold, 50% of any

unvested options shall become vested and exercisable immediately. If we or Stronghold register shares of common stock in an initial public offering, Mr. Cummiskey has the right to include any shares of common stock that he owns in the registration.

If Stronghold terminates Mr. Cummiskey's employment without cause, he will receive payment of his base salary in effect at the time of his termination for a period of one month, if termination occurs during the first six months of the initial term of the agreement and the lesser of (x) base salary payable for the balance of the term of the agreement or (y) two months base salary, if termination occurs during the second six months during the initial term of the agreement. If Mr. Cummiskey resigns for good reason after the first full year, the Mr. Cummiskey will receive as severance pay the lesser of (x) base salary payable for the balance of the then existing term of the agreement or (y) two months' base salary, plus one week's base salary for each full or part year worked after the first year of employment. In addition, Mr. Cummiskey will be paid his allocable share of the Accumulated Adjustments Account, described above.

Mr. Cummiskey's agreement provides that all rights to discoveries, inventions, improvements, and innovations related to Stronghold's business that originates during the term of Mr. Cummiskey 's employment will be the exclusive property of Stronghold. Mr. Cummiskey's agreement also contains a confidentiality provision and further provides that Mr. Cummiskey may not work for or hold 5% or more of the outstanding capital stock of a publicly traded corporation, which is a competing business anywhere in the world for one year after the conclusion of his employment.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of September 19, 2002. The information in this table provides the ownership information for:

o each person known by us to be the beneficial owner of more than 5% of our

common stock;
- each of our directors;
- each of our executive officers; and
- our executive officers and directors as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to the shares. Unless otherwise indicated, the persons named in the table below have sole voting and investment power with respect to the number of shares indicated as beneficially owned by them. Common stock beneficially owned and percentage ownership are based on 10,022,000 shares outstanding on September 19, 2002.

SECURITY OWNERSHIP OF BENEFICIAL OWNERS

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Outstanding
5% Stockholders		
Christopher J. Carey 450 Claremont Road Benardsville, NJ 07924	5,697,917 (1)	56.9
Stanford Venture Capital Holdings, Inc. 6075 Poplar Avenue Memphis, TN 38119	3,004,124 (2)	23.1

OTHER EXECUTIVE OFFICERS AND DIRECTORS		
Lenard Berger	437,500	4.4
James Cummiskey	437,500	4.4
Salvatore D'Ambra	437,500	4.4
Robert J. Corliss	0	--
Robert Cox	60,000	*
William Lenahan	0	--
Luis Delahoz	0	--
Executive Officers and Directors as a Group (8 people)	10,074,541	77.3

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(1) 3,937,500 of these shares are owned by Christopher J. Carey and his wife, Mary Carey, as Joint Tenants with Right of Survivorship.

(2) The total beneficial ownership of Stanford Venture Capital Holdings, Inc. is 3,004,124 shares which consists of (i) 2,002,750 shares of common stock issuable upon the conversion of 2,002,750 shares of our Series A $1.50 Convertible Preferred Stock; and (ii) 1,001,374 shares of common stock issuable upon the exercise of warrants.

* Indicates less than one percent of the total outstanding common stock.

DESCRIPTION OF SECURITIES

Our authorized capital stock currently consists of 50,000,000 shares of Common Stock, par value $0.0001 per share, of which 10,022,000 shares are issued and outstanding as of the date of the prospectus, and 5,000,000 shares of preferred stock, par value $0.0001 per share, of which 2,002,750 shares are issued and outstanding.

The following description of our securities contains all material information. However it is a summary only and may be exclusive of certain information that may be important to you. For more complete information, you should read our Certificate of Incorporation and its restatements, together with our corporate bylaws and any certificates of designations we may file.

COMMON STOCK

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of our common stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any shares of preferred stock outstanding at the time, holders of our common stock are entitled to receive dividends ratably, if any, as may be declared from time to time by our board of directors out of funds legally available therefor.

Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably, our net assets available after the payment of:

- all secured liabilities, including any then outstanding secured debt securities which we may have issued as of such time;

- all unsecured liabilities, including any then unsecured outstanding secured debt securities which we may have issued as of such time; and

- all liquidation preferences on any then outstanding preferred stock.

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Holders of our common stock have no preemptive, subscription, redemption or conversion rights, and there are no redemption or sinking fund provisions applicable to the common stock. The outstanding shares of our common stock are, and the shares offered by us in this offering will be, when issued and paid for, duly authorized, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred which is designated and issued.

PREFERRED STOCK

On May 16, 2002, we filed a Certificate of Designations with the Secretary of State of the State of Nevada to create 2,017,200 shares of our Series A $1.50 Convertible Preferred Stock. Holders of our Series A shares may convert such shares into shares of our common stock at the then-existing conversion rate. The conversion rate is determined by dividing the stated value of the Series A shares, $1.50, by a conversion price. The conversion price, which is currently $1.50, may be adjusted in case of the following events:

- our consolidation or merger with or into another corporation;
- the sale, lease or conveyance of all or substantially all of our assets; o the issuance of stock dividends;
- the subdivision, reclassification or combination of our outstanding shares of common stock;
- the issuance of our common stock at a purchase price per share that is less than the conversion price in effect immediately prior to such issuance; or
- the issuance of securities covertible into or exercisable for our common stock with a conversion or exercise price pers share that is less than the conversion price in effect immediately prior to such

issuance.

In the event of our liquidation, dissolution or winding up, the holders of our Series A shares are entitled to receive, prior and before any distribution of assets are made to the holders of our common stock, an amount equal to the stated value, $1.50, per share of our Series A shares. After all Series A holders receive their full payment, and all holders of any other preferred stock are paid, if any, then the holders of our Series A shares may share with the holders of our common stock for distribution of the assets in proportion to the number of shares which the holders of Series A shares have the right to acquire upon conversion of the Series A shares. If upon liquidation, dissolution or winding up, our net assets are insufficient to pay the holders of our Series A shares in full, then our assets will be distributed ratably in proportion to the full amounts to which the Series A holders would otherwise be entitled to receive among the holders of Series A. A sale of our assets and certain mergers or acquisitions of us into another corporation will be treated as a liquidation, dissolution or winding up and will entitle the holders of the Series A shares to receive at the closing in cash, securities or other property, the amounts set forth above.

Holders of our Series A shares are entitled to vote at any stockholder meeting with respect to any matters presented to our stockholders. Each share of Series A is entitled to such number of votes as is represented by the number of shares of common stock which such share of Series A would be convertible into at the record date set for such voting. So long as shares of Series A are outstanding, we may not, without first obtaining the approval of the holders of at least a majority of the then outstanding shares of Series A shares, alter or change the rights and preferences of the Series A shares or create any new class of stock having preferences over the Series A shares. Holders of Series A shares are not entitled to dividends. So long as any shares of Series A are outstanding and held by Stanford, Stanford has preemptive rights to maintain its percentage ownership with respect to any additional securities we may issue, with certain exceptions.

So long as any shares of Series A are outstanding, we may not, without the approval of the holders of a majority of the outstanding shares of Series A, voting as a separate class:

- sell all or substantially all of our assets or take any other action that will result in the holders of our capital stock prior to the transaction owning less than 50% of the voting power of our capital stock after the transaction;
- amend our charter, by-laws or any certificate of designation;
- change the nature of our business or the business of our subsidiaries;
- issue stock, or allow our subsidiaries to issue stock, with preferences over, or being on parity with, the Series A shares with respect to voting, dividends or upon liquidation;
- make certain capital expenditures in any 12-month period exceeding $50,000;
- enter into any credit facility or issue any debt, except for debt already outstanding, exceeding $50,000;
- sell our shares in a public offering registered under the Securities Act of 1933;
- increase the number of our directors above five;
- enter into any transaction with any affiliate or modify any existing agreement with an affiliate; or
- file for, or consent to, bankruptcy or insolvency proceedings.

Pursuant to a Stockholders' Agreement which we entered into with Stanford,

and Christopher J. Carey and his wife, both Stanford and the Careys agreed to certain voting obligations. Stanford and the Careys have the right to nominate one and four members of the board respectively, and the parties agreed to vote their shares in favor of the nominee(s) of the other parties. In the case of a material adverse event related to us, the Careys agreed to vote their shares as directed by Stanford, including to remove and replace the members of the board with designees nominated by Stanford. If either Stanford or the Careys desire to sell their shares, the selling party must first offer such shares to be purchased by the other party to the Stockholders' Agreement and if the non-selling party decides not to buy the offered shares, we have the right to purchase such shares. In such case, with respect to any vote on any question concerning our election to exercise our option to purchase any of the offered shares, the selling party has agreed to vote its shares as directed by the non-selling stockholder. In the case of death or dissolution of the parties to the Stockholders' Agreement, the legal representative of the estate of such stockholder or any transferee by operation of law must vote such stockholder's shares in the same manner as the surviving stockholders vote.

INTEREST OF NAMED EXPERTS AND COUNSEL

KGL Investments, Ltd. received 30,000 shares of our common stock in exchange for $3,000 worth of legal services rendered by Kaplan Gottbetter & Levenson, LLP, our former legal counsel (the shares were valued at $.10 per share). Kaplan Gottbetter & Levenson, LLP is the beneficial owner of these shares. The legal services did not include the preparation of this prospectus.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Articles of Incorporation provide that, to the fullest extent permitted by Nevada law (as it now exists or may in the future be amended) our directors and officers will not be personally liable to us or our stockholders for monetary damages due to the breach of a fiduciary duty as a director or officer. Nevada Revised Statute 78.7502, provides that we may indemnify any officer, director, employee or agent who is party to any threatened, pending or completed action, suit or proceeding,

whether civil, criminal, administrative or investigative, provided he was acting in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he had no reasonable cause to believe that his conduct was unlawful. The indemnification includes all actual and reasonable expenses, including attorney's fees, judgments, fines and settlement amounts. The termination of any action, suit or proceeding by judgment, order, settlement or conviction, does not of itself prevent indemnification so long as the officer or director acted in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests, or, with respect to any criminal action or proceeding, he had no reasonable cause to believe that his conduct was unlawful.

In addition, Nevada Revised Statute 78.7502 provides that we may indemnify any officer, director, employee or agent who is party to any threatened, pending or completed action or suit brought by us or by our stockholders on our behalf, provided he was acting in good faith and in a manner which he reasonably believed to be in, or not opposed to, our best interests. The indemnification includes all actual and reasonable expenses, including attorney's fees, judgments, fines and settlement amounts. However, indemnification is prohibited as to any suit brought in our right in which the director or officer is adjudged by a court to be liable to us.

To the extent that the officer or director is successful on the merits in any proceeding pursuant to which such person is to be indemnified, we must indemnify him against all actual and reasonable expenses incurred, including attorney's fees.

The foregoing indemnity provisions will limit your ability as shareholders to hold officers and directors liable and collect monetary damages for breaches of fiduciary duty, and require us to indemnify officers and directors to the fullest extent permitted by law.

To the extent that indemnification may be available to our directors and officers for liabilities arising under the Securities Act of 1933 as amended, we have been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy and therefore unenforceable.

ORGANIZATION WITHIN LAST FIVE YEARS

We were incorporated under the laws of Nevada on September 8, 2000. On September 14, 2000 we acquired all of the outstanding shares of Terre di Toscana, Inc. in exchange for 5,000,000 shares of our common stock, which were issued to Terre di Toscana, Inc.'s sole shareholder Pietro Bortolatti, who was also our president, CEO, secretary, treasurer and Chairman of the Board of Directors at the time. This transaction was a reorganization of entities under common control accounted for at historical in a manner similar to a pooling of interests. Our original operations were conducted through Terre di Toscana, Inc., incorporated under the laws of the state of Florida on November 10, 1999, and Terres Toscanas, Inc., incorporated under the laws of Quebec, Canada on October 18, 2000. Terre di Toscana Inc. began operations in January 2000 and handled our truffle business operations in the United States and Europe. Terres Toscanes, Inc. began operations in April 2001 and handled our truffle business operations in Canada.

On July 19, 2002 we exchanged all of the shares that we held in our two wholly-owned subsidiaries, Terre di Toscana, Inc. and Terres Toscanes, Inc., for 75,000 shares of our common stock held by Mr. Bortolatti. The sale of our subsidiaries was part of our overarching goal to focus our

business efforts on the handheld technology business of our wholly-owned subsidiary, Stronghold Technologies, Inc.

Stronghold Technologies, Inc. became our wholly-owned subsidiary on May 16, 2002 pursuant to a merger of its predecessor, Stronghold Technologies, Inc., a New Jersey corporation (the "Predecessor Entity"), with and into our wholly-owned subsidiary, TDT Stronghold Acquisition Corp. ("Acquisition Sub"). Acquisition Sub was created on May 9, 2002 for the purpose of merging with Predecessor Entity. After the closing of the merger, Acquisition Sub, the survivor of the merger, changed its name to Stronghold Technologies, Inc. and remains our wholly-owned subsidiary. Pursuant to the merger, the Predecessor Entity's stockholders surrendered all of the outstanding shares of the Predecessor Entity's common stock in exchange for a total of 7,000,000 shares of our common stock.

On May 15, 2002, we entered into a Securities Purchase Agreement with Stanford Venture Capital Holdings, Inc. ("Stanford"), in which we agreed to issue to Stanford (i) such number of shares of our Series A $1.50 Convertible Preferred Stock that would in the aggregate equal 20% of the total issued and outstanding shares of our common stock, and (ii) such number of warrants for shares of our common stock that would equal the number of shares of Series A

Preferred Stock issued to Stanford. The total aggregate purchase price for the Series A Preferred Stock and warrants paid by Stanford was $3,000,000. The issuance of the Series A Preferred Stock and warrants took place on each of four separate closing dates, in which we issued an aggregate of 2,002,750 shares of our Series A $1.50 Convertible Preferred Stock to Stanford and warrants for 2,002,750 shares of our common stock. After the closings, Stanford assigned warrants for a total of 1,001,376 shares of common stock to four of its affiliates.

Prior to the merger, there were a total of 8,381,000 shares of our common stock outstanding. In connection with the merger, certain of our stockholders surrendered a total of 6,295,000 shares of our common stock for cancellation. Specificall