

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

STRONGHOLD TECHNOLOGIES INC

Form 8-K/A

July 30, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDMENT NO. 1

TO

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 16, 2002

STRONGHOLD TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of Incorporation)

333-54822

22-3762835

(Commission File Number)

(IRS Employer Identification No.)

777 Terrace Avenue, Hasbrouck Heights, NJ

07924

(Address of Principal Executive Offices)

(Zip Code)

(201) 727-1464

(Registrant's Telephone Number, Including Area Code)

TDT DEVELOPMENT, INC.

(Former Name or Former Address, if Changed Since Last Report)

This Amendment No.1 to Current Report on Form 8-K/A is filed for the purpose of filing the financial statements of Stronghold Technologies, Inc., a New Jersey corporation which the Registrant acquired on May 16, 2002 ("Stronghold") required by Item 7(a) and the pro forma information required by Item 7(b).

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements of Businesses Acquired

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

The financial statements of Stronghold required by this item are included as Exhibit 99.1 to this Amendment No. 1 to Current Report on Form 8-K/A and incorporated herein by reference.

(b) Pro Forma Financial Information  
-----

The pro forma financial information required by this item is included as Exhibit 99.2 to this Amendment No. 1 to Current Report on Form 8-K/A and incorporated herein by reference.

(c) Exhibits  
-----

See the Exhibit Index attached hereto.

-2-

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 30, 2002

REGISTRANT

STRONGHOLD TECHNOLOGIES, INC.

By: /s/ Christopher J. Carey  
-----

Christopher J. Carey  
President

-3-

EXHIBIT INDEX

Exhibit Number -----	Description -----
99.1	Financial Statements of Stronghold Technologies, Inc.
99.2	Unaudited Pro Forma Combined Condensed Financial Statements of Stronghold Technologies, Inc. (formerly TDT Development, Inc.) and Stronghold Technologies, Inc.

-4-

STRONGHOLD TECHNOLOGIES, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2002 (unaudited) AND DECEMBER 31, 2001

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations	3
Statements of Stockholders' Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11

INDEPENDENT AUDITORS' REPORT

To the Stockholders of  
Stronghold Technologies, Inc.

We have audited the accompanying balance sheet of Stronghold Technologies, Inc. as of December 31, 2001, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stronghold Technologies, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Roseland, New Jersey  
March 1, 2002

1

### BALANCE SHEETS

	March 31, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 7,769	\$ 38,267
Accounts receivable, less allowance for doubtful accounts of \$69,000 in 2002 and nil in 2001	689,889	282,360
Other receivables, current portion	60,000	60,000
Inventories	122,055	81,348
Prepaid expenses		4,885
Total current assets	----- 879,713	----- 466,860
PROPERTY AND EQUIPMENT, net	113,162	95,953
<b>OTHER ASSETS</b>		
Other receivables, less current portion	190,139	190,139
Security deposits	27,087	27,087
Total other assets	----- 217,226	----- 217,226
	\$ 1,210,101	\$ 780,039
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 219,008	\$ 57,641
Accrued expenses and other current liabilities	322,643	262,691
Loan payable	1,500,000	1,500,000
Total current liabilities	----- 2,041,651	----- 1,820,332
LOAN AND ACCRUED INTEREST PAYABLE, STOCKHOLDER	2,730,658	1,924,443
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

STOCKHOLDERS' DEFICIT

Common stock, no par value, authorized 10,000,000 shares, issued and outstanding 2,700,000 shares	13,500	13,500
Stock subscription receivable	(3,000)	(3,000)
Accumulated deficit	(3,572,708)	(2,975,236)
	-----	-----
Total stockholders' deficit	(3,562,208)	(2,964,736)
	-----	-----
	\$ 1,210,101	\$ 780,039
	=====	=====

2

STATEMENTS OF OPERATIONS

	Three months ended March 31, 2002	Three months ended March 31, 2001	Year ended December 31, 2001
	(Unaudited)	(Unaudited)	
SALES	\$ 693,638	\$ -	\$ 614,539
COST OF SALES	209,126		250,465
	-----		-----
GROSS PROFIT	484,512		364,074
	-----		-----
OPERATING EXPENSES			
General and administrative	959,945	444,803	2,477,727
Officer's salary	66,000	30,000	165,000
	-----	-----	-----
	1,025,945	474,803	2,642,727
	-----	-----	-----
LOSS FROM OPERATIONS	(541,433)	(474,803)	(2,278,653)
OTHER EXPENSE, interest expense	56,039	21,352	141,435
	-----	-----	-----
NET LOSS	\$ (597,472)	\$ (496,155)	\$ (2,420,088)
	=====	=====	=====

3

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

### STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock Shares	Stock Amount	Stock Subscription Receivable
BALANCES, August 1, 2000 (inception)		\$ -	\$ -
COMMON STOCK ISSUANCE	2,700,000	13,500	(3,000)
NET LOSS			
-----			
BALANCES, December 31, 2000	2,700,000	13,500	(3,000)
NET LOSS			
-----			
BALANCES, December 31, 2001	2,700,000	13,500	(3,000)
NET LOSS (unaudited)			
-----			
BALANCES, March 31, 2002 (unaudited)	2,700,000	\$ 13,500	\$ (3,000)
=====			

4

### STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2002	Three months ended March 31, 2001	
-----			
Cash flows from operating activities			
Net loss	\$ (597,472)	\$ (496,155)	\$
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	6,926		
Provision for doubtful accounts	69,000		
Changes in operating assets and liabilities:			
Accounts receivable	(476,529)		
Other receivables			
Inventories	(40,707)	(22,456)	
Prepaid expenses	4,885	2,300	
Other assets		(27,502)	
Accounts payable	161,367	22,612	
Accrued expenses and other current liabilities	59,952	89,327	
Accrued interest and expenses to stockholder	68,215	33,799	

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

Net cash used in operating activities	(744,363)	(398,075)	
Net cash used in investing activities, purchases of property and equipment	(24,135)	(53,150)	
Cash flows from financing activities			
Proceeds from loan payable, stockholder	738,000	445,000	
Proceeds from loan payable			
Net cash provided by financing activities	738,000	445,000	
Net increase (decrease) in cash	(30,498)	(6,225)	
Cash, beginning of period	38,267	41,040	
Cash, end of period	\$ 7,769	\$ 34,815	\$
Supplemental disclosure of cash flow information, cash paid during the period for interest	\$ 17,409	\$ -	\$
Supplemental disclosure of noncash financing activities			
Common stock subscribed	\$ -	\$ -	\$
Common stock issued as repayment of loan payable, stockholder	\$ -	\$ -	\$

5

NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

1. NATURE OF OPERATIONS

Stronghold Technologies, Inc. (the "Company") was incorporated in the state of New Jersey on August 1, 2000. The Company is engaged principally as a developer of wireless and internet based systems for auto dealers in the United States, which began operations on April 1, 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

Property and equipment is stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization as follows:

ASSET	ESTIMATED USEFUL LIFE	PRINCIPAL METHOD
Computer equipment	5 Years	Declining-balance
Computer software	3 Years	Declining-balance
Furniture and fixtures	7 Years	Declining-balance
Leasehold improvements	10 Years	Straight-line

### INVENTORIES

Inventories, which are comprised of hardware for resale, are stated at cost, on an average cost basis, which does not exceed market value.

### INCOME TAXES

The Company is an "S" corporation and, as a result, the earnings and losses have been included in the personal income tax returns of the respective stockholders.

### RETIREMENT PLAN

The Company has a retirement plan under Section 401(k) of the Internal Revenue Code ("the Plan"), which covers all eligible employees. The Plan provides for voluntary deduction of the employee's salary, subject to Internal Revenue Code limitations. The Company can make a matching contribution to the Plan which is at the discretion of the Company and is determined annually. There were no matching contributions for the three-month periods ended March 31, 2002 and 2001 (unaudited), the year ended December 31, 2001 and the period August 1, 2000 (inception) to December 31, 2000.

### REVENUE RECOGNITION

The Company recognizes revenue at the time the product is installed. Sales revenue and cost of sales reported in the statement of operations is reduced to reflect estimated returns.

6

### NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:



Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

	March 31, 2002 (unaudited)	December 31, 2001
Computer equipment	\$ 117,165	\$ 94,407
Computer software	17,326	16,616
Furniture and fixtures	14,963	14,296
Leasehold improvements	7,982	7,982
	-----	-----
	157,436	133,301
Lease accumulated depreciation and amortization	44,274	37,348
	-----	-----
	\$ 113,162	\$ 95,953
	-----	-----

4. LOAN AND ACCRUED INTEREST PAYABLE, STOCKHOLDER

Loan and accrued interest payable, stockholder at March 31, 2002 (unaudited) and December 31, 2001 includes a line of credit under which the Company can borrow up to \$1,989,500 in principal plus accrued interest. The line of credit agreement was informally increased by the stockholder as of March 31, 2002 to include the total borrowings of approximately \$2,318,000. The loan bears interest at 2% above the prime rate (4.75% at March 31, 2002 and December 31, 2001) and is due in August 2002. At March 31, 2002 and December 30, 2001 the loan and accrued interest payable, stockholder is comprised of advances of approximately \$2,318,000 and \$1,580,000, expenses paid by the stockholder of approximately \$240,000 and \$210,000, and accrued interest of approximately \$173,000 and \$134,000, respectively. As a result of the above, the Company has approximately nil and \$409,500 available on the line of credit. Interest expense amounted to approximately \$39,000, \$21,000, \$122,000 and \$13,000 for the three-month periods ended March 31, 2002 and 2001 (unaudited), the year ended December 31, 2001 and the period August 1, 2000 (inception) to December 31, 2000, respectively (see Note 10).

7

NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

5. LOAN PAYABLE

Loan payable is a line of credit under which the Company can borrow up to \$1,500,000 and bear an interest rate equal to the prime rate and is due on September 30, 2002. The agreement requires monthly payments of accrued interest. The note is collateralized by substantially all the assets of the Company and is guaranteed by the majority stockholder of the Company. The loan payable and accrued interest payable, stockholder is subordinated to this note. Interest expense relating to this loan amounted to approximately \$17,000, nil, \$20,000 and nil for the three-month periods ended March 31, 2002 and 2001 (unaudited), the year ended December 31, 2001 and the period August 1, 2000 (inception) to December 31, 2000, respectively.

6. STOCK SUBSCRIPTION RECEIVABLE

The stock subscription receivable represents 600,000 shares of the Company's

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

common stock due from three key employees at \$.005 a share.

### 7. STOCK OPTION PLANS

The Company adopted a stock option plan ("Plan") providing for incentive stock options ("ISOs") and non-qualified stock options ("NQSOs"). The Company has reserved 500,000 shares of common stock for issuance upon the exercise of stock options granted under the Plan. In May 2002, the Board of Directors increased the shares reserved under the plan to 725,000. The exercise price of an ISO or NQSO will not be less than 100% of the fair market value of the Company's common stock at the date of the grant. The exercise price of an ISO granted to an employee owning greater than 10% of the Company's common stock will not be less than 110% of the fair market value of the Company's common stock at the date of the grant. The Plan further provides that the maximum period in which stock options may be exercised will be determined by the board of directors, except that they may not be exercisable after ten years from the date of grant.

The status of the Company's stock options are summarized below:

	PLAN OPTIONS	PER SHARE EXERCISE PRICE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at			
January 1, 2001	190,000	\$0.10	\$0.10
Granted 2001	119,000	\$0.15 - \$0.25	\$0.17
Terminated 2001	(52,000)	\$0.10 - \$0.20	\$0.12
	-----		
Outstanding at			
December 31, 2001	257,000	\$0.10 - \$0.25	\$0.12
Granted 2002	70,500	\$0.25 - \$1.50	\$0.70
Terminated 2002	(4,000)	\$0.15	\$0.15
	-----		
Outstanding at			
March 31, 2002	323,500	\$0.10 - \$1.50	\$0.22
	=====		

There were 8,332 and nil shares exercisable at March 31, 2002 (unaudited) and December 31, 2001, respectively.

### NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

### 7. STOCK OPTION PLANS (CONTINUED)

The Company has adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation". SFAS 123 requires compensation expense to be recorded (i) using the new fair value method or (ii) using existing accounting rules prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations with pro forma disclosure of what net income would have been had the Company adopted the new fair value method. If the Company adopted the new fair value method using the Black-Scholes

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

option-pricing model, the Company's net loss would not have been materially impacted for the three-month periods ended March 31, 2002 and 2001, the year ended December 31, 2001 and the period August 1, 2000 (inception) to December 31, 2000. The Company accounts for its stock based compensation plans in accordance with the provisions of APB 25 and, accordingly, no compensation cost has been recognized because stock options granted under the plan were at exercise prices which were equal to or above the market value of the underlying stock at date of grant.

The fair value of issued stock options is estimated on the date of grant using the Black-Scholes option-pricing model including the following assumptions: expected volatility of 0%, expected dividend yield rate of 0%, expected life of 10 years, and a risk-free interest rate of 4.68% and 5.35% in 2002 and 2001, respectively.

### 8. COMMITMENTS AND CONTINGENCIES

#### LEASES

The Company rents facilities under leases in New Jersey, Virginia and California. The Company is obligated under these leases through April 2006. In addition to the base rent, one lease provides for the Company to pay a proportionate share of operating costs and other expenses.

Future aggregate minimum annual rent payments under these leases are approximately as follows:

YEAR ENDING MARCH 31,	
2003	\$ 135,000
2004	102,000
2005	105,000
2006	108,000
	-----
	\$ 450,000
	=====

Rent expense was approximately \$41,000, \$37,000, \$132,000 and \$17,000 for the three-month periods ended March 31, 2002 and 2001 (unaudited), the year ended December 31, 2001 and the period August 1, 2000 (inception) to December 31, 2000, respectively.

#### NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

### 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### EMPLOYMENT AND NON-COMPETITION AGREEMENTS

The Company is obligated under employment and non-competition agreements with three key employees through July 2005. The first agreement provides for a base salary of \$180,000 per annum for the first year, increasing to \$192,000 per annum for the second year (through August 13, 2002). The second agreement

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

provides for a minimum annual salary of \$138,000 for the first year, increasing to \$150,000 for the second year, which may increase to \$175,000 based on earnings for such year, and increasing to \$175,000 for the third year, which may increase to \$200,000 based on earnings for such year (through July 31, 2003). The third agreement provides for a base salary of \$102,000 for the first year, increasing to \$112,000 for the second year, and increasing to \$122,000 for the third year (through July 9, 2003). Thereafter, for each succeeding year during the term of these agreements, base salary shall be increased annually by a percentage equal to the percentage by which the Consumers Price Index has increased over the preceding year. The agreements further provide for a commission equal to one percent of net sales during each year of their term. The agreements also provide for the key employees not to engage in certain competitive activities for one year after termination of employment.

### LICENSE AGREEMENT

On February 27, 2001, the Company entered into a software license agreement expiring June 30, 2003.

Future aggregate annual payments under this agreement are as follows:

YEAR ENDING MARCH 31,	
2003	\$ 75,000
2004	18,750
	-----
	\$ 93,750
	=====

In addition, the agreement provides for an option to renew from July 1, 2003 to June 30, 2005. The Company will be required to pay \$100,000 a year plus a percentage equal to the last published Consumer Price Index.

### 9. LIQUIDITY

At March 31, 2002 (unaudited) and December 31, 2001, the Company has incurred a loss from operations of approximately \$597,000 and \$2,420,000, respectively, has a working capital deficit of approximately \$1,162,000 and \$1,353,000, respectively and a stockholders' deficit of approximately \$3,573,000 and \$2,895,000, respectively. The majority stockholder of the Company has committed to fund additional long-term debt financing, on an as needed basis. Long-term liquidity is dependent on the Company's ability to obtain additional long-term financing and attain profitable operations.

10

### NOTES TO FINANCIAL STATEMENTS

(Information for the three months ended March 31, 2002 and 2001 is unaudited)

### 10. SUBSEQUENT EVENTS (unaudited)

#### MERGER

On May 15, 2002, the Company entered into a Merger Agreement and Plan of Merger (the "Agreement") with TDT Development, Inc. ("TDT") whereby TDT will issue 7,000,000 shares of its common stock in exchange for all of the Company's outstanding shares in a transaction accounted for as a reverse purchase acquisition. As a result, the Company is considered for accounting purposes, to be the acquiring company since the stockholders of the Company acquired more than 50% of the issued and outstanding stock of TDT. Pursuant to this Agreement,

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

the outstanding options of the Company were also converted into options to purchase TDT Common Stock based on a conversion rate of 2.1875000 as defined in the Agreement. Subsequent to the merger, TDT changed its name to Stronghold Technologies, Inc.

### STOCK PURCHASE AGREEMENT

The Company, along with TDT, Pietro Bortolatti and Christopher J. Carey, (together the "Parties") entered into a Securities Purchase Agreement (the "Purchase Agreement") dated as of May 15, 2002, with Stanford Venture Capital Holdings, Inc. ("Stanford"). Pursuant to the Purchase Agreement, the Parties agreed to issue to Stanford a total of 2,002,750 shares of TDT's Series A \$1.50 Convertible Preferred Stock ("Series A Preferred Stock"), which is equal to 20% of the total issued and outstanding shares of TDT's common stock (excluding certain shares which may be issued upon the occurrence of certain events as disclosed in the Purchase Agreement), plus five-year warrants to purchase 2,002,750 shares of TDT's common stock at an exercise price of \$1.50 or \$2.25, purchased for an aggregate purchase price of \$3,000,000. Pursuant to the Purchase Agreement, the issuance of the Series A Preferred Stock and Warrants will take place on four separate closing dates beginning on May 16, 2002 and closing on July 19, 2002.

In connection with the Purchase Agreement, TDT and Stanford entered into a Registration Rights Agreement, dated May 16, 2002, in which TDT agreed to register the shares of TDT Common Stock issuable upon conversion of the Series A Preferred Stock and upon conversion of the Warrants with the Securities and Exchange Commission within 180 days from the date of the last closing under the Purchase Agreement, which was July 19, 2002. In addition, certain stockholders of TDT entered into a Lock-Up Agreement in which the parties agreed not to sell, assign, transfer, pledge, mortgage, encumber or otherwise dispose of their shares of TDT capital stock for a period of two years, with certain exceptions, as defined in the Lock-Up Agreement. Finally, Stanford, Christopher J. Carey and his wife entered into a Stockholders' Agreement on May 16, 2002 in which each party agreed that in the event any party desires to sell shares of TDT capital stock, that party will (i) offer the other parties a right of first refusal of purchase for proposed sales of TDT capital stock, and (ii) include the other parties' shares in the proposed sale. The Stockholders' Agreement also addresses voting of the shares of TDT capital stock owned by each party.

### LOAN PAYABLE STOCKHOLDER

On April 22, 2002 and May 16, 2002, the stockholder converted and exchanged an aggregate of \$2,000,000 of borrowings that were outstanding under the line of credit agreement for an aggregate of 500,000 shares of the Company's common stock and 666,667 shares of TDT's common stock, at a per share value of \$2.00 and \$1.50, respectively. The remaining amounts outstanding under the line of credit, plus accrued interest, accrued officer compensation and unreimbursed expenses were converted into a promissory note. Principal and accrued interest are payable in six equal quarterly installments beginning two days after TDT has filed its Annual Report on Form 10-KSB for the year ending December 31, 2002 and each subsequent quarterly installment shall be due two business days after the filing of each subsequent Form 10-QSB or Form 10-KSB. The note provides for the principal and accrued interest payments to be deferred and amortized over the remaining periods if the Company meets certain net income criteria and also provides for a conversion to common stock if the net income does not meet certain criteria, as defined in the agreement (See Note 4).

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

STRONGHOLD TECHNOLOGIES, INC.

Unaudited Pro Forma Combined Condensed Financial Statements of TDT Development, Inc. and Stronghold Technologies, Inc.

On May 15, 2002, TDT Development, Inc. ("TDT") entered into an Agreement and Plan of Merger with Stronghold Technologies, Inc. ("STRONGHOLD") whereby STRONGHOLD will merge with and into TDT Stronghold Acquisition Corp. ("Acquisition"), a wholly-owned subsidiary of TDT, with Acquisition being the surviving corporation and existing as a wholly-owned subsidiary of TDT. Under the terms of the merger agreement, the outstanding common shares of STRONGHOLD will be converted into common shares of TDT under an exchange ratio that will result in the former shareholders of STRONGHOLD holding 7,000,000 of the outstanding shares of TDT immediately after the effective time of the merger.

As the former shareholders of STRONGHOLD will control TDT after the transaction, the proposed merger will be accounted for as a reverse acquisition under which, for accounting purposes, STRONGHOLD is deemed to be the acquirer and TDT is deemed to be the acquired entity. Under these accounting principles, the post-merger company financial statements will represent STRONGHOLD on a historical basis consolidated with the results of operations of TDT from the effective date of the merger.

The accompanying unaudited pro forma combined condensed balance sheet at March 31, 2002 gives effect to the Merger as if it occurred on March 31, 2002. The accompanying unaudited pro forma combined condensed statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 gives effect to the Merger as if it had occurred on January 1, 2002 and January 1, 2001, respectively.

The unaudited pro forma combined condensed balance sheet at March 31, 2002 was prepared based upon the unaudited historical balance sheets of TDT and STRONGHOLD. The unaudited pro forma combined condensed statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 were prepared based upon the unaudited and audited, respectively, historical statements of operations of TDT and STRONGHOLD.

The unaudited pro forma combined condensed financial statements should be read in conjunction with the historical financial statements of TDT and STRONGHOLD. Certain amounts in the STRONGHOLD financial statements have been reclassified to conform to the TDT presentation.

The unaudited pro forma combined condensed financial statements are not necessarily indicative of the actual results of operations or financial position that would have been occurred had the Merger of TDT and STRONGHOLD occurred. All information contained herein should be read in conjunction with the financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in TDT's annual report filed on Form 10-KSB for the year ended October 31, 2001 and the quarterly reports filed on Form 10-QSB for the two-month period ended December 31, 2001, and the three-month period ended March 31, 2002 which have been incorporated by reference.

Stronghold Technologies, Inc.

# Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

Unaudited Pro Forma Combined Condensed Balance Sheet  
As of March 31, 2002

	TDT Development, Inc. and Subsidiaries	Historical Stronghold Technologies, Inc.
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,053	\$ 7,769
Accounts recievable, net of allowance for doubtful accounts of \$1,150 and \$69,000	24,745	940,028
Commissions receivable	7,000	
Inventories	42,819	122,055
	-----	-----
Total current assets	75,617	1,069,852
	-----	-----
<b>PROPERTY AND EQUIPMENT, net</b>	10,527	113,162
	-----	-----
<b>OTHER ASSETS</b>		
Security deposits	160	27,087
	-----	-----
	\$ 86,304	\$ 1,210,101
	=====	=====
<b>CURRENT LIABILITIES:</b>		
Revolving credit line	\$ 6,222	\$ -
Accounts payable	1,151	219,008
Accrued expenses and other current liabilities	30,999	322,643
Loan payable		1,500,000
	-----	-----
Total current liabilities	38,372	2,041,651
	-----	-----
<b>LOAN AND ACCRUED INTEREST PAYABLE, STOCKHOLDER</b>	19,952	2,730,658
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' DEFICIT:</b>		
Preferred Stock, \$.0001 par value; 5,000,000 shares authorized; issued and outstanding nil shares (historical); 2,002,750 issued and outstanding (post Securities Purchase Agreement with Stanford)		
Common Stock:		
TDT Development - \$.0001 par value; 50,000,000 shares authorized;		

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

8,381,000 shares issued and outstanding; (historical);	838	
2,086,000 issued and outstanding (post surrender);		
9,086,000 issued and outstanding (post merger); and		
9,752,667 issued and outstanding (post subsequent debt to equity conversion)		
Stronghold Technologies, Inc. - 10,000,000 shares authorized;		
2,700,000 shares issued and outstanding; no par value (historical);		13,500
3,200,000 shares issued and outstanding (post debt to equity conversion)		(3,000)
Stock subscription receivable		
Additional paid-in capital	305,707	
Accumulated deficit	(278,565)	3,572,708)
Total stockholders' deficit	27,980	(3,562,208)
	\$ 86,304	\$ 1,210,101

Stronghold Technologies, Inc.  
Unaudited Pro Forma Combined Condensed Statements of Operations

	For Three Months Ended March 31, 2012		
	Pro-Forma		
	TDT Development, Inc. and Subsidiaries	Stronghold Technologies, Inc.	Pro Forma Adjustments
	-----	-----	-----
REVENUES			
Net Sales	\$ 10,223	\$ 693,638	\$ -
Cost of Sales	5,395	209,126	
Gross Profit	4,828	484,512	
OPERATING EXPENSES			
General and Administrative	43,031	959,945	
Selling Expenses	5,587		
Officers Salaries		66,000	
TOTAL EXPENSES	48,618	1,025,945	



Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

LOSS FROM OPERATIONS	(43,790)	(541,433)	
OTHER INCOME AND EXPENSE			
Interest Income	5		
Interest Expense	(498)	(56,039)	34,000 g
TOTAL OTHER INCOME AND EXPENSES	(493)	(56,039)	34,000
NET LOSS	\$ (44,283)	(597,472)	34,000
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.22)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,381,000	2,700,000	

Stronghold Technologies, Inc.  
Unaudited Pro Forma Combined Condensed Statements of Operations

For Year Ended December 31, 2001  
Historical

	TDT Development, Inc. and Subsidiaries	Stronghold Technologies, Inc.	Pro Forma Adjustments	Combi Comp
REVENUES				
Net sales	\$ 127,584	\$ 614,539	\$ -	\$
Cost of Sales	59,305	250,465		
Gross Profit	68,279	364,074		
OPERATING EXPENSES				
General and administrative	200,364	2,477,727		2,
Selling Expenses	80,609			
Officers Salaries		165,000		
TOTAL EXPENSES	280,973	2,642,727		2,
LOSS FROM OPERATIONS	(212,694)	(2,278,653)		(2,
OTHER INCOME AND EXPENSE				
Commissions	46,321			
Interest Income	3,688			
Interest Expense		(141,435)	122,000 g	
Other	(48)			
TOTAL OTHER INCOME AND EXPENSES	49,961	(141,435)	122,000	

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

NET LOSS	\$ (162,733)	\$ (2,420,088)	\$ 122,000	(2)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.90)		\$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,381,000	2,700,000		9

STRONGHOLD TECHNOLOGIES, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

PRE MERGER PRO FORMA ADJUSTMENTS

The unaudited pro forma combined condensed financial statements of TDT and STRONGHOLD reflect pro forma adjustments for certain transaction that are required as a condition to the Merger, as if such transactions had occurred as March 31, 2002 for purposes of the unaudited pro forma combined condensed balance sheet and at January 1, 2002 and January 1, 2001 for purposes of the unaudited pro forma combined condensed statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001, respectively. A summary of these transactions is as follows:

Prior to the Merger, a stockholder of Stronghold converted a portion of his stockholder loan to equity.

STRONGHOLD TRANSACTION:

(a) Reflects the conversion of \$1,000,000 in stockholder loans payable to 500,000 shares of Stronghold common stock

TDT TRANSACTION:

(b) Reflects shares surrendered by stockholders of TDT, reducing shares issued from 8,381,000 to 2,086,000, as follows:

Liabilities and stockholders' deficit:	
Reduction of par value for stock surrendered	(629)
Increase to additional paid-in capital	629

MERGER PRO FORMA TRANSACTIONS

"Pro Forma Adjustments" to the unaudited combined condensed balance sheet at March 31, 2002 are as follows:

(c) To reflect the issuance by TDT of 7 million shares of TDT common stock to STRONGHOLD, in exchange for 100% of the outstanding common stock of

## Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

STRONGHOLD.

- (d) Reflects the elimination of TDT's historical accumulated deficit; the historical accumulated deficit of STRONGHOLD has been carried forward and the remaining equity accounts of STRONGHOLD have been reclassified to reflect the par value of the TDT stock issued with any differences reflected as additional paid-in capital.
- (e) Reflects the issuance of 2,002,750 shares of TDT's preferred stock to Stanford for an aggregate purchase price of \$3,000,000.
- (f) Reflects the conversion of \$1,000,000 of stockholder loans payable to 666,667 shares of TDT's common stock.

"Pro Forma Adjustments" to the unaudited combined condensed statements of operations for the three months ended March 31, 2002 and the year ended December 31, 2001 are as follows:

- (g) Represents the elimination of interest expense related to the stockholder loans payable that were converted to equity.

STRONGHOLD TECHNOLOGIES, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

### MERGER PRO FORMA TRANSACTIONS (CONTINUED)

Unaudited pro forma combined basic and diluted share information of TDT and STRONGHOLD and earnings per share for the three months ended March 31, 2002 and the year ended December 31, 2001 are as follows:

	March 31, 2002
TDT historical weighted average shares outstanding	8,381,000
Adjusted for shares surrendered	(6,295,000)
	-----
TDT pro forma weighted average shares outstanding	2,086,000
	-----
STRONGHOLD historical weighted average shares outstanding	2,700,000
Adjusted for shares issued under debt to equity conversion	500,000
Increase in weighted average common stock outstanding to account for the TDT stock given in the merger at the share	
conversion rate of 2.1875 for STRONGHOLD common stock	3,800,000

Edgar Filing: STRONGHOLD TECHNOLOGIES INC - Form 8-K/A

STRONGHOLD pro forma weighted average shares outstanding,

as converted

7,000,000

Post Merger Adjustment:

Increase in weighted average common stock outstanding to

account for shares issued under debt to equity conversion

666,667

Pro forma combined weighted average shares outstanding

9,752,667