STRONGHOLD TECHNOLOGIES INC
Form 10KSB
April 17, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB
ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006
Commission File No. 333-54822

DEALER ADVANCE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada (State or Other Jurisdiction of Incorporation or Organization)	22-376235 (I.R.S. Employer Identification No.)

16801 Addison Road, Suite 310, Addison, TX (Address of Principal Executive Offices)	75001 (Zip Code)

(214)866-0606
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:
None.

Securities registered under Section 12(g) of the Exchange Act:
None.

Check whether the Registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: x No: o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x

State Registrant's revenues for fiscal year ended December 31, 2006: $479,474
State the aggregate market value of the common stock held by non-affiliates of the Registrant: $95,502 as of April 13, 2007 based on the closing sales price of $0.002 on that date.

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Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of April 13, 2007:

Class	Number of Shares
Common Stock, $0.0001 par value	47,751,393

The following documents are incorporated by reference into the Annual Report on Form 10-KSB: None.

Transitional Small Business Disclosure Format

Yes: o   No: x

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PART I

Item 1. BUSINESS

OUR HISTORY

We were incorporated as a Nevada corporation on September 8, 2000, under the name TDT Development, Inc. On May 16, 2002, we acquired Stronghold Technologies, Inc., a New Jersey corporation, referred to herein as our "Predecessor Entity", pursuant to a merger of Stronghold Technologies into our wholly-owned subsidiary, TDT Stronghold Acquisition Corp., referred to herein as "Acquisition Sub". Our company, formerly TDT Development, Inc., was a reporting entity at the time. Its principals were Pietro Bortolatti, President, CEO and Chairman, Tiziana DiRocco, Vice-President and Director of European Operations and David Rector, Director. The merger was an arms length transactions and none of the parties had a prior existing relationship. As consideration for the merger, we issued 7,000,000 shares of our common stock valued at $.75 per share to the stockholders of the Predecessor Entity in exchange for all of the issued and outstanding shares of the Predecessor Entity. No fairness opinion was issued in connection with this merger. Following the merger, Acquisition Sub, the survivor of the merger, changed its name to Stronghold Technologies, Inc. (NJ) and remains our only wholly-owned subsidiary. We approved the transaction as the sole shareholder of the Acquisition Sub as did the shareholders of the Predecessor Entity.

On July 11, 2002, we changed our name from TDT Development, Inc. to Stronghold Technologies, Inc. (NV). 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., which conducted an import and distribution business specializing in truffle-based food product, for 75,000 shares of our common stock held by Mr. Pietro Bortolatti, our former president.

On September 26, 2006, we changed our name to Dealer Advance, Inc. As a result, symbol on the OTCBB was changed to DLAV.

On January 25, 2007, our Predecessor Entity filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Case No. 07-30322-sgj7. In connection with the filing, the Subsidiary has ceased all business activity and operations. The Subsidiary determined that it does not have sufficient resources to continue its operations. The court has appointed a bankruptcy trustee who will be responsible for the liquidation of the business through the bankruptcy case.

Our principal executive offices mailing address is 16801 Addison Road, Addison, Texas 75001. Our telephone number is 214-866-0606 and our Internet address is www.dealeradvance.com.

HISTORY OF OUR CUSTOMER RELATIONSHIP MANAGEMENT TECHNOLOGY BUSINESS

On May 16, 2002, we entered the handheld wireless technology business via our acquisition by merger of the Predecessor Entity. The Predecessor Entity was founded on August 1, 2000 by Christopher J. Carey, our former Chief Executive Officer and President, and Lenard J. Berger, former Chief Technology Officer and Salvatore F. D'Ambra, former Vice President, Product Development, of our wholly-owned subsidiary. The Predecessor Entity was founded to develop proprietary handheld wireless technology for the automotive dealer software market.

In 2006 we ceased from continuing to conduct the Predecessor Entity's handheld wireless technology business and have developed a new web based platform called WEB DA and currently offer the wireless technology created by the predecessor as an option

WEB BASED PRODUCT AND TECHNOLOGY DEVELOPMENT

We are engaged in the business of selling, marketing and installing a web based application software and database systems that manages the auto dealer-client relationship. Our suite of Customer Relationship Management ("CRM") software, has been designed to assist auto dealerships in collecting cliental contact information, following up on sales prospects and aiding dealership sales personnel in finalizing the sale of its automobiles.

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We have identified five major prospect and customer sources within an auto dealership that can be leveraged for revenue and profit for our dealership clients: walk in showroom traffic, call-in prospects, internet based leads, the existing owner base of customers and service prospects.

Our software system is designed to provide a single solution for all of these five major prospect groups to increase profitability and improve customer service in the dealership. Our software system provides information captured from prospects, and provides automobile dealerships with the ability to manage prospects and customers through a disciplined follow-up process.

On January 18, 2007, we announced the launch of our new web based version of Dealer Advance called Web DA™. This new development provides Dealerships a quick turn on, easy to use, cost effective and accessible system with the programs necessary to manage the Customer Relationship processes and functions at their dealerships. The software will allow dealerships to run programs without a significant investment in new hardware, which was previously required with DealerAdvance(TM).

Previously, dealership clients had to purchase and invest in servers, hardware, cabling and handheld devices to derive the benefits of the original Dealer Advance ™. Additional costs included the time to install the system and back order of materials. Also, the previous system required that a user or manager be physically located at the dealership. Now, with the new web based technology, users can access Web DA™ from anywhere at anytime provided they have access to an internet connection and a web browser.

The new Web DA™ system provides an immediate and secure turn on after being assigned and provisioned a username, password and new account. This immediate same day turn on is achieved for a set up cost in range of $1,500 to $2,500. Previous technology often required a capital investment of up to $70,000 with dependency on material delivery and subcontractor installation delays caused by delays and back orders.

DESCRIPTION OF PRODUCTS

WebDA(TM) allows automobile dealers to capture a customer's contact and vehicle information, purchasing requirements, and gives dealership personnel the ability to search inventory in their DMS inventory systems . This search feature can be used to search inventory at multiple locations, dealership personnel can locate an appropriate vehicle in stock and print out the necessary forms to complete the purchase or lease deal. Through an integrated Customer Relationship Management (CRM)application, the system sends detailed tasks for prospect and customer follow-up on a sales and management level which increases the likelihood that a customer will purchase from the dealer in the future. WebDA administrators can produce activity and scoreboard reports to measure compliance and dealership data. DealerAdvance(TM) allows sales professionals to capture customer leads quickly, improve customer follow-up, and reduce administrative costs.

We host a web application software system that enables Dealership clients to securely access the system from any web browser after being granted an account with a username and password. All data that is entered onto the application is archived and easily retrieved from the SQL database that we also host as part of the product offering. All client data is protected and is only accessible by their selected staff members. Additionally we provide a driver licensing scanning station for easy capture of client data.

Many auto dealerships still rely on a paper based process to capture its prospects and track their progress to purchasing a vehicle. This paper process is difficult to manage due to high turnover and skills of the typical sales force. Management does not have the tools to determine how many opportunities have been generated and if they are receiving follow up after leaving the dealership. DealerAdvance prompts the salesperson to capture more information about each prospect and advises them of the appropriate follow up. When a customer is ready to purchase a vehicle, the system aids the dealership in completing the sales through features such as inventory search and forms printing. Management is able to view dealership traffic in real-time, by salesperson, and can easily pinpoint deficiencies in the capture and follow up process.

WEB DA™ provides certain advantages to automobile dealerships, including:

- access to competitive and proprietary industry information from a variety of sources, such as convenient access to vehicle

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- identification numbers, drivers license numbers and reverse telephone number information which provides home and business addresses;
- employee access to sales contracts as well as access to sales and performance reports; and
- allows integration with existing automotive dealer accounting and business systems such as ADP and Reynolds and Reynolds.

WEB DA™ offers features that aid in automobile sales and service such as:

- streamlining and simplifying sales and follow-up processes;
- providing current and comprehensive information and data for new and used car inventory, including information regarding competing products, and customer history with the dealership;
- providing performance data and analysis on each member of a sales team; and
- providing management with valuable and relevant transaction information on a real-time basis.

A user can enter client data via the DealerAdvance application running on any desktop. Data can be entered into the system typed by the user or through drivers license scanning Data entered by the user is transmitted to the web hosted database server in real time.

The system contains a "rules" engine which is triggered at different points in the sales process. The rules engine updates the activities scheduled for each customer based on business rules defined by the dealer. For example, when a new customer is entered by a user, the system will schedule a letter to be sent to the customer and a follow up phone call for the next day. If that same customer buys a vehicle, the system will remove the letter and follow up call and replace it with activities appropriate for follow up.

Users also have the ability to manually schedule activities with a customer. All activities are displayed on the user's work plan in chronological order. The user may select any activity, view the details of the activity and customer information and complete the activity. WebDA allows users to e-mail customers directly.

The system will prompt the user to schedule additional activities when completing follow up with a customer. For example, if the user completes a follow up call the system will prompt the user to set an appointment. The user can enter a date and time for the appointment, schedule an additional follow up call or indicate that no additional activities are required at this time.

The system offers a variety of reports to management to show the volume of traffic at the dealership and if those prospects are receiving follow up in a timely fashion. Reports also show ratios for data in the system, such as Calls made to Appointments Set, Appointments Set to Appointments Shown, etc All reports can be customized based on the data that a dealer would want to review.

The system has the following features:

- Prospect capture which allows the user to input the required information, reverse phone lookup, duplicate record checking, electronic guest sheet and capture signatures electronically for credit card processing.

- The system tracks compliance with National Registry and Dealership specific DNC list. Customers marked "DNC" have phone number hidden to avoid accidental calling. In addition, the dealer can print a report to insure compliance.

- The system can scan and authenticate driver licenses while capturing both the front and back image and inserting it into guest details.

- o Provides a call management system for follow ups.
- o Provides daily workplan and appointment scheduling which appointments, calls, letters and emails for salespeople.
- o Generate prospect reports, scoreboard, appointment calendar and activity reports sorted by salesperson, sales team, or individual dealership.
- o Receive leads from all internet lead sources including adf format and manage follow up from WEB DA™ . Features include: route leads to a specific user based on lead source, auto responders, templates, customers using multiple lead sources, lead protection.

We installed Version 1.0 of the DealerAdvance Sales Solution(TM) in six pilot dealerships during 2001 in New Jersey, California and Connecticut. The initial release contained the ability to capture and display information about a prospective customer, search the dealership inventory, display competitive product information, a financial calculator, and paging functionality from a wireless handheld. Drivers license scanning, from a desktop station, was introduced for the State of California. Stronghold introduced Version 2.0 of DealerAdvance Sales Solution(TM) at all of its sites by the end of September 2001. Version 2.0 offered an electronic desk log, email and internet access from the handheld, printing of correspondence (forms letters) , a reporting engine, the printing of sales forms, and the ability to import prospect records from 3rd party sources.

We introduced Version 3.0 of our software and installed another 3 dealership sites in the quarter ended March 31, 2002, adding customers in New York. Version 3.0 introduced the CRM rules engine, which allowed the system to automatically schedule and manage customer follow up activities for salespeople based on rules established by the dealership management. Other features included DMS deal creation (allowing a user to pass information from DealerAdvance to the DMS), management reporting, and the expansion of drivers license scanning to include 39 states (through a partnership with Intellicheck).

In the quarter ended June 30, 2002, through our wholly owned subsidiary, we installed another 7 sites, adding customers in Arizona, Southern California and South Carolina and introduced Version 3.1 of its software to improve the communication protocol between the handheld and the DealerAdvance Server. In the quarter ended September 30, 2002, through our wholly owned subsidiary, we implemented another 10 sites, adding customers in Virginia, Florida, South Carolina and Central California. In the fourth quarter ending December 31, 2002, through our wholly owned subsidiary, we installed an additional 13 dealerships, adding customers in Texas, Indiana and Michigan. Overall, in 2002, through our wholly owned subsidiary, we installed DealerAdvance Sales Solution(tm), in a total of 33 dealerships sites representing Toyota, Honda, Ford, Chevrolet, Nissan, Volkswagen, Buick, Pontiac, Cadillac, Chrysler, Dodge, Kia and Hyundai.

In the first quarter of 2003, we installed in 11 dealerships and released Version 3.2. New features included reverse phone lookup (via partnership with Axicom), searches for duplicate customer records, wireless PDA trade appraisal, electronic buyers order, nightly download of sold customers from the DMS, and customer search. Additional functionality was added to the rules engine, forms printing, management functions were added to the PDA, 3rd party data imports, and customer tracking. In the quarter ended June 30, 2003, we installed another 11 systems in 9 dealerships in California, Nevada, Indiana, Washington, Ohio, and Michigan. We implemented our goal to expand our direct sales network and operational support personnel for coverage of 14 major cities from nine at the end of 2002. Additionally, in the second quarter we realigned our sales force into geographic markets and hired several experienced industry veterans as regional business development managers.

We plan to utilize our direct sales force to market the DealerAdvance Sales Solution(tm) on a national basis. We have established a strong presence in most regions of the United States, and are continuing to add business development and operations offices pursuant to an organized growth plan. As of December 31, 2003, we had employees in Northern New Jersey, San Francisco, Washington, DC, Atlanta, Los Angeles, Phoenix, Miami, Seattle, Cleveland, and Dallas.

Version 3.3, released in August 2003 introduced the concept of a work-plan, which assists the user in prioritizing follow up for prospective customers. The work-plan generates a simple daily "to-do" list for each salesperson, which can be viewed and updated on the handheld. Version 3.3 also introduced the concept of "prompted follow up" to guide the salesperson through best of breed follow up processes. The salesperson is prompted to indicate the action taken to complete an activity

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and to enter a next activity for the customer with the goal of scheduling a next activity for a prospective customer until they either purchase a vehicle or indicate they are no longer in the market.

Version 3.4 released in January 2004 introduced integration with WhosCalling and Call Bright, the two leading providers of phone call management services. The dealer is assigned several toll free numbers to place in a specific advertising outlet (newspaper, TV, radio, etc). When the customer dials the toll free number, the call management service identifies the callers' information (name, address, demographics) and records the call. The call information and a link to the call recording are passed by the call management service to DealerAdvance. Version 3.4 introduced the ability to receive Internet leads in DealerAdvance. An Internet Manager can view leads and follow up via email with prospective customers that view the dealer's web site or are passed by 3rd party lead providers. Through a subscription service, in Version 3.4, the dealer can maintain their compliance with the National Do Not Call Regulations managed by the FTC. DealerAdvance will automatically determine which customers are safe to call based on the "established business relationship" rules defined in the regulations. The system can produce the documentation required to demonstrate compliance.

In January 2004, we also introduced an application that lessens potential violations of the 2003 federal Do Not Call regulations. Our system automatically and regularly compares the prospect and customers within the system to the Do Not Call registry data base. The application also allows the dealership personnel to log prospect and customer requests not to be contacted. The system deletes from the database telephone numbers that match numbers in the Do Not Call database. Version 4.0 released in April 2004 introduced The Dealer Advance (DA) Campaign Manager feature, designed to provide for the simple, quick, and easy creation of targeted marketing activities. With DA Campaign Manager, a dealership Sales Manager or BDC/CDC Manager can define a sales campaign, including:

§ Target Audience
§ Personalized content (text, graphics, web links for click thru)
§ Campaign Media (letter, email, call, other, combinations)
§ Follow Up
§ Sales Contact
§ Frequency

The 4.0 release is designed to enable a campaign that is a collection of data which define a marketing initiative. The software enables the client to create a Campaign to potential clients captured by the CRM software that include the Campaign Target List, Campaign Material, Content and Client preferences.

From 2002 through 2005, we generally granted a 60-day performance guarantee period for each new installation. If performance goals were met, the contracts became noncancellable for their terms, usually 36 months. In 2006 the Company discontinued the 60-day performance guarantee and focused efforts on developing the new web based application software system. As of December 31, 2006, a total of 32 dealers were using the DealerAdvance Sales Solution(tm), down from 83 as of December 31, 2005.

This net reduction of 51 clients represents contracts that came to their term that were not renewed. Additionally during 2006, we added no new clients as we were focused on the development of our new web based software system that was not completed until January of 2007. As a result of the reversal in growth, the Company has taken proactive measures to reprice and reintroduce the software to the buying marketplace and reduce the capital expenditure and time required to utilize the old system.

OUR REVENUES

Our revenues in 2006 were primarily received from the maintenance contracts earned through the use of the DealerAdvance™ system by 32 client dealerships in 2006. The typical maintenance contract for the old system is for 36 months and is $750.00 per month. The average total 36 month maintenance portion of the contact is $27,000. In the operating period from 2002 through to 2005, approximately 50% of all our customers have prepaid the maintenance fees through a third party leasing finance company and have generated deferred revenue liability on the balance sheet as a result of receiving these advance payments.

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Prior to 2006 the Company's revenues were primarily generated from the installation of the previous version of the Dealer Advance system and had an average selling package price of $70,000.

With release of the new WebDA™ system announced in January 2007, the Company's revenue model has changed to provide for competitive pricing advantages made available with the new wed based system. Our revenues moving forward will be primarily generated from a one-time up-front payment and monthly recurring fees covering software licenses. Our license agreements will be provided in twelve, twenty-four and thirty-six month terms. A $2,500 down payment and a monthly fee of $1,500 over a twelve month term will be booked as revenue at an average annual fee of $20,500, inclusive of the down payment.

COST OF GOODS SOLD

Our Cost of Goods Sold in 2006 was primarily attributed to supporting the maintenance portion of contracts as referenced above in the revenues section and were comprised of hardware components, software licensing and labor. Additional Cost of Goods Sold was recognized for Software Development of the new WebDA ™ system. In total, Cost of Goods Sold as a percentage of revenues in 2006 was 14.889%.

Prior to 2006, Cost of Goods Sold as a percentage of revenue was greater due to the fact that the Company had generated revenues from new software systems and incurred installation expenses. The total Cost of Goods Sold as a percentage of revenue in 2005 was 34.37%.

With the release of the new WebDA™ system announced in Jan 2007, the company we will incur new categories of Cost of Goods Sold for hosting and servicing of the new product of approximately 20% of the estimated new estimated monthly revenue per customer of $2,500.

With release of the new WebDA™ system announced in Jan 2007 the company we will incur cost of sales attributed to the hosting and servicing of this new product. Estimated cost of sales is estimated to be approximately 20% of the new monthly fee of $2,500.

SELLING, GENERAL AND ADMINISTRATIVE OPERATING EXPENSES

Our selling, general operating expenses are primarily comprised of:

- Marketing and Selling;
- General and Administrative; and
- Development & Operations.

MARKETING AND SELLING EXPENSE

Our marketing and selling expenses include all labor, sales commissions and non-labor expenses of selling and marketing of our products and services.

As a means to conserve capital and deploy an effective and efficient sale and marketing plan, the Company entered into a Letter of Intent, in February of 2006 with one of its distribution partners, Humphries Marketing Group ("HMG"), to provide executive sales and marketing management services. HMG is a boutique advertising agency primarily focused on the automobile retail industry and currently has approximately 20 dealer clients nationwide. Humphries also provides consulting services to members of the National Automobile Dealers Agency ("NADA") for advertising and CRM services.

In March 2006, the Company entered into a consulting agreement with Humphries Marketing Group (HMG), a Texas based automotive exclusive advertising agency. As per that agreement Steven Humphries, the CEO of HMG, is to serve as President of the Company, and is to also provide an individual to serve as the Vice President of Sales of the Company. In July 2006, Mr. Humphries appointed David Scaturro (HMG's Chief Operating Officer) as the Vice President of Sales.

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GENERAL and ADMINISTRATIVE EXPENSE

Our general and administrative expenses include expenses for all facilities, insurance, benefits, telecommunications, legal and auditing expenses are included as well as the executive management group wage expense.

RESEARCH AND DEVELOPMENT EXPENSE

Since our inception in September 2000, we have spent approximately $4,300,000 on research and development activities. While we have been successful in meeting planned goals in the development and introduction of DealerAdvance Sales Solution(TM), there can be no assurance that our research and development efforts will be successful with respect to additional products, or if successful, that we will be able to successfully commercially exploit such additional products.

Our development & operations expenses also include the expenses for the Client Consultant group which advises and supports the installations of our Dealer Advance(TM) clients.

In June 2006, the Company hired Rajneesh Sharma as its Chief Information Officer. His first action as CIO was the closing of the Company's Virginia technical support operations office and the termination of its employees based in that office. This resulted in substantial operational savings for the Company. As a result of the closure, in June 2006 the Company began operating its technical support services from the new Texas based corporate offices. Mr. Sharma's primary focus moving forward is the development of the new web-based version of DealerAdvance™ (WebDA™). Mr. Sharma is in the process of hiring a Texas based development team that will transfer existing application from a server-based product to a fully functional web-based application. The Company launched the new product ("Web DA") in January of 2007. The initial release of WebDA™ will take the existing DealerAdvance™ software with a few added enhancements and move the product to the web, thus eliminating the high cost of equipment required by the current product. The new product will not feature the hand-held wireless technology utilized previously by the Company, however, should a dealer desire the benefit of the technology, it will be provided at an additional cost to the dealer. In the first month of each quarter moving forward, a new release will be provided to dealers of WebDA™, beginning with 1.0.

COMPETITION RELATED TO HANDHELD TECHNOLOGY BUSINESS

We compete with the traditional CRM providers and the emerging new CRM providers in the retail automotive dealer software market.

Some of our potential competitors include:

o Automotive Directions, a division of ADP Dealer Services, and a provider of PC-based customer relationship management systems as well as marketing research and consulting services;

o Higher Gear, a provider of client server based front-end sales and customer relationship management software which serves the retail automotive industry exclusively;

o Autobase, a provider of PC based front-end software which serves the retail automotive industry exclusively;

o Cobalt Corporation, a provider of ASP sales prospect management systems and customer relationship management systems which services the retail automotive industry exclusively; and

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We believe that our proprietary technology is unique and, therefore, places us at a competitive advantage in the industry. However, there can be no assurance that our competitors will not develop a similar product with properties superior to our own or at greater cost-effectiveness.

MARKETING AND SALES

We have identified a target market of approximately 21,500 new car automobile dealerships in the United States that meet the base criteria for our system. More specifically, we target a primary market of approximately 10,000 dealerships that sell a minimum of 75 new and used cars each month and do not currently have CRM systems. Generally, our target market consists of midline dealerships, including brands such as Chevrolet, Ford, Nissan, Volkswagen, Toyota, Honda, Buick, Pontiac, GMC Trucks, Chrysler and Dodge. The reason for this is that midline dealers typically have high prospect and customer traffic, which makes for large untapped prospect opportunities that the client can leverage through the follow-up process from DealerAdvance. In addition, it is estimated that only approximately one-half of the new car dealerships have made investments in CRM products.

We further qualify our market as dealerships with over $15 million in annual revenue. Obviously, a larger dealership has more traffic, more customer transactions, more sales people, and can more easily justify the investment. Finally, we limit our market to dealerships in those parts of the country where it has sales and support coverage.

As a means to conserve capital and deploy an effective and efficient sale and marketing plan, the Company entered into a Letter of Intent, in February of 2006 with one of its distribution partners, Humphries Marketing Group (“HMG”), to provide executive sales and marketing management services. HMG is a boutique advertising agency primarily focused on the automobile retail industry and currently has approximately 20 dealer clients nationwide. Humphries also provides consulting services to members of the National Automobile Dealers Association (“NADA”) 20 Groups for advertising and CRM services.

In March 2006, the Company entered into a consulting agreement with Humphries Marketing Group (HMG), a Texas based automotive exclusive advertising agency. As per that agreement Steven Humphries, the CEO of HMG, is to serve as President of the Company, and is to also provide an individual to serve as the Vice President of Sales of the Company. In July 2006, Mr. Humphries appointed David Scaturro (HMG’s Chief Operating Officer) as the Vice President of Sales.

As part of Mr. Humphries operating sales strategy, the Company has split the country into two regions (East and West). The Company hired two Regional Sales Managers; a Texas based Eastern Manager serving dealers east of Texas and a California based Western Region Manager serving dealers Texas west. The Regional Managers are based in the Company’s Texas and California offices, respectfully. The primary focus of the new sales team is to re-establish the Company’s relationships with its remaining customers and develop new contacts in preparation of the launch of its new web-based CRM product “WebDA™” in the 1st Quarter of 2007. The Company will employ additional Sales Managers as the Company implements the launch of its new WebDA™ product.

OUR INTELLECTUAL PROPERTY

We have a trademark for "DealerAdvance(TM)" and have one patent application pending covering the system for management of information flow in automotive dealerships using handheld technology. The patent application is currently being reviewed by the United States Patent and Trademark Office. We may face unexpected competition from various sources if our patent is denied however we do not believe this will have a material impact on our business.

EMPLOYEES

As of December 31, 2006, we had a total of 7 full-time employees, of which 4 are dedicated to marketing and sales and regional customer support. As of December 31, 2006, 1 is in New Jersey, 1 in California, and 4 in Texas. Our CEO and VP of Sales, both of whom are based in Texas, provide services under a Consulting Agreement with Humphries Marketing Group.

We have no collective bargaining arrangements with our employees. We believe that our relationship with our employees is good.

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SAFE HARBOR STATEMENT

The statements contained in this Annual Report on Form 10-KSB that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 ("the Securities Act"), as amended and the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding the anticipated growth in the markets for our technologies, the continued development of our products, the approval of our Patent Applications, the successful implementation of our sales and marketing strategies, the anticipated longer term growth of our business, and the timing of the projects and trends in future operating performance are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, the timing of revenues due to the uncertainty of market acceptance and the timing and completion of pilot project analysis, and other factors, including general economic conditions, not within our control. The factors discussed herein and expressed from time to time in our filings with the SEC could cause actual results to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Factors that Might Affect Our Business, Future Operating Results, Financial Condition and/or Stock Price

The more prominent risks and uncertainties inherent in our business are described below. However, additional risks and uncertainties may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations may suffer.

Risks Concerning Our Business

Our sole executive officer and director and CEO may be subject to fines, sanctions and/or penalties of an indeterminable nature as a result of violations of the Sarbanes Oxley Act of 2002 in connection with loans made to the sole executive officer and director.

During the quarter ended December 31, 2006, we made certain loans to Mr. Steven Humphries, our sole executive officer and director, or a company controlled by Mr. Humphries, aggregating $114,141. During this same period, a portion of the loans were repaid through the payment of cash in the amount of $68,000. These loans made to Mr. Humphries violate Section 402 of the Sarbanes Oxley Act of 2002. As a result, despite the fact that a portion of such loans were repaid, our company and/or Mr. Humphries may be subject to fines, sanctions and/or penalties. At this time, we are unable to determine the amount of such fines, sanctions and/or penalties that may be incurred by our company and/or Mr. Humphries. The purpose of such loan was for personal use.

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, Therefore, We May Never Achieve Profitability Which May Cause Us To Seek Additional Financing Or To Cease Operations.

We have a history of operating losses and have incurred significant net losses in each fiscal quarter since our inception. We had a net loss of $4,444,000 and $3,632,000 for the fiscal years ended December 31, 2006 and December 31, 2005, respectively. We have an accumulated net operating loss of approximately $17,000,000 for the period from May 17, 2002 through December 31, 2006 to offset future taxable income. Losses prior to May 17, 2002 were passed directly to the shareholders and, therefore, are not included in the loss carry-forward. We expect to continue to incur net losses and negative cash flows for the foreseeable future. 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:

o Competing products that are more effective or less costly than ours;

o Our ability to develop and commercialize our own products and technologies; and

o Our ability to increase sales of our existing products and 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 in the future. If we do not achieve sustained profitability, we may be unable to continue our operations.

There Is A Possibility That We Will Be Unable To Obtain Sufficient Funds, Will Incur A Cash Flow Deficit, Therefore Our Business Could Suffer A Loss Of Clients And Employees As Well As A Decrease In Continued Research And Development Efforts.

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We believe that our current funds and accounts receivable will only be sufficient for our immediate future, raising substantial doubt about our ability to continue as a going concern. During 2007, the management of the Company will rely on receiving the balance of the $900,000 committed by the current investors of Convertible Notes to provide the company with sufficient working capital for the next 12 months. Of the $900,000 committed, $250,000 has already been infused into the Company leaving a remaining $650,000. In the event that the Company does not meet its business plan in 2007, the balance of the remaining $900,000 may not satisfy the working capital requirements and the Company may need to raise additional capital to fund its operations in the third quarter of 2007. If the Company is unable to generate sufficient revenues or raise sufficient additional capital, there could be a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Since our inception, we have financed all of our operations through sales of private equity, debt financings and commercial bank loans. Our future capital requirements depend on numerous factors, including:

o The scope of our research and development;

o Our ability to successfully commercialize our technology; and

o Competing technological and market developments.

We May Fail To Gain Market Acceptance Of Our Products, Therefore Our Business And Results Of Operations Could Be Harmed.

We are still in the early marketing stages of our WebDA™ Customer relationship Management system. The initial version of this development was completed in January of 2007 and we still have not signed a customer to it and therefore there is substantial risk of weather or not this product will be adopted.

We may experience design, marketing, and other difficulties that could delay or prevent our introduction, or marketing of the new product. In addition, the costs of developing and marketing our products may far outweigh the revenue stream generated by such 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 product and technology requires us to market almost exclusively to automobile dealerships. Should any particular dealership or group of dealerships decide not to utilize our services to the extent anticipated, our business may be adversely affected. Large and costly consumer products such as automobiles are sensitive to broad economic trends. Therefore, our business could suffer if automobile dealerships are affected by poor economic conditions. If dealer sales are trending downward, capital expenditures, like those associated with our WebDA™ products, may be delayed or abandoned.

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 our 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.

Risks Concerning Our Handheld Technology

We Obtain Products And Services From Third Parties, Therefore An Interruption In The Supply Of These Products And Services Could Cause A Decline In Sales Of Our Products And Services.

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We are dependant upon certain providers of software, including Microsoft Corporation and their Pocket PC software, to provide the operating system for our applications. 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 development efforts.

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, Therefore We May Be Unable To Compete Successfully Against Our Current And Future Competitors In The Future.

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 profit margins and the inability to achieve market acceptance for our products. Our competitors in the field are major international car dealership service companies, specialized technology companies, and, potentially, our joint venture and strategic alliance partners. Many of our 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 developed by one or more of our competitors.

We May Not Have Adequately Protected Our Intellectual Property Rights, Therefore We May Not Be Successful In Protecting Our Intellectual Property Rights.

Our success depends on our ability to sell products and services for which we do not currently 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. We plan to file an additional patent application 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 right through patent law.

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 these avenues do 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, Therefore 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, whether with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from the administration of our business. A third party asserting infringement claims against the Company or our customers with respect to our current or future products may adversely affect us.

Risks Concerning Our Capital Structure

Our former Chief Executive Officer Has Significant Control Of Our Common Stock And, Therefore, Could Control Our Actions In A Manner That Conflicts With Our Interests And The Interests Of Other Stockholders.

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We Have Shares Eligible for Future Issuance, Therefore Our Stockholders May Suffer Dilution As A Result.

As of December 31, 2006, we had 43,587,393 shares of our Common Stock issued and outstanding. In addition, we have 3,707,643 shares of Common Stock reserved for issuance upon the exercise of all outstanding options, and 10,738,508 shares of Common Stock reserved for issuance upon the exercise of certain outstanding warrants and upon the conversion of certain shares of our Series A and Series B Preferred Stock.

We Do Not Intend to Pay Cash Dividends On Our Shares of Common Stock, Therefore Our Stockholders Will Not Be Able to Receive a Return on Their Shares Unless They Sell Them.

We have never declared or paid dividends on our Common Stock and we do not intend to pay any Common Stock dividends in the foreseeable future. We 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.

Our Common Stock Is A Penny Stock And Therefore May Be Difficult To Sell.

Our stock is a penny stock. The SEC generally defines a penny stock as 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. The market price of our Common Stock is currently less than $5.00 per share. The SEC "penny stock" rules govern the trading of our Common Stock. These rules require, among other things, that any broker engaging in a purchase or sale of 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 due to these additional delivery requirements. This may make it more difficult for investors to sell our Common Stock. Because the broker, not us, prepares this information, we cannot assure that such information is accurate, complete or current.

Item 2. DESCRIPTION OF PROPERTIES

We do not currently own any real property.

Under the terms of a Consulting Agreement between DealerAdvance, Inc. (the “Company”) and Humphries Marketing Group, LLC (“HMG”) dated April 30, 2006, the Company reimburses HMG $2,000 per month for shared use of its’ facility in Addison, Texas. The term is month to month. The Company has a similar arrangement for shared space in HMG’s Sacramento, CA office at a monthly cost of $1,000.

Item 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except as disclosed below, we are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our

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business, financial condition or operating results.

The Company is engaged in arbitration proceedings with Lenard Berger (the “Claimant”), a former officer, with regard to a claim for damages for the Company’s failure to remove a restrictive legend from 437,500 shares of common stock of the Company, additional unpaid salary accrued during his term of employment and pre-judgment interest on all amounts owing to the Claimant. On May 18, 2006, Mr. Berger was awarded the sum of $214,361.52. As of December 31, 2006, a total of $27,030 has been paid against the claim.

During the course of doing business the Company made certain guarantees to prospective clients as an inducement to contract for services. These guarantees, although limited, provided that the Company would pay off client third party equipment leases after the first 12 months of service if the client was not satisfied with the product. As of December 31, 2006, two judgments have been entered against the Company for failure to honor such guarantees to Wilson-Cornelius Ford and Great Lakes Ford - Muskegon. Two additional guarantees have been called by Graff Chevrolet and Zumwalt Ford. Graff has filed a suit against the Company in Texas and Zumwalt has made a demand to the Company.

On January 25, 2007, our Predecessor Entity, Stronghold Technologies, Inc. (NJ) a New Jersey corporation and a wholly owned subsidiary of Dealer Advance, Inc., filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Case No. 07-30322-sgj7. In connection with the filing, the Subsidiary has ceased all business activity and operations. The Subsidiary determined that it does not have sufficient resources to continue its operations. The court has appointed a bankruptcy trustee who will be responsible for the liquidation of the business through the bankruptcy case.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on the OTC Bulletin Board, referred to herein as the OTCBB, under the symbol "DLAV". The following table sets forth the high and low bid prices of our Common Stock, as reported by the OTCBB for each quarter since January 1, 2005. The quotations set forth below reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

2005	**High**	**Low**
January 1, 2005 - March 31, 2005	$ 0.230	$ 0.020
April 1, 2005 - June 30, 2005	$ 0.090	$ 0.010
July 1, 2005 - September 30, 2005	$ 0.100	$ 0.040
October 1, 2005 - December 31, 2005	$ 0.040	$ 0.030
2006	**High**	**Low**
January 1, 2006 - March 31, 2006	$ 0.060	$ 0.009
April 1, 2006 - June 30, 2006	$ 0.025	$ 0.011
July 1, 2006 - September 30, 2006	$ 0.015	$ 0.004
October 1, 2006 - December 31, 2006	$ 0.001	$ 0.013

We have appointed Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004, as transfer agent for our shares of Common Stock.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

This section provides a narrative on the Company's operating performance, financial condition and liquidity and should be read in conjunction with the accompanying financial statements. Certain statements under the caption "Management's Discussion and Analysis and Results of Operation" constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Risk Factors-Cautionary Note Regarding Forward Looking Statements". For a more complete understanding of our operations see "Risk Factors" and "Description of Business".

OUR HISTORY

We were incorporated as a Nevada corporation on September 8, 2000, under the name TDT Development, Inc. On May 16, 2002, we acquired Stronghold Technologies, Inc., a New Jersey corporation, referred to herein as our "Predecessor Entity", pursuant to a merger of Stronghold Technologies into our wholly-owned subsidiary, TDT Stronghold Acquisition Corp., referred to herein as "Acquisition Sub". Our company, formerly TDT Development, Inc., was a reporting entity at the time. Its principals were Pietro Bortolatti, President, CEO and Chairman, Tiziana DiRocco, Vice-President and Director of European Operations and David Rector, Director. The merger was an arms length transaction and none of the parties had a prior existing relationship. As consideration for the merger, we issued

7,000,000 shares of our common stock valued at $.75 per share to the stockholders of the Predecessor Entity in exchange for all of the issued and outstanding shares of the

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Predecessor Entity. No fairness opinion was issued in connection with this merger. Following the merger, Acquisition Sub, the survivor of the merger, changed its name to Stronghold Technologies, Inc. (NJ) and remains our only wholly-owned subsidiary. We approved the transaction as the sole shareholder of the Acquisition Sub as did the shareholders of the Predecessor Entity.

On July 11, 2002, we changed our name from TDT Development, Inc. to Stronghold Technologies, Inc. (NV). 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., which conducted an import and distribution business specializing in truffle-based food product, for 75,000 shares of our common stock held by Mr. Pietro Bortolatti, our former president.

On September 26, 2006, we changed our name to Dealer Advance, Inc. As a result, symbol on the OTCBB was changed to DLAV.

On January 25, 2007, our Predecessor Entity filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Case No. 07-30322-sgj7. In connection with the filing, the Subsidiary has ceased all business activity and operations. The Subsidiary determined that it does not have sufficient resources to continue its operations. The court has appointed a bankruptcy trustee who will be responsible for the liquidation of the business through the bankruptcy case.

HISTORY OF OUR CUSTOMER RELATIONSHIP MANAGEMENT TECHNOLOGY BUSINESS

On May 16, 2002, we entered the handheld wireless technology business via our acquisition by merger of the Predecessor Entity. The Predecessor Entity was founded on August 1, 2000 by Christopher J. Carey, our former Chief Executive Officer and President, and Lenard J. Berger, former Chief Technology Officer and Salvatore F. D'Ambra, former Vice President, Product Development, of our wholly-owned subsidiary. The Predecessor Entity was founded to develop proprietary handheld wireless technology for the automotive dealer software market.

Since the creation of the new subsidiary and merger of Dealer Advance Inc. and name change from Stronghold Technologies Inc. to Dealer Advance Inc., , In 2006 we have ceased from continuing to conduct the Predecessor Entity's handheld wireless technology business and have developed a new web based platform called WEB DA and currently offer the wireless technology created by the predecessor as an option

Our Revenues Moving Forward

Beginning with the 1st Quarter of 2007 the Company’s revenue model will change. Rather than being hardware driven, the Company will become software driven and will move its DealerAdvance product from a server based platform to a web based application, thus eliminating the high cost of maintaining inventory and installation costs. Our revenues, moving forward will be primarily generated from a one-time up-front payment and monthly recurring fees covering software licenses. Our license agreements will be provided in twelve, twenty-four and thirty-six month terms. A $2,500 down payment and a monthly fee of $1,500 over a twelve month term will be booked as revenue at an average annual fee of $20,500, inclusive of the down payment.

The Company currently has approximately 32 user contracts at dealerships throughout the United States. Management believes that the majority of those contracts, of which all are to expire in the next 12 to 18 months, will be renewed at the above-mentioned rates however it cannot provide any guarantee regarding these renewals.

Additionally, many of the Company’s client customer base are part of dealer groups comprised of three or more dealerships. Up until now the Company has not been successful in leveraging its relationships with these dealers enabling the Company to place the DealerAdvance product into those additional group stores. Management now believes that because of the its new web based product and its newly developed client relationships, there is an opportunity to add an additional 20 to 25 client contracts over the next 12 to 18 months through these groups.

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COST OF GOODS SOLD

Our Cost of Goods Sold in 2006 was primarily attributed to supporting the maintenance portion of contracts as referenced above in the revenues section and were comprised of hardware components, software licensing and labor. Additional Cost of Goods Sold was recognized for Software Development of the new WebDA ™ system. In total, Cost of Goods Sold as a percentage of revenues in 2006 was 14.88%.

Prior to 2006, Cost of Goods Sold as a percentage of revenue was greater due to the fact that the Company had generated revenues from new software systems and incurred installation expenses. The total Cost of Goods Sold as a percentage of revenue in 2005 was 34.37%.

With the release of the new WebDA™ system announced in Jan 2007, the company we will incur new categories of Cost of Goods Sold for hosting and servicing of the new product of approximately 20% of the estimated new estimated monthly revenue per customer of $2,500.

GENERAL AND ADMINISTRATIVE OPERATING EXPENSES

Our general operating expenses are primarily comprised of:

o Marketing and Selling;

o General and Administrative; and

o Development & Operations.

Our marketing and selling expenses include all labor, sales commissions and non-labor expenses of selling and marketing of our products and services.

Our general and administrative expenses include expenses for all facilities, insurance, benefits, telecommunications, legal and auditing expenses are included as well as the executive management group wage expense.

Our development & operations expenses include the expenses for the Client Consultant group which advises and supports the installations of our Dealer Advance(TM) clients.

RESEARCH AND DEVELOPMENT

In June the Company hired Rajneesh Sharma as its Chief Information Officer. His first action as CIO was the closing of the Company's Virginia technical support operations office and the termination of its employees based in that office. This resulted in substantial operational savings for the Company. As a result of the closure, in June 2006 the Company began operating its technical support services from the new Texas based corporate offices. Mr. Sharma's primary focus moving forward is the development of the new web-based version of DealerAdvance™ (Web DA). Mr. Sharma is in the process of hiring a Texas based development team that will transfer existing application from a server-based product to a fully functional web-based application. The Company plans to launch the new product ("Web DA") in November of 2006. The initial release of WebDA will take the existing DealerAdvance™ software with a few added enhancements and move the product to the web, thus eliminating the high cost of equipment required by the current product. The new product will not feature the hand-held wireless technology utilized previously by the Company, however, should a dealer desire the benefit of the technology, it will be provided at an additional cost to the dealer. In the first month of each quarter moving forward, a new release will be provided to dealers of WebDA, beginning with 1.0.

SALES DEVELOPMENT

In March 2006, the Company entered into a consulting agreement with Humphries Marketing Group (HMG), a Texas based automotive exclusive advertising agency. As per that agreement Steven Humphries, the CEO of HMG, is to serve as President of the Company, and is to also provide an individual to serve as the Vice President of Sales of the Company. In July 2006, Mr. Humphries appointed David Scaturro (HMG's Chief Operating Officer) as the Vice President of Sales.

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As part of Mr. Humphries operating sales strategy, the Company has split the country into two regions (East and West). The Company and hired two Regional Sales Managers; Suzanne Hambruch (Eastern Region), serving dealers east of Texas and Melissa Markus (Western Region), serving dealers Texas west. The Regional Managers are based in Stronghold's Texas and California offices, respectfully. The primary focus of the new sales team is to re-establish the Company's relationships with its remaining customers and develop new contacts in preparation of the launch of the new "Web DA".

YEAR ENDED DECEMBER 31, 2006 AND YEAR ENDED DECEMBER 31, 2005.

Revenue

For the year ended December 31, 2006 we had revenue of $479,474 compared with revenue of $943,735 for the year ended December 31, 2005 for a decrease of 49%. Revenue is generated from software license and system installation, maintenance support and service revenues. Revenues for the years ended December 31, 2005 and December 31, 2004 are broken down as follows:

		2006		2005		$ Change	% Change
Software License & System Installation	$	33,336	$	288,200	$	(254,864)	-88%
Support & Maintenance	$	429,658	$	605,723	$	(176,065)	-29%
Services	$	16,480	$	49,812	$	(33,332)	-67%
Total Revenue	$	479,474	$	943,735	$	(464,261)	-49%

Software license and system installation revenue decreased $254,864 in 2006 to $33,336 as compared to $288,200 in 2005 for a decrease of 88%. The company installed no new sites in 2006 as compared to 4 sites in 2005, with an average sales price of $51,000. The primary reasons for the decrease in revenue can be attributed to 1) our decision to stop selling our DealerAdvance™ software product and devote our resources to development of our new web-based product, WebDA™, and 2) repeated concerns in the marketplace about the Company's ability to continue as a going concern.

Support and maintenance revenues decreased $176,065 in 2006 to $429,658 as compared to $605,723 in 2005 for a decrease of 29%. This decrease was attributable to a decrease of 44 sites under maintenance contracts from 83 at the end of 2005 to 39 at the end of 2006. Twenty-nine maintenance contracts expired during the year ended December 31, 2005.

Services revenue consisting of 3rd party subscription services decreased $33,332 in 2006 to $16,480 as compared to $49,812 in 2005 for a decrease of 67%. The decrease is attributable to the expiration of 29 service and support contracts .

Given that the company has continued to generate losses and are reliant on raising capital to support operations, the continued loss of momentum may cause us our revenues to continue to decrease.

Cost of Sales

Cost of sales on a percentage of revenue basis was decreased to 14.88% of revenue for the twelve months ended December 31, 2006 as compared to 34.37% of revenue for the twelve months ended December 31, 2005. The table below shows the Cost of Sales and percentage by category and the comparison in dollars and percentage for the twelve months ended December 31, 2006 and twelve months ended December 31, 2005.

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Cost of Sales	2006 Dollars	2005 Dollars	2006 % of Revenue	2005 % of Revenue	% Change
Hardware Components	$ 10,884	$ 90,957	2.38%	9.64%	-7.26%
Client Software & Licensing	14,649	39,631	3.20%	4.20%	-1.00%
Distribution Fees	5,490	3,274	1.20%	—	1.20%
Subcontractors	2,748	21,941	0.60%	2.32%	-1.73%
Misc Installation Costs	12,420	4,051	2.71%	0.43%	2.28%
Installations/Travel	—	29,063	0.00%	3.08%	-3.08%
Shipping	370	15,630	0.08%	1.66%	-1.58%
Labor	24,773	119,813	5.41%	12.70%	-7.29%
Total Cost of Sales	**$ 71,334**	**$ 324,360**			
Total Cost of Sales % of Revenue	**14.88%**	**34.37%**			**-19.49%**

Gross Profits

We generated $408,141 in gross profits from sales for the year ended December 31, 2006, which was a decrease of $211,234 from the year ended December 31, 2005, when we generated $619,376 in gross profits. Our gross profit margin percentage increased by 19.49% from 65.63% in the year ended December 31, 2005 to 85.12% in the year ended December 31, 2006.

Selling, General and Administrative Expenses

Total Selling, General and Administrative expenses in the year ended December 31, 2006 were $2,517,382, a decrease of 7.89% or $215,572 from the year ended December 31, 2005 of $2,732,954. We reduced our full-time staff from 8 in the year ended December 31, 2005 to 6 during the year ended 2006, decreasing payroll expenses by $207,891, however this was offset by an increase in consultant expense of $206,366. Consolidation of our VA development center to our corporate offices in Texas resulted in a decrease of rent expense of $43,243, Other expense reductions within selling, general and administrative expenses for the year ended December 31, 2006 and December 31, 2005 included reductions as follows:

o Financing costs of $109,235

o Accounting fees of 40,530

o Employee benefits of $24,758

Our interest and penalty expense increased from $747,383 in the year ended December 31, 2005 to $911,721 in the year ended December 31, 2006. This increase of $164,338 is primarily due to interest expense attributed to the callable secured convertible notes. Additionally, we recorded $85,884 in deferred interest associated with stock options and warrants issued during the year ended December 31, 2006.

Operating Loss

The Company's operating losses decreased by $4,337 in comparing the year ended December 31, 2006 to the year ended December 31, 2005, which were $2,109,242and $2,113,579, respectively.

Net Loss

We had a net loss of $4,443,627 the year ended December 31, 2006 compared to $3,632,448 the year ended December 31, 2005, an increase in net losses of $811,179. This increase of net losses of 22.33% is attributable to a decrease of revenue,

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increased interest expense and liquidated damages associated with the convertible debt Registration Rights Agreement, expensing of settlement costs for judgments and pending litigation, and expensing of deferred interest associated with stock options and warrants issued during the year ended December 31, 2006. Our loss per share also reduced to $.08 with a weighted average of 37,452,451 shares outstanding in the year ended December 31, 2006 as compared to $0.17 loss per share in the year ended December 31, 2005 with a weighted average of 16,997,444 shares outstanding.

We have never declared or paid any cash dividends on our common stock. We anticipate that any earnings will be retained for development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Our board of directors, subject to any restrictions or prohibitions that may be contained in our loan or preferred stock agreements, has sole discretion to pay dividends based on our financial condition, results of operations, capital requirements, contractual obligations and other relevant factors.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

As of December 31, 2006, our cash balance was $106,556. We had a net loss of $4,443,627 for the fiscal year ended December 31, 2006. We had a net operating loss of approximately $17,000,000 for the period from May 17, 2002 through December 31, 2006 to offset future taxable income. Losses incurred prior to May 17, 2002 were passed directly to the shareholders and, therefore, are not included in the loss carry-forward. There can be no assurance, however, that we will be able to take advantage of any or all tax loss carry-forwards, in future fiscal years. Our accounts receivable as of December 31, 2006, was $6,281 and $103,437 as of the year ended December 31, 2005, less allowances for doubtful accounts of $60,000. The reason for the decrease in accounts receivable of $97,156 when comparing accounts receivable as of December 31, 2006 to December 31, 2005 was due to the decrease in revenues and write-off bad debts. Accounts receivable balances represent amounts owed to us for maintenance and support.

As of December 31, 2006, we had the following financing arrangements:

Debt Liability Summary Table		
Current Debt liabilities		
Interest payable, stockholders	$	1,187,088
Notes payable, stockholder, current portion		875,000
Callable secured convertible notes, current portion		2,344,973
Total Debt current liabilities	$	4,407,061
Long-term Debt liabilities		
Notes payable, stockholders, convertible debt, net of deferred interest of $615,923	$	190,986
Callable secured convertible notes		4,228,490
Total long term Debt liabilities	$	4,419,476

FINANCING NEEDS

To date, we have not generated revenues in excess of our operating expenses. We have not been profitable since our inception, we expect to incur additional operating losses in the future and will require additional financing to continue the development and commercialization of our technology. We have incurred a net loss of approximately $4,443,000 and have negative cash flows from operations of approximately $2,040,000 for the year ended December 31, 2006, and have a working capital deficit of approximately $7,898,000 and a stockholders' deficit of approximately $12,304,000 as of

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December 31, 2006. These conditions raise substantial doubt about our ability to continue as a going concern. During 2006, our management will rely on raising additional capital to fund its future operations. If we are unable to generate sufficient revenues or raise sufficient additional capital, there could be a material adverse effect on the consolidated financial position, results of operations and we may be unable to continue our operations.

As of December 15, 2006, we had a commitment for an additional $900,000 financing with the issuance of a convertible note financing of which $250,000 was purchased in December 2006 and $125,000 of notes shall be purchased on the final business day of each month commencing in January 2007 and ending when the full $900,000 in Notes has been purchased.

We expect that the remaining $900,000 will provide the necessary cash to support operations through the end of the second quarter of 2007. In the event that the company is unable to build its sales volume, collect current receivables and sustain operations until the final $900,000 is received, we may be unable to continue operations. Additionally, in the event that the Investors invoke their right to terminate additional purchases with 30 days notice during the financing period of the $900,000 detailed above, the Company could find itself without cash to support operations and unable to perform regular business.

We expect our capital requirements to increase significantly over the next several years as we continue to develop and market the WebDA™ suite and as we increase marketing and administration infrastructure and develop capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives, the cost of hiring and training additional sales and marketing personnel and the cost and timing of the expansion of our marketing efforts.

FINANCINGS

We have entered into the following financing transactions:

LOANS FROM CHRISTOPHER J. CAREY, A SHAREHOLDER OF THE COMPANY AND FORMER OFFICER AND DIRECTOR.

On July 31, 2000, the Predecessor Entity entered into a line of credit with Mr. Chris Carey, our former President and Chief Executive Officer. The terms of the line of credit made available $1,989,500, which the Predecessor Entity could borrow from time to time, until August 1, 2001. The outstanding amounts accrued interest at the per annum rate equal to the floating base rate, as defined therein, computed daily, for the actual number of days elapsed as if each full calendar year consisted of 360 days. The first interest payment under the line of credit was due on August 1, 2001. On such date, the parties agreed to extend the line of credit for one more year, until August 1, 2002.

On April 22, 2002, the Predecessor Entity issued 500,000 shares of its common stock to Mr. Carey (which converted into 1,093,750 shares of our common stock when we acquired the Predecessor Entity on May 16, 2002) in exchange for cancellation of $1 million of outstanding indebtedness under the July 31, 2000 line of credit from Mr. Carey.

On May 16, 2002, the total amount outstanding under the July 31, 2000 line of credit with Mr. Carey was $2.2 million. On such date, we issued 666,667 shares of our common stock to Mr. Carey in exchange for the cancellation of $1 million of the then outstanding amount under the line of credit. We agreed to pay Mr. Carey the remaining $1.2 million according to the terms of a non-negotiable promissory note, which was issued on May 16, 2002.

On September 30, 2002, we renegotiated the $1,200,000 promissory note with Mr. Carey pursuant to a requirement contained in the promissory note with UnitedTrust Bank. According to the new terms of the loan, Mr. Carey extended the repayment of the principal amount until December 1, 2005. On December 1, 2005 Mr. Carey extended the term of the loan to May 31, 2006.Until such time as the principal is paid, we will pay an interest only fee of 12% per year. As of December 31, 2005, $262,000 was outstanding under the promissory note issued to Mr. Carey.

On September 30, 2002, we entered into a loan agreement with CC Trust Fund to borrow an amount up to $355,128. Christopher Carey Jr., Mr. Carey's son, is the beneficiary of the trust, and Mary Carey, Mr. Carey's wife, is the trustee of the trust. This bridge loan was for a period of twelve months, with all principal due and payable on September 30, 2003. The 12.5% interest on the outstanding principal is due each year. At the end of the loan period, the CC Trust Fund will be

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entitled to exercise 25,000 warrants at $1.50 per share. On September 30, 2003, the CC Trust Fund agreed to extend the term of their loan to December 30, 2003. On December 30, 2003, the CC Trust Fund agreed to extend the term of their loan to June 30, 2004. On March 30, 2004, the CC Trust Fund agreed to extend the term of their loan to March 31, 2005. On May 1, 2004, the AC Trust Fund agreed to extend the term of their loan to November 1, 2005. On December 31, 2005 the AC Trust Fund agreed to extend the term of the loan to May 31, 2006. On August 10, 2006, the CC Trust Fund agreed to extend the term of their loan to August 31, 2006. As of June 30, 2006, $355,128 was outstanding under the CC Trust Fund loan agreement. On August 14, 2006, the CC Trust Fund (the "CC Fund") entered into a Settlement Agreement with the Company pursuant to which the CC Fund waived all rights to a loan made to the Company in the amount of $473,594 including interest. In consideration of this waiver, the Company has agreed issue the CC Trust Fund 2,381 shares of Series D Convertible Preferred Stock with an aggregate stated value of $473,594. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

On September 30, 2002, we entered into a loan agreement with AC Trust Fund to borrow an amount up to $375,404. Amie Carey, Mr. Carey's daughter, is the beneficiary of the trust, and Mary Carey, Mr. Carey's wife, is the trustee of the trust. This bridge loan is for a period of twelve months, with all principal due and payable on September 30, 2003. The 12.5% interest on the outstanding principal is due each year. At the end of the loan period, the Fund will be entitled to exercise 25,000 warrants at $1.50 per share. On September 30, 2002, the AC Trust Fund agreed to extend the term of their loan to December 30, 2003. On December 30, 2003, the AC Trust Fund agreed to extend the term of their loan to June 30, 2004. On March 30, 2004, the AC Trust Fund agreed to extend the term of their loan to March 31, 2005. On May 1, 2005, the AC Trust Fund agreed to extend the term of their loan to November 1, 2005. On April 11, 2006 the AC Trust Fund agreed to extend the term of their loan to May 31, 2006. On August 10, 2006, the AC Trust Fund agreed to extend the term of their loan to August 31, 2006. As of June 30, 2006, $375,404 was outstanding under the AC Trust Fund loan agreement. On August 14 2006, the AC Trust Fund (the "AC Fund") entered into a Settlement Agreement with the Company pursuant to which the AC Fund waived all rights to a loan made to the Company in the amount of $497,691 including interest. In consideration of this waiver, the Company has agreed issue the AC Fund 2,502 shares of Series D Convertible Preferred Stock with an aggregate stated value of $497,691. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

On March 18, 2003, we entered into a bridge loan agreement with Christopher J. Carey, for a total of $400,000. The agreement stipulates that the Company will pay an 8% interest rate on a quarterly basis until the loan becomes due and payable on June 30, 2004. We also issued to Mr. Carey 391,754 warrants exercisable for common stock for 10 years at a price of $0.97 per share. On December 30, 2003, Christopher J. Carey agreed to extend the term of the promissory note to June 30, 2004. On May 1, 2004, Christopher J. Carey agreed to extend the term of the loan to June 1, 2005. On June 1, 2005 Mr. Carey extended the loan to May 31, 2006. As of December 31, 2005, $394,995, including interest, was outstanding under the agreement.

On Feb. 6, 2006 a stockholder converted $150,000 of deferred compensation into 21,428,571 shares of common stock of the Company (the "Shares").

On August 14, 2006, Mr. Carey entered into a Settlement Agreement with the Company pursuant to which Mr. Carey waived all rights to the following:

- o accrued salary in the amount of $781,369;
- o a bridge loan in the amount of $262,000;
- o a bridge loan in the amount of $360,000;
- o auto allowance payable in the amount of $25,600; and
- o accrued interest in the amount of $370,299.

In consideration of this waiver, the Company has agreed to pay Mr. Carey $8,000 a month over a period of 15 months, issue Mr. Carey a convertible note in the amount of $661,369 (the "Carey Note") and issue Mr. Carey 5,117 shares of Series D Convertible Preferred Stock with an aggregate stated value of $1,017,899. The Carey Note matures on August 13, 2016, bears no interest and is convertible at the option of Mr. Carey at the market price of the Company's common stock.

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The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

FINANCINGS FROM PNC BANK (FORMERLY UNITED TRUST BANK)

On November 1, 2001, the Predecessor Entity entered into a line of credit with UnitedTrust Bank (now PNC Bank) pursuant to which the Predecessor Entity borrowed $1.5 million. This line of credit was due to expire by its terms, and all outstanding amounts were due to be paid, on September 30, 2002. On September 30, 2002, the line of credit came due and the bank granted a three-month extension. On September 30, 2002, we converted the outstanding line of credit with UnitedTrust Bank into a $1,500,000 promissory note. Such promissory note is to be paid in 36 monthly installments, which commenced in February 2003 and is due to terminate on January 1, 2006. Interest accrues on the note at the prime rate, adjusted annually, which is the highest New York City prime rate published in The Wall Street Journal. The initial prime rate that applied to the promissory note was 4.750%.

On August 7, 2003, we entered into a modification of the loan agreement with UnitedTrust Bank, of which the principal balance was $1,291,666 at the time of closing of the modification. Pursuant to the modification agreement, UnitedTrust Bank agreed to subordinate its lien against our assets to a new lender and reduce the monthly payments from $41,666 per month principal plus accrued interest as follows: (a) from the date of closing through December 15, 2003, $10,000 per month plus accrued interest (b) from January 15, 2004 through December 15, 2004, $15,000 per month plus accrued interest, (c) from January 15, 2005 through December 15, 2005, $20,000 per month plus interest and (d) on the maturity date of January 1, 2006, a balloon payment equal to all the outstanding principal and accrued interest. We are current with our payment of $15,000 per month.

On January 9, 2004, we were served with a notice of an event of default by United Trust Bank, now PNC Bank, a successor by merger effective January 2004 with United Trust Bank, ("the Bank"), under its Loan Agreement. Pursuant to section 6.01(d) of the Loan Agreement, an Event of Default exists due to the Company's failure to pay Payroll Tax Obligations aggregating in the amount of $1,089,897 as of December 31, 2003 (including estimated penalties and interest). The Company continues to make timely scheduled payments pursuant to the terms of the loan and is in forbearance negotiations with the Bank with respect to the default. On April 1, 2004, the Company received a second Notice of Event of Default stating that the Bank had accelerated the maturity of the Loan and declared all principal, interest, and other outstanding amounts due and payable.

Because we were in default under the terms of the loan due primarily to our payroll tax default, the Bank has instituted the default rate of interest which is 5% above the "highest New York City prime rate" stated above. We have entered into an installment agreement with the United States Internal Revenue Service to pay the withholding taxes, under the terms of which we will pay $100,000 by May 31, 2004 and $35,000 each month, commencing June 28, 2004, until we have paid the withholding taxes due in full.

On April 27, 2004, PNC Bank, N.A., as successor by merger to UnitedTrust Bank filed a complaint in the Superior Court of New Jersey, Law Division, Union County (Docket No. UNN-L_001522-04) against our company and Christopher J. Carey, in his capacity as guarantor, to collect the sums outstanding under the Loan Agreement, dated as of September 30, 2002.

On July 15, 2004, we entered into a fully executed forbearance agreement with PNC Bank, N.A. We made an initial principal payment of $420,000 with the execution of the forbearance. Additionally, we are required to make four consecutive monthly installments of $50,000.00 on August 15, 2004, September 15, 2004, October 15, 2004 and November 15, 2004 followed by the remaining principal on or before December 15, 2004. Failure to adhere to this schedule may cause the suit to be reinstated and PNC Bank may resume collection of the sum under the suit.

On November 12, 2004, our company and PNC Bank agreed upon terms of an amendment to the forbearance agreement whereby by the payment schedule will change to include interest only payments on November 15, 2004, December 15, 2004 and January 15, 2005. We have made all interest payments.

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On March 31, 2005, the Company paid off and satisfied the note due to PNC bank in the principal amount of $606,667. All accrued interest in the amount of $16,830 was all paid off.

FINANCINGS BY STANFORD VENTURE CAPITAL HOLDINGS, INC.

On May 15, 2002, we entered into a Securities Purchase Agreement with Stanford Venture Capital Holdings, Inc., referred to herein as Stanford, in which we issued to Stanford (i) such number of shares of our Series A $1.50 Convertible Preferred Stock, referred to herein as Series A 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 from May 16, 2002 through and July 19, 2002, at which we issued an aggregate of 2,002,750 shares of our Series A Preferred Stock and warrants for 2,002,750 shares of our common stock to Stanford.

The Series A amounts and closing dates are as follows:

CLOSING DATE	PURCHASE PRICE
May 17, 2002	$ 750,000
July 3, 2002	$ 750,000
July 11, 2002	$ 750,000
July 19, 2002	$ 750,000

The warrants issued in 2002 were valued at $294,893 using the Black-Scholes model using the following assumptions and a stock price of $1.50:

- Conversion price $1.50;
- expected volatility of 0%;
- expected dividend yield rate of 0%;
- expected life of 5 years; and
- a risk-free interest rate of 4.91% for the period ended June 30, 2002.

In connection with our Series B financing, as partial consideration for the funds received pursuant to the Series B financing, we agreed to decrease the exercise price to $.25. With respect to the decrease in the exercise price and the warrants being treated as a cost of the series B financing, the reduction of series A warrants was written in to the Series B preferred stock agreements as part of the negotiation. At the end of fiscal 2003, Stanford exercised the warrants for 2,002,750 shares of our common stock.

On April 24, 2003, we entered into a Securities Purchase Agreement with Stanford Venture Capital Holdings, Inc. for the issuance of 2,444,444 shares of our Series B $0.90 Convertible Preferred Stock. The issuance of the Series B Preferred Stock took place on six separate closing dates beginning on May 5, 2003 through September 15, 2003. In connection with the Securities Purchase Agreement, we agreed to modify the previously issued five-year warrants to purchase 2,002,750 shares of our common stock: (i) to reduce the exercise price to $.25 per share; and (ii) to extend the expiration date through

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August 1, 2008. In addition, our President and Chief Executive Officer, Christopher J. Carey, agreed to convert outstanding loans of $543,000 to 603,333 shares of our common stock at a price of $.90 per share. In addition, the Company and Stanford entered into a Registration Rights Agreement, dated April 30, 2003, in which the Company agreed to register the shares of the Company's common stock issuable upon conversion of the Series A and Series B Preferred Stock with the Securities and Exchange Commission, no later than November 15, 2003. The Company and Stanford agreed to extend the date of the filing requirements of the Registration Rights Agreement to March 14, 2004. We have not yet filed a registration statement, and are in negotiations with Stanford regarding an extension of the registration filing date.

On March 3, 2004 and March 15, 2004 we received loans in the amount of $437,500 each from Stanford, resulting in a total loan of $875,000. We have agreed to pay Stanford an 8% annual dividend on the funds invested and to redeem the securities not later than three years from the date of funding. The company has not made any of these payments to date and the notes are coming due.

PRIVATE PLACEMENTS WITH ACCREDITED PRIVATE INVESTORS

During August and September 2002, we entered into 9 subscription agreements with accredited private investors, as defined in Rule 501 of the Securities Act, pursuant to which we issued an aggregate of 179,333 shares of our common stock at $1.50 per share. These private investments generated total proceeds to us of $269,000.

In October 2003, we commenced offerings to accredited investors in private placements of up to $3,000,000 of our common stock. In the period of October 2003 through January 9, 2004 we raised $225,000 under the terms of these private placements. The shares offered in the private placement are priced at the 5 trading day trailing average closing price of the common stock on the OTCBB, less 20%. For each share purchased in the private placements, purchasers received a warrant to purchase one half (0.5) share of common stock at 130% of the purchase price. A minimum of $25,000 was required per investor. The number shares issued under this placement total 509,559, at an average price of $0.44/share.

CALLABLE SECURED CONVERTIBLE NOTES

To obtain funding for its ongoing operations, the Company entered into various Securities Purchase Agreements with the Investors for the sale of callable convertible secured notes and stock purchase warrants

To date, the Investors purchased $6,380,000 in notes, and received warrants to purchase an aggregate of 4,930,000 shares of the companies stock, in thirteen different traunches dated June 18, 2004 for $1,000,000, July 21, 2004 for $500,000, October 22, 2004 for $350,000, March 18, 2005 for $650,000, March 31, 2005 for $350,000, May 4, 2005 for $300,000, July 18, 2005 for $282,500, August 30, 2005 for $100,000, October 6, 2005 for $210,000, November 9, 2005 for $150,000, December 31, 2005 for $107,480, February 6, 2006 for $180,000, March 17, 2006 for $250,000, April 12, 2006 for $200,000, on May 12, 2006 for $200,000, on June 8, 2006 for $200,000, on July 12, 2006 for $200,000 and on August 14, 2006 for $150,000. On Dec 20, 2005, the Investors converted $1,297 of the convertible notes into 172,873 shares of common stock. During the year ended December 31, 2006 the investors converted $5,027 of convertible notes into 4,698,600 shares of common stock.

The Notes bear interest at a rate ranging from 8% to 12%, mature two years from the date of issuance, and are convertible into our common stock, at the Investors' option, at the lower of (i) $0.70 or (ii) 75% of the average of the three lowest intraday trading prices for the Company's common stock during the 20 trading days before, but not including, the conversion date. The Company may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below $0.57 per share. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

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To obtain funding for its ongoing operations, we entered into a Securities Purchase Agreement (the “Agreement”) with the investors on December 15, 2006 for the sale of (i) $900,000 in callable secured convertible notes (the “Notes”) and (ii) stock purchase warrants (the “Warrants”) to buy 5,000,000 shares of our common stock.

The following closings have occurred under the Agreement:

- On December 15, 2006, the Investors purchased $250,000 in Notes and received Warrants to purchase 1,388,500 shares of the Company’s common stock.

- On January 11, 2007, the Investors purchased $150,000 in Notes and received Warrants to purchase 850,000 shares of the Company’s common stock.

- On February 12, 2007, the Investors purchased $150,000 in Notes and received Warrants to purchase 850,000 shares of the Company’s common stock.

- On March 15, 2007, the Investors purchased $150,000 in Notes and received Warrants to purchase 850,000 shares of the Company’s common stock.

In addition, provided that all of the conditions in the Securities Purchase Agreement are satisfied, on the final business day of each month until the full amount under the Agreement has been purchased, the Company will issue to the Investors and the Investors will purchase $125,000 in Notes and related Warrants. The Company or a majority in interest of the Investors may terminate the obligation to issue additional Notes and Warrants upon 30 days notice.

The Notes bear interest at 8%, mature two years from the date of issuance, and are convertible into our common stock, at the Investors' option, at a conversion price, equal to the lower of (i) $0.05 or (ii) 25% of the average of the three lowest intraday trading prices for our common stock during the 20 trading days before, but not including, the conversion date. As of February 13, 2007, the average of the three lowest intraday trading prices for our common stock during the preceding 20 trading days as reported on the Over-The-Counter Bulletin Board was $.003 and, therefore, the conversion price for the secured convertible notes was $.00075. Based on this conversion price, the Notes in the amount of $150,000 issued on February 12, 2007 were convertible into 200,000,000 shares of our common stock.

We may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the callable secured convertible notes and the market price is at or below $.08 per share. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

The Warrants are exercisable until five years from the date of issuance at a purchase price of $0.05 per share. In addition, the exercise price of the Warrants is adjusted in the event we issue common stock at a price below market.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Financial Reporting Release No. 60, recently released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. The notes to the consolidated financial statements include a summary of significant accounting policies and methods used in the preparation of our Consolidated Financial Statements. In addition, Financial Reporting Release No. 61 was recently released by the SEC requires all companies to include a discussion which addresses, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments. The following is a brief discussion of the more significant accounting policies and methods used by us.

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The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

On an on-going basis, we evaluate our estimates. The most significant estimates relate to our recognition of revenue and the capitalization of our software development.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

REVENUE RECOGNITION POLICY

Revenue is recognized under the guidelines of Statement of Position SOP 97-2 Software Revenue Recognition.

All sales agreements with clients do not require significant production, modification, or customization of software, additionally all the functionality of the product is made available upon delivery, therefore the Company recognizes revenue in accordance with Paragraph 8 of 97-2 when:

1) Persuasive evidence of an arrangement exists as evidenced by a signed contract,

2) Delivery has occurred, please note that Stronghold does not recognize revenue prior to delivery,

3) The price of Stronghold's system is fixed and determinable as evidence by the contract, and

4) Collectability is highly probable.

Previously in the periods of 2002 through 2005, the Company had also recognized revenue under the guideline of SFAS No. 48 “Revenue Recognition When Right of Return Exists”. Consistent with the new revenue plan of a shorter time commitment and proportionally minimal upfront fees as detailed in the Revenue sections herein, the Company has discontinued the 60 day trial period and the corresponding right of return. Additionally, the Company has also discontinued the third party long term lease arrangement that the Company also used from 2002 through 2005. Consistent with the release of the new WebDA™ product, there are minimal upfront fees as detailed in the revenue sections herein.

The current revenue recognition plan will include a set up and installation fee for the software of $2,500.00 and a monthly fee of $2,500.00. The monthly fee will include both the services associated with the customer relationship management (CRM) software and the maintenance. Approximately $750.00/month of the $2,500/month fee will be allocated to maintenance and the remaining $1,175.00/month will be allocated to customer relationship management (CRM) software. The allocation to maintenance is consistent with prior evidence of clients paying this amount for many years.

With the release of the new WebDA™ system, the Company’s revenue model will changed to provide for competitive pricing advantages. Our revenues moving forward will be primarily generated from a one-time up-front payment and monthly recurring fees covering software licenses. Our license agreements will be provided in twelve, twenty-four and thirty-six month terms. A $2,500 down payment and a monthly fee of $1,500 over a twelve month term will be booked as revenue at an average annual fee of $20,500, inclusive of down payment.

DEFERRED REVENUE

Under the Company's previous revenue model, deferred revenue was recorded as a liability when the Company received the three year maintenance contract in a one-time advance payment. The Company will continue to recognize the revenue from the maintenance portion of the unexpired contracts on a pro rata basis through the end of each contract term.

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SOFTWARE DEVELOPMENT CAPITALIZATION POLICY

Software development costs, including significant product enhancements incurred subsequent to establishing technological feasibility in the process of software production, are capitalized according to Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Costs incurred prior to the establishment of technological feasibility are charged to research and development expenses. For the year ended December 31, 2006, we capitalized zero. During 2006 we fully amortized and expensed the $490,846 balance of software development costs recorded as of December 31, 2005. The determination for amortizing the 2005 balance was made in recognition of the Company’s decision to stop marketing the DealerAdvance™ software which had reached the end to it s life cycle and commence marketing of the new WebDA™

DIVIDEND POLICY

We have never declared or paid any cash dividends on our Common Stock. We anticipate that any earnings will be retained for development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Our board of directors, subject to any restrictions or prohibitions that may be contained in our loan or preferred stock agreements, has sole discretion to pay dividends based on our financial condition, results of operations, capital requirements, contractual obligations and other relevant factors.

Item 7. FINANCIAL STATEMENTS

The financial statements required to be filed pursuant to this Item 7 are included in this Annual Report on Form 10-KSB beginning on page F-1. A list of the financial statements filed herewith is found on page F-1.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 8A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. The Company's Chief Executive and Chief Financial Officers are responsible for establishing and maintaining these procedures and, as required by the rules of the SEC, evaluate their effectiveness. Based on their evaluation of the Company's disclosure controls and procedures, which took place as of a date within 90 days of the filing date of this report, the Chief Executive and Chief Financial Officers believe that these procedures are effective to ensure that the Company is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

Internal Controls

The Company maintains a system of internal controls designed to provide reasonable assurance that: transactions are executed in accordance with management's general or specific authorization; transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with generally accepted accounting principles and (ii) to maintain accountability for assets. Access to assets is permitted only in accordance with management's general or specific authorization and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Since the date of the most recent evaluation of the Company's internal controls by the Chief Executive and Chief Financial Officers, there have been no significant changes in such controls or in other factors that could have significantly affected

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those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 8A(T). CONTROLS AND PROCEDURES

Not applicable

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PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION16(A) OF THE EXCHANGE ACT

Our executive officers and directors and their respective ages and positions as of December 31, 2003 are as follows:

Name	Age	Position(s)
Steven E. Humphries	54	President, Chief Executive Officer and Director

On August 14, 2006, the Board of Directors voted to appoint Steven E. Humphries as a director, the Chief Executive Officer and Chief Financial Officer of the Company.

In March, 2003 Mr. Humphries founded Humphries Marketing Group, LLC ("HMG"), a full-service automotive exclusive advertising agency located in North Dallas (Addison), Texas. Prior to forming HMG he was co-founder, member and Chief Operating Officer of Caballero Television Texas, LLC, which owned MasMusica TeVe, the first 24 hour Spanish music video network in the United States, which was recently sold to Viacom. Prior to Caballero, Mr. Humphries served in executive positions with top US broadcast groups, including Spanish Broadcasting Systems, Hispanic Broadcasting Corporation (now Univision Radio) and TK Communications. Mr. Humphries has managed and/or consulted some of the most successful Spanish Radio stations in the USA including KLVE-FM Los Angeles, KLAX-FM-Los Angeles, WSKQ-FM-New York, WPAT-FM-New York, WLEY-Chicago and KXTN-San Antonio.

EXECUTIVE OFFICERS

On April 30, 2006, the Company entered into a Consulting Agreement with Humphries Marketing Group (“HMG”) pursuant to which HMG has agreed to provide management and administrative services, including the appointment of Steven Humphries as an executive officer.

BOARD COMMITTEES

As the Company currently only has one director it does not have an audit committee, compensation committee or governance/nominating committee.

CODE OF ETHICS

Because we are an early-development stage company with limited resources, we have not yet adopted a "code of ethics", as defined by the SEC, that applies to our Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller and persons performing similar functions. We are in the process of drafting and adopting a Code of Ethics.

Item 10. EXECUTIVE COMPENSATION

The following table sets forth information concerning the total compensation that the Company has paid or that has accrued on behalf of Company’s chief executive officer and other executive officers with annual compensation exceeding $100,000 during the years ended December 31, 2006 and 2005.

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Name & Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation	Total ($)
Steven E. Humphries President, Chairman of the Board and	2006	100,000	—	—	2,000	—	—	—	102,000
Chief Executive Officer	2005	—	—	—	—	—	—	—	—
Christopher J. Carey President, Chairman of the Board and	2006	164,671	—	—	—	—	—	9,600	176,277
Chief Executive Officer	2005	350,000	—	—	—	—	—	9,600	361,605

The Company has no current employment agreements or long-term compensation plans.

On April 30, 2006, DealerAdvance, Inc. (the "Company") entered into a Consulting Agreement with Humphries Marketing Group, LLC ("HMG") pursuant to which HMG has agreed to provide management services, including the appointment of Steven Humphries as an executive officer and the appointment of a person to act as the Vice President of Sales. The Consulting Agreement is for a term of three years. In consideration for providing such services, the Company shall pay HMG (i) $15,000 per month unless it has achieved $150,000 in revenue per month, then the payment shall be $18,500 per month; (ii) 20% commission on net sales

OUTSTANDING EQUITY AWARDS

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units of Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Unites or Other Rights That Have**

								Not Vested ($)
Steven E. Humphries	666,667	—	—	$ 0.003	12/14/16	See Note (1)	—	—

Except as set forth above, no other named executive officer has received an equity award.

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(1) On April 30, 2006, the Company entered into a Consulting Agreement with Humphries Marketing Group, LLC ("HMG") pursuant to which HMG has agreed to provide management and administrative services including the appointment of Steven Humphries as an executive officer and the appointment of a person to act as the Vice President of Sales. This agreement included an option to purchase shares within the following parameters:

An option exercisable at an aggregate price of $1.00 to purchase an amount of shares of common stock of the Company, which vest on the 12 month anniversary of entering into the consulting agreement (the "First Anniversary Date"), equal to 10% of the total outstanding shares of the Company as of the First Anniversary Date and a second option to purchase shares of common stock of the Company equal to 10% of the total outstanding shares of the Company as of the date the Company has generated positive net income for four consecutive quarters (the "Net Income Date"), which shall vest as of the Net Income Date; provided, however, such options may only be exercised upon New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. or AJW Partners, LLC (collectively, the "Investors") having fully converted their convertible debt outstanding as of April 30, 2006 (the "Debt") to shares of common stock of the Company.

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Since neither the i) positive net income requirement nor the ii) requirement that the Investors have fully converted their convertible debt outstanding as of April 30, 2006, the option to HMG cannot be vested and therefore has no value and is non-dilutive.

DIRECTOR COMPENSATION

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the year end December 31, 2006.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
None.							

We do not pay directors compensation for their service as directors. We are in the process of developing a compensation policy for our directors.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of April 12, 2007. The information in this table provides the ownership information for each person known by us to be the beneficial owner of more than 5% of our Common Stock, each officer and director;

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 is based on 47,751,393 shares outstanding on April 12, 2007, and assuming the exercise of any options or warrants or conversion of any convertible securities held by such person, which are presently exercisable or will become exercisable within 60 days after April 12, 2007.

Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned**	**Percentage Outstanding**
5% Stockholders		
Christopher J. Carey 60 Broadway, PH2 Brooklyn, NY 11211	26,559,821	50.87%
Stanford Venture Capital Holdings 6075 Poplar Avenue Memphis, TN 38119	10,721,273	20.54%

<u>Other Executive Officers and Directors</u>		
Steven E. Humphries	—	0.00%

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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 10,721,273 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 Preferred Stock; and (ii) 2,444,444 shares of Common Stock issuable upon the conversion of 2,444,444 shares of our Series B Preferred Stock and (iii) 6,274,079 shares of Common Stock James M. Davis has voting and investment control over the securities held by Stanford Venture Capital Holdings, Inc., but he disclaims beneficial ownership of such securities, except to the extent of any pecuniary interest therein.

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EQUITY COMPENSATION IN FISCAL 2006

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2006.

EQUITY COMPENSATION PLAN INFORMATION

Remaining issuance compensation plans(2)	Number of securities to be issued upon exercise of outstanding options(1)	Weighted-average exercise price of outstanding options	Number of securities available for future under equity
Equity compensation plans approved by security holders	3,707,643	$ 0.01	1,714,232
Equity compensation plans not approved by security holders	—	—	—
Total	3,707,643	$ 0.01	1,714,232

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(1) Issued pursuant to our 2002 Stock Incentive Plan, our 2002 California Stock Incentive Plan, our 2000 Stock Option Plan and our DealerAdvance, Inc. 2007 Incentive Stock Plan

(2) 223,232 shares are available for future issuance pursuant to the 2002 Stock Incentive Plan, 157,667 shares are available for future issuance pursuant to the 2002 California Stock Incentive Plan and 1,333,333 shares are available for future issuance pursuant to the DealerAdvance, Inc. 2007 Incentive Stock Plan. We do not intend to issue any additional options under our 2000 Stock Option Plan.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Stronghold Technologies, Inc., the Predecessor Entity, became our wholly-owned subsidiary on May 16, 2002 pursuant to a merger with and into Acquisition Sub. Pursuant to the merger, the Predecessor Entity's stockholders surrendered all of their outstanding shares of the Predecessor Entity's common stock in exchange for a total of 7,000,000 shares of our common stock. Of these shares, Christopher J. Carey, our current President, and his wife received a total of 3,937,500 shares held jointly, and Mr. Carey received an additional 1,093,750 shares individually.

Pursuant to a Securities Purchase Agreement which we entered into on May 15, 2002, with Stanford, a major shareholder of our company, Pietro Bortolatti, a former officer and director of our company, and Mr. Carey, we agreed to issue to Stanford such number of shares of our Series A Preferred Stock that would in the aggregate equal 20% of the total issued and outstanding shares of our common stock, and a warrant to purchase an equal number of shares of our common stock. The aggregate purchase price for the Series A Preferred Stock and warrants purchased by Stanford was $3,000,000. The Series A Preferred Stock and warrant purchase took place on four separate closing dates from May 16, 2002 through July 19, 2002, in which we issued an aggregate of 2,002,750 shares of our Series A Preferred Stock to Stanford and warrants for 2,002,750 shares of our common stock. So long as any shares of Series A Preferred Stock are outstanding and held by Stanford, Stanford had the right to maintain its percentage ownership with respect to any additional securities we may issue, with certain exceptions under the Series A Securities Purchase Agreement.

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Pursuant to a Securities Purchase Agreement which we entered into on April 24, 2003, we agreed to issue to Stanford a total of 2,444,444 shares of our Series B $0.90 Convertible Preferred Stock ("Series B Preferred Stock"). The issuance of the Series B Preferred Stock occurred on six separate closing dates beginning on April 24, 2003 and closing on September 15, 2003. In connection with the Purchase Agreement, we modified the warrants issued in connection with the Series A offering to reduce the exercise price to $0.25 per share and extend the expiration date to August 1, 2008. Stanford was also granted the right to maintain its percentage ownership with respect to any additional securities we may issue, with certain exceptions under the Series B Securities Purchase Agreement. In addition, we agreed to convert all outstanding loans and unreimbursed expenses to certain stockholders of our company for 603,000 shares of our common stock at a price of $0.90 per share. The value of the warrant modification was treated as additional costs associated with raising capital and was shown as a reduction of additional paid-in capital of approximately $557,000 (computed using the Black-Scholes model with the following assumptions: expected volatility of 0%, expected dividend yield rate of 0%, expected life of 5 years, and a risk-free interest rate of 4.91% for September 30, 2003).

In connection with the Series B Purchase Agreement, we entered into a Registration Rights Agreement with Stanford, dated April 30, 2003, in which we agreed to register the shares of common stock issuable upon conversion of the Series B Preferred Stock, no later than November 15, 2003. Stanford has agreed to extend the date to register the common stock issuable upon conversion of the Series B Preferred Stock until March 15, 2004, which was further extended in June 2004.

In connection with the Series B Purchase Agreement, we entered into a Consulting Agreement with Stanford, pursuant to which Stanford has agreed to perform certain financial consulting and advisory services, in exchange for which we agreed to pay Stanford a fee of $50,000 per year for two years, payable quarterly in equal installments of $12,500, with the first such installment due on July 1, 2003. Pursuant to the terms of the Consulting Agreement, we may, at our sole option, choose to issue shares of our common stock to Stanford in lieu of such payments.

On November 11, 2003, we agreed with Stanford to modify the terms of the Series A and Series B Preferred Stock to facilitate acquisitions and other company actions. The basic terms of the modification are: (i) waiver Section 2(e)(iii) of the Series A Certificate of Designation, which provides for anti-dilution protection if we shall issue securities which are convertible into shares of our common stock for an exercise price of less than $1.50; (ii) waiver of any rights of Stanford to Default Warrants (as defined in the Series A Registration Rights Agreement) due to our failure to register our shares of common stock; and (iii) modification of the warrants previously issued to Stanford and its assigns to purchase 2,002,750 shares of our common stock to reduce the initial exercise price to $0.25 per share and to extend the expiration date to August 1, 2008.

Pursuant to the Amended and Restated Series A Certificate of Designation and Series B Certificate of Designation, dated November 11, 2003, by and between our company and Stanford and a Written Notice, Consent, and Waiver Among The Holders Of Series A $1.50 Convertible Preferred Stock, Series B $.90 Convertible Preferred Stock and Warrants, our company and Stanford agreed to certain amendments and restatements including:

(a) the filing of an Amended and Restated Certificate of Designation for Series A $1.50 Convertible Preferred Stock substantially in the form attached hereto ("Amended and Restated Series A Certificate of Designation") pursuant to which Stanford will (x) waive dilution adjustments for certain issuances of Common Stock and Common Stock equivalents, (y) reduce for an eighteen month period the Stated Value and Conversion Price (each as defined therein) to $0.50 and to $0.87 thereafter and (z) forego certain rights to approve acquisitions of fixed assets, capital stock or capital expenditures, credit facilities and sales of shares of our securities. The authorized shares of Series A Preferred Stock was reduced from 2,017,200 to 2,002,750 shares.

(b) the filing of an Amended and Restated Certificate of Designation Series B $0.90 Convertible Preferred Stock substantially in the form attached hereto pursuant to which Stanford will (x) waive dilution adjustments for certain issuances of Common Stock and Common Stock equivalents, (y) reduce for an eighteen month period the Stated Value and Conversion Price (each as defined therein) to $0.50 and to $0.87 thereafter and (z) forego certain rights to approve acquisitions of fixed assets, capital stock or capital expenditures, credit facilities and sales of shares of our securities.

In connection with the Series B Purchase Agreement, our company and Stanford also entered into a Registration Rights Agreement, dated April 30, 2003, in which we agreed to register the shares of our common stock issuable upon conversion

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of the Series B Preferred Stock, no later than November 15, 2003. Stanford has agreed to extend dare of the filing requirements of the Registration Rights Agreement to March 14, 2004, which was subsequently extended.

(c) In consideration of the Notice and the granting of the Consents and Waivers, we reduced the exercise price of the Stanford Warrants from $0.25 per share to $.001. On November 11, 2003, Stanford exercised in full the Stanford Warrant purchasing 2,002,750 shares of common stock for the purchase price of $2,002.75.

Pursuant to a Stockholders' Agreement which we entered into on May 16, 2002 with Stanford, Mr. Carey and his wife, if either Stanford or the Careys should ever want to sell any shares of our Series A Preferred Stock or common stock, the other party has a right of first refusal regarding such sale and, if such non-selling party does not want to exercise its right of first refusal, we have the right to purchase such shares, and a right of co-sale under the same terms and for the same type of consideration. In the case of a material adverse event related to our company, the Careys agreed to vote their shares as directed by Stanford, including removing and replacing the members of the board with designees nominated by Stanford. Finally, Stanford has the right to nominate one member to our board of directors and the Carey's have agreed to vote for such nominee.

Stanford is an affiliate of Stanford Financial Group, which is the majority stockholder of TWS International, Inc. Luis Delahoz, one of our outside directors, is the president and chief executive officer of TWS International, Inc. and is Stanford's representative on our board of directors.

On July 31, 2000, the Predecessor Entity entered into a line of credit loan arrangement with our President, Christopher Carey, who is also president of Stronghold. Mr. Carey made available $1,989,500, which the Predecessor Entity could borrow from time to time until August 1, 2001. Outstanding amounts accrued interest at the rate of interest per annum equal to the floating Base Rate, computed daily, for the actual number of days elapsed as if each full calendar year consisted of 360 days. Overdue amounts accrued interest at an annual rate of 2% greater than the base rate, which is 2% above the floating base rate announced from time to time by Citibank, N.A. Under the agreement, the first payment was due on August 1, 2001. On such date, the line of credit was extended for one more year, until August 1, 2002. On April 22, 2002, the Predecessor Entity issued 500,000 shares of its common stock (which converted into 1,093,750 shares of our common stock when we acquired the Predecessor Entity on May 16, 2002) in exchange for cancellation of $1 million of outstanding debt under such line of credit. On May 16, 2002, the total amount outstanding under the line of credit was $2.2 million. On such date, we issued 666,667 shares of our Common Stock to Mr. Carey in exchange for cancellation of $1 million of the then outstanding amount. We will pay Mr. Carey the remaining $1.2 million according to the terms of a non-negotiable promissory note, which was issued on May 16, 2002, and amended and restated in September 2002. The terms of the amended and restated note stipulate that the Company may not make principle payments to Mr. Carey until the retirement of the United Trust Bank loan. Until such time as the principal is paid, we will pay an interest only fee of 12% per year. Mr. Carey's promissory note is expressly subordinated in right of payment to the prior payment in full of all of our senior indebtedness.

On August 14, 2006, Mr. Carey entered into a Settlement Agreement with the Company pursuant to which Mr. Carey waived all rights to the following:

o accrued salary in the amount of $781,369;
o a bridge loan in the amount of $262,000;
o a bridge loan in the amount of $360,000;
o auto allowance payable in the amount of $25,600; and
o accrued interest in the amount of $370,299.

In consideration of this waiver, the Company has agreed to pay Mr. Carey $8,000 a month over a period of 15 months, issue Mr. Carey a convertible note in the amount of $661,369 (the "Carey Note") and issue Mr. Carey 5,117 shares of

Series D Convertible Preferred Stock with an aggregate stated value of $1,017,899. The Carey Note matures on August 13, 2016, bears no interest and is convertible at the option of Mr. Carey at the market price of the Company's common stock. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

On September 14, 2000, we issued 5,000,000 shares of our common stock to our former president, Pietro Bortolatti, in exchange for the transfer from Mr. Bortolatti of all of the outstanding shares of Terre di Toscana, Inc. to us. The assets of Terre di Toscana, Inc. included rights in several customer agreements. We valued the 5,000,000 shares issued to Mr.

Bortolatti at par value, $.0001 per share. As part of our merger with the Predecessor Entity and the exchange of shares for our truffle business, Mr. Bortolatti has surrendered or exchanged all of such shares.

In August 2002, one of our outside directors, Robert Cox, purchased 60,000 shares of our common stock at a purchase price of $1.50 per share for aggregate proceeds to us of $90,000. Such purchase was pursuant to a Subscription Agreement in which Mr. Cox made certain investment representations and warranties. The price paid by Mr. Cox had been negotiated by third parties in an arms-length transaction. The third parties who negotiated the transaction purchased a number of shares concurrently with Mr. Cox.

In January 2004, our outside director, Robert Cox, purchased an additional 147,059 shares and a warrant to purchase 73,529 shares at $0.59/share. The price of $0.59/share was based on 130% of the trailing five day closing price of our common stock on the effective purchase date of January 9, 2004.

Lenard Berger, our Chief Technology Officer and Vice President and James Cummiskey, our Vice President of Sales and Marketing, received 200,000 shares of common stock from the Predecessor Entity as founders of such entity, at a per share price of $0.005. Such shares converted into 437,400 shares of our Common Stock.

On September 30, 2002, we entered into a loan agreement with CC Trust Fund to borrow an amount up to $355,128. This bridge loan was for a period of twelve months, with all principal due and payable on September 30, 2003. The 12.5% interest on the outstanding principal is due each year. At the end of the loan period, the CC Trust Fund will be entitled to exercise 25,000 warrants at $1.50 per share. As of March 31, 2003, $355,128 was outstanding under the CC Trust Fund loan agreement. On September 30, 2003, the CC Trust Fund agreed to extend the term of their loan to December 30, 2003. On December 30, 2003, the CC Trust Fund agreed to extend the term of their loan to March 31, 2004. On March 30, 2004, the CC Trust Fund agreed to extend the term of their loan to March 31, 2005. As of December 31, 2003, $355,128 was outstanding under the CC Trust Fund loan agreement. Christopher Carey Jr., Mr. Carey's son, is the beneficiary of the trust, and Mary Carey, Mr. Carey's wife, is the trustee of the trust. On August 14, 2006, the CC Trust Fund (the "CC Fund") entered into a Settlement Agreement with the Company pursuant to which the CC Fund waived all rights to a loan made to the Company in the amount of $473,594 including interest. In consideration of this waiver, the Company has agreed issue the CC Trust Fund 2,381 shares of Series D Convertible Preferred Stock with an aggregate stated value of $473,594. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

On September 30, 2002, we entered into a loan agreement with AC Trust Fund to borrow an amount up to $375,404. This bridge loan is for a period of twelve months, with all principal due and payable on September 30, 2003. The 12.5% interest on the outstanding principal is due each year. At the end of the loan period, the AC Trust Fund will be entitled to exercise 25,000 warrants at $1.50 per share. On September 30, 2002, the AC Trust Fund agreed to extend the term of their loan to December 30, 2003. On December 30, 2003, the AC Trust Fund agreed to extend the term of their loan to March 31, 2004. On March 30, 2004, the AC Trust Fund agreed to extend the term of their loan to March 31, 2005. As March 31, 2005 Mr. Carey extended the term of the loan to May 31, 2006. As of December 31, 2005, $375,404 was outstanding under the AC Trust Fund loan agreement. Amie Carey, Mr. Carey's daughter, is the beneficiary of the trust, and Mary Carey, Mr. Carey's wife, is the trustee of the trust. On August 14 2006, the AC Trust Fund (the "AC Fund") entered into a Settlement Agreement with the Company pursuant to which the AC Fund waived all rights to a loan made to the Company in the amount of $497,691 including interest. In consideration of this waiver, the Company has agreed issue the AC Fund 2,502 shares of Series D Convertible Preferred Stock with an aggregate stated value of $497,691. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

During the fourth quarter of 2006, DealerAdvance, Inc. entered into financing transactions with the following officers, directors or the Related Parties:

On December 20, 2006, the Company issued a promissory note in the aggregate principal amount of $81,800 to Steven Humphries. Mr. Humphries is the President, CEO and Director of the Company. The note bears interest equal to the prime rate and is due on or before June 30, 2007. As of December 31, 2006, $31,800 was outstanding under the promissory note.

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On December 20, 2006, the Company issued a promissory note in the aggregate principal amount of $32,341 to Humphries Marketing Group, of which Steven Humphries is an owner and Chief Executive Officer. The note bears interest equal to the prime rate and is due on or before June 30, 2007. As of December 31, 2006, $19,341 was outstanding under the promissory note.

We believe that the terms of all of the above transactions are commercially reasonable and no less favorable to us than we could have obtained from an unaffiliated third party on an arm's length basis. Our policy requires that all related parties recuse themselves from negotiating and voting on behalf of our company in connection with related party transactions.

These loans made to Mr. Humphries violate Section 402 of the Sarbanes Oxley Act of 2002. As a result, despite the fact that a portion of such loans were repaid, our company and/or Mr. Humphries may be subject to fines, sanctions and/or penalties. At this time, we are unable to determine the amount of such fines, sanctions and/or penalties that may be incurred by our company and/or Mr. Humphries. The purpose of such loan was for personal use.

Item 13. EXHIBITS

Exhibit Number	Description
2.1(1)(4)	Merger Agreement and Plan of Merger, dated May 15, 2002, by and among TDT Development, Inc., Stronghold Technologies, Inc., TDT Stronghold Acquisition Corp., Terre Di Toscana, Inc., Terres Toscanes, Inc., certain stockholders of TDT Development, Inc. and Christopher J. Carey.
2.2(5)	Stock Purchase Agreement, dated July 19, 2002, by and between TDT Development, Inc. and Mr. Pietro Bortolatti.
3.1(2)	Articles of Incorporation, as amended on July 11, 2002.
3.2(3)	By-Laws.
3.3(18)	Certificate of Amendment filed on January 13, 2006 (18)
3.3(20)	Certificate of Designation filed on April 12, 2006(20)
4.1(2)	Certificate of Designations filed on May 16, 2002.
4.2(5)	Specimen Certificate of Common Stock.
4.3(8)	Promissory Note for $300,000, dated March 18, 2003, made by Stronghold Technologies, Inc. in favor of Christopher J. Carey.
4.4(8)	Promissory Note for $100,000, dated March 18, 2003, made by Stronghold Technologies, Inc. in favor of Christopher J. Carey.
4.5(8)	Form of Warrant with Christopher J. Carey.
4.6(10)	Amended and Restated Certificate of Designation of Series A $1.50 Convertible Preferred Stock of Stronghold Technologies, Inc.

4.7(10) Amended and Restated Certificate of Designation of Series B $0.90 Convertible Preferred Stock of Stronghold Technologies, Inc.

4.8(11) Securities Purchase Agreement dated June 18, 2004 between the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC

4.9(11) Callable Secured Convertible Note in the name of New Millennium Capital Partners II, LLC dated June 18, 2004

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4.10(11) Callable Secured Convertible Note in the name of AJW Qualified Partners, LLC dated June 18, 2004

4.11(11) Callable Secured Convertible Note in the name of AJW Offshore, Ltd. dated June 18, 2004

4.12(11) Callable Secured Convertible Note in the name of AJW Partners, LLC dated June 18, 2004

4.13(11) Stock Purchase Warrant in the name of New Millennium Capital Partners II, LLC dated June 18, 2004

4.14(11) Stock Purchase Warrant in the name of AJW Qualified Partners, LLC dated June 18, 2004

4.15(11) Stock Purchase Warrant in the name of AJW Offshore, Ltd. dated June 18, 2004

4.16(11) Stock Purchase Warrant in the name of AJW Partners, LLC dated June 18, 2004

4.17(11) Registration Rights Agreement dated June 18, 2004 between the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC

4.18(11) Security Agreement dated June 18, 2004 between the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC

4.19(11) Intellectual Property Security Agreement dated June 18, 2004 between the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC

4.20 Callable Secured Convertible Note in the name of New Millennium Capital Partners II, LLC dated July 27, 2004 (16)

4.21 Callable Secured Convertible Note in the name of AJW Qualified Partners, LLC dated July 27, 2004 (16)

4.22 Callable Secured Convertible Note in the name of AJW Offshore, Ltd. dated July 27, 2004 (16)

4.23 Callable Secured Convertible Note in the name of AJW Partners, LLC dated July 27, 2004(16)

4.24 Stock Purchase Warrant in the name of New Millennium Capital Partners II, LLC dated July 27, 2004(16)

4.25 Stock Purchase Warrant in the name of AJW Qualified Partners, LLC dated July 27, 2004(16)

4.26 Stock Purchase Warrant in the name of AJW Offshore, Ltd. Dated July 27, 2004(16)

4.27 Stock Purchase Warrant in the name of AJW Partners, LLC dated July 27, 2004(16)

4.28 Callable Secured Convertible Note in the name of New Millennium Capital (16) Partners II, LLC dated October 22, 2004

4.29 Callable Secured Convertible Note in the name of AJW Qualified Partners, LLC dated October 22, 2004 (16)

4.30 Callable Secured Convertible Note in the name of AJW Offshore, Ltd. dated October 22, 2004 (16)

4.31 Callable Secured Convertible Note in the name of AJW Partners, LLC dated October 22, 2004(16)

4.32 Stock Purchase Warrant in the name of New Millennium Capital Partners II, LLC dated October 22, 2004(16)

4.33 Stock Purchase Warrant in the name of AJW Qualified Partners, LLC dated October 22, 2004(16)

4.34 Stock Purchase Warrant in the name of AJW Offshore, Ltd. Dated October 22, 2004(16)

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4.35 Stock Purchase Warrant in the name of AJW Partners, LLC dated October 22, 2004(16)

4.36 Callable Secured Convertible Note in the name of New Millennium Capital Partners II, LLC dated March 18, 2005(16)

4.37 Callable Secured Convertible Note in the name of AJW Qualified Partners, LLC dated March 18, 2005 (16)

4.38 Callable Secured Convertible Note in the name of AJW Offshore, Ltd. dated March 18, 2005 (16)

4.39 Callable Secured Convertible Note in the name of AJW Partners, LLC dated March 18, 2005 (16)

4.40 Stock Purchase Warrant in the name of New Millennium Capital Partners II, LLC dated March 18, 2005(16)

4.41 Stock Purchase Warrant in the name of AJW Qualified Partners, LLC dated March 18, 2005(16)

4.42 Stock Purchase Warrant in the name of AJW Offshore, Ltd. dated March 18, 2005(16)

4.43 Stock Purchase Warrant in the name of AJW Partners, LLC dated March 18, 2005(16)

4.44 Amendment No. 2 to the Securities Purchase Agreement dated March 4, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(16)

4.45 Letter of Agreement dated March 4, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(16)

4.46 Amendment No. 1 to the Securities Purchase Agreement dated October 22, 2004 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (16)

4.47 Securities Purchase Agreement dated March 31, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (17)

4.48 Form of Callable Secured Convertible dated March 31, 2005 (17)

4.49 Form of Stock Purchase Warrant dated March 31, 2005(17)

4.50 Registration Rights Agreement dated March 31, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (17)

4.51 Security Agreement dated March 31, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (17)

4.52 Intellectual Property Security Agreement dated March 31, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (17)

4.53 Securities Purchase Agreement dated February 6, 2005 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(18)

4.54	Form of Callable Secured Convertible dated February 6, 2006 (18)
4.55	Form of Stock Purchase Warrant dated February 6, 2006 (18)
4.56	Registration Rights Agreement dated February 6, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(18)

4.57 Security Agreement dated March February 6, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (18)

4.58 Intellectual Property Security Agreement February 6, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (18)

4.59 Securities Purchase Agreement dated March 17, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(19)

4.60 Form of Callable Secured Convertible Note dated March 17, 2006 (19)

4.61 Form of Stock Purchase Warrant dated March 17, 2006 (19)

4.62 Registration Rights Agreement dated February 6, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(19)

4.63 Security Agreement dated March 17, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (19)

4.64 Intellectual Property Security Agreement February 6, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (19)

4.65 Callable Secured Convertible Note in the name of AJW Partners, LLC dated April 11, 2006 (21)

4.66 Form of Callable Secured Convertible Note dated June 8, 2006 (23)

4.67 Form of Callable Secured Convertible Note dated July 18, 2006 (24)

4.68 Securities Purchase Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(25)

4.69 Form of Callable Secured Convertible Note dated December 15, 2006(25)

4.70 Form of Stock Purchase Warrant dated December 15, 2006(25)

4.71 Registration Rights Agreement dated December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC(25)

4.72 Security Agreement dated March December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (25)

4.73 Intellectual Property Security Agreement December 15, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (25)

10.1(2) 2002 Stock Incentive Plan.

10.2(2) Form of Incentive Stock Option Agreement to be issued under the 2002 Stock Incentive Plan.

10.3(2) Form of Nonstatutory Stock Option Agreement to be issued under the 2002 Stock Incentive Plan.

10.4(5) California 2002 Stock Incentive Plan.

10.5(5) Form of Incentive Stock Option Agreement to be issued under the California 2002 Stock Incentive Plan.

10.6(5) Form of Nonstatutory Stock Option Agreement to be issued under the California 2002 Stock Incentive Plan.

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10.7(2) Executive Employment Agreement by and between Stronghold Technologies, Inc. and Christopher J. Carey, dated May 15, 2002.

10.8(2) Employment and Non-Competition Agreement by and between Stronghold Technologies, Inc. and Lenard Berger, dated August 1, 2000.

10.9(2) Employment and Non-Competition Agreement by and between Stronghold Technologies, Inc. and Salvatore D'Ambra, dated July 10, 2000.

10.10(2) Employment and Non-Competition Agreement by and between Stronghold Technologies, Inc. and James J. Cummiskey, dated August 14, 2000.

10.11(2) Business Loan Agreement by and between Stronghold Technologies, Inc. and UnitedTrust Bank, dated June 30, 2002.

10.12(2) Promissory Note issued by Stronghold Technologies, Inc. made payable to UnitedTrust Bank, Dated June 30, 2002.

10.13(2) Commercial Security Agreement by and between Stronghold Technologies, Inc. and UnitedTrust Bank, dated June 30, 2002.

10.14(2) Promissory Note issued by Stronghold Technologies, Inc. made payable to Christopher J. Carey, dated May 16, 2002.

10.15(4) Securities Purchase Agreement, dated May 15, 2002, by and among TDT Development, Inc., Stanford Venture Capital Holdings, Inc., Pietro Bortolatti, Stronghold Technologies, Inc. and Christopher J. Carey.

10.16(4) Registration Rights Agreement, dated May 16, 2002, by and among TDT Development, Inc. and Stanford Venture Capital Holdings, Inc.

10.17(4) Lock-Up Agreement, dated May 16, 2002, by and among TDT Development, Inc.

10.18(4) Stockholders' Agreement, dated May 16, 2002, by and among TDT Development, Inc., Christopher J. Carey, Mary Carey and Stanford Venture Capital Holdings, Inc.

10.19(4) Form of Warrant to be issued pursuant to the Securities Purchase Agreement (Exhibit 10.11).

10.20(6) Loan Agreement by and among Stronghold Technologies, Inc., its subsidiary and UnitedTrust Bank, dated September 30, 2002.

10.21(6) Commercial Loan Note issued by Stronghold Technologies, Inc. and its subsidiary made payable to UnitedTrust Bank, dated September 30,2002

10.22(6) Security Agreement by and between Stronghold Technologies, Inc. and UnitedTrust Bank, dated September 30, 2002.

10.23(6) Security Agreement by and between Stronghold's subsidiary and UnitedTrust Bank, dated September 30, 2002.

10.24(6) Subordination Agreement by and among Christopher J. Carey, Stronghold Technologies, Inc. and UnitedTrust Bank, dated September 30, 2002.

10.25(6) Subordination Agreement by and among Christopher J. Carey, Stronghold's subsidiary and UnitedTrust Bank, dated September 30, 2002.

10.26(6) Guaranty by Christopher J. Carey in favor UnitedTrust Bank, dated September 30, 2002.

10.27(6) Loan Agreement by and among Stronghold Technologies, Inc., its subsidiary and AC Trust Fund, dated September 30, 2002.

10.28(6) Loan Agreement by and among Stronghold Technologies, Inc., its subsidiary and CC Trust Fund, dated September 30, 2002.

10.29(6) Form of Subscription Agreement by and between Stronghold Technologies, Inc. and each of the parties listed on the schedule of purchasers attached thereto.

10.30(6) Promissory Note issued by Stronghold Technologies, Inc. made payable to Christopher J. Carey, dated September 30. 2002.

10.31(7) Securities Purchase Agreement, dated April 30, 2003, by and between Stronghold Technologies, Inc. and Stanford Venture Capital Holdings, Inc.

10.32(7) Registration Rights Agreement, dated April 30, 2003, by and between Stronghold Technologies, Inc. and Stanford Venture Capital Holdings, Inc.

10.33(7) Consulting Agreement, dated April 30, 2003, by and between Stronghold Technologies, Inc. and Stanford Venture Capital Holdings, Inc.

10.34(9) First Modification to Loan Agreement and Note among Stronghold Technologies, Inc., Christopher J. Carey and UnitedTrust Bank, dated July 31, 2003.

10.35(13) Lease Agreement entered between the Company and APA Properties No. 2, LP

10.36(13) Sublease Agreement between Clark/Bardes Consulting, Inc. and the Company

10.37(14) Forbearance Agreement entered by and between the Company and PNC Bank

10.38(14) Amendment No. 1 to the Forbearance Agreement entered by and between the Company and PNC Bank

10.39(22) Consulting Agreement, dated April 30, 2006, by and between Stronghold Technologies, Inc. and Humphries Marketing Group, LLC.

10.40 DealerAdvance, Inc. 2007 Incentive Stock Plan

10.41 Promissory Note issued by Steven E. Humphries, made payable to DealerAvance, Inc., dated December 20, 2006.

10.42 Promissory Note issued by Humphries Marketing Group, LLC, made payable to DealerAdvance, Inc., dated December 20, 2006.

16.1 Letter on change in certifying accountant dated March 15, 2006 (incorporated by reference to the Form 8-K Current Report filed on March 16, 2006.

21(5) Subsidiaries of the Registrant.

31.1 Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) The exhibits and schedules to the Merger Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the exhibits and schedules to the U.S. Securities and Exchange Commission upon request

(2) Incorporated herein by reference to the exhibits to Registrant's Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2002.

(3) Incorporated herein by reference to the exhibits to the Registrant's Registration Statement on Form SB-2 as filed with the Securities and Exchange Commission on February 1, 2001 (No. 333-54822).

(4) Incorporated herein by reference to the exhibits to the Registrant's Current Report on Form 8-K dated May 16, 2002.

(5) Incorporated herein by reference to the exhibits to the Registrant's Registration Statement on Form SB-2 as filed with the Securities and Exchange Commission on September 24, 2002.

(6) Incorporated herein by reference to the exhibits to Registrant's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002.

(7) Incorporated by reference to Exhibit 99.3 to the Company's Form 8-K as filed with the Securities and Exchange Commission on May 8, 2003.)

(8) Incorporated by reference to the exhibits to Registrants Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2003.

(9) Incorporated by reference to the exhibits to Registrants Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2003.

(10) Incorporated by reference to the exhibits to Registrants Form 10-KSB for the year ended December 31, 2003.

(11) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed June 28, 2004.

(12) Incorporated by reference to the exhibits to Registrants Form SB-2 Registration Statement filed July 21, 2004.

(13) Incorporated by reference to the exhibits to Registrants Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2004.

(14) Incorporated by reference to the exhibits to Registrants Form SB-2 Registration Statement filed February 11, 2005.

(15) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed June 28, 2004.

(16) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed March 25, 2005.

(17) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed April 11, 2005.

(18) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed February 10, 2006.

(19) Incorporated by reference to the exhibits to Registrants Form 8-K Currrent Report filed March 23, 2006.

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(20) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on April 12, 2006

(21) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on April 21, 2006

(22) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on June 8, 2006

(23) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on June 6, 2006

(24) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on July 18, 2006

(25) Incorporated by reference to the exhibits to Registrants Form 8-K Current Report filed on December 15, 2006

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the aggregate fees billed for professional services rendered by Rothstein, Kass & Company, P.C. in 2005 and Paritz and Company, P.A. in 2005. Other than as set forth below, no professional services were rendered or fees billed by Rothstein, Kass & Company, P.C. or Paritz & Company, P.A.during 2005 or 2006.

		2006		2005
Audit Fees (1)	$	18,200	$	24,500
Tax Fees (2)	$	0	$	3,000
Other Fees	$	3,750	$	500
TOTAL	$	21,950	$	28,000

(1) Audit fees consist of professional services rendered for the audit of the Company's annual financial statements and the reviews of the quarterly financial statements.

(2) Tax fees consist of fees for services rendered to the Company for tax compliance, tax planning and advice.

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 17th day of April, 2007.

DEALERADVANCE, INC.

By: /s/ Steven E. Humphries

Steven E. Humphries, President and Chief Executive Officer
and Principal Financial/Accounting Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders DealerAdvance, Inc.

We have audited the accompanying consolidated balance sheet of DealerAdvance, Inc. and Subsidiary as of December 31, 2006, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company's ability to continue in the normal course of business is dependent upon, among other things, its success in raising additional capital and achieving profitable operations. The Company has recurring losses, substantial working capital and stockholders' deficits and negative cash flows from operations. These conditions among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dealer Advance, Inc. and Subsidiary as of December 31, 2006, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

/s/ Paritz & Company, P.A.

Hackensack, New Jersey
April 5, 2007

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DEALERADVANCE, INC. AND SUBSIDIARY, FORMERLY STRONGHOLD TECNOLOGIES, INC.

CONSOLIDATED BALANCE SHEET

ASSETS		**December 31, 2006**
Current assets		
Cash	$	106,556
Accounts receivable		6,281
Notes receivable, related party		51,566
Prepaid expenses		69,109
Total current assets		233,512
Property and equipment, net		2,824
Other assets		
Deferred charge, loan acquisition costs, net of amortization		9,736
Other		1,000
Total other assets		10,736
	$	247,072
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$	381,252
Interest payable, stockholders		1,187,088
Notes payable, stockholders, current portion		875,000
Callable secured convertible notes, current portion		2,344,973
Deferred revenue		94,283
Liquidated damages payable		1,991,587
Accrued expenses and other current liabilities		1,257,572
Total current liabilities		8,131,755
Long-term liabilities		
Notes payable, stockholders, convertible debt, net of deferred interest of $615,923		190,986
Callable secured convertible notes, less current portion		4,228,490
Total long term liabilities		4,419,476
Commitments and contingencies		
Stockholders' deficit		
Preferred stock, Series A, $.0001 par value; authorized 5,000,000 shares, 2,002,750 issued and outstanding (aggregate liquidation preference of $3,004,125) and preferred stock, Series B, $.0001 par value; 2,444,444 shares authorized, issued and outstanding (aggregate liquidation preference $2,200,000) and preferred stock, Series D, $.01 par value; authorized 10,000 shares authorized, issued and outstanding (aggregate liquidation preference $1,989,200)		545

Common stock, $.0001 par value, authorized 8,500,000,000 shares, 43,587,393 issued and outstanding		4,359
Additional paid-in capital		10,853,275
Accumulated deficit		(23,162,338)
Total stockholders' deficit		(12,304,159)
	$	247,072

See accompanying notes to consolidated financial statements.

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DEALERADVANCE, INC. AND SUBSIDIARY, FORMERLY STRONGHOLD TECHNOLOGIES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

	Years Ended December 31, 2006	2005
Sales	$ 479,474	$ 943,735
Cost of sales	71,333	324,360
Gross profit	408,141	619,375
Selling, general and administrative	2,517,383	2,732,954
Loss from operations	(2,109,242)	(2,113,579)
Interest expense	911,721	747,383
Settlement of Litigation	334,294	—
Liquidated damages	1,088,370	771,486
Net loss applicable to common stockholders	$ (4,443,627)	$ (3,632,448)
Basic and diluted loss per common share	$ (0.08)	$ (0.17)
Weighted average number of common shares outstanding	37,452,451	16,997,444

See accompanying notes to consolidated financial statements.

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DEALERADVANCE, INC. AND SUBSIDIARY, FORMERLY STRONGHOLD TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2006	2005
Cash flows from operating activities		
Net loss	$ (4,443,627)	$ (3,632,448)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for returns and allowances	(60,000)	(159,891)
Depreciation and amortization	533,971	533,171
Interest payable, stockholders	772,955	181,452
Interest payable, convertible debt		421,809
Liquidated damages payable	1,088,368	771,486
Changes in operating assets and liabilities:		
Accounts receivable	97,156	420,252
Inventories	18,095	26,610
Prepaid expenses	(42,071)	63,446
Accounts payable	(126,807)	(111,121)
Software development costs	—	(65,455)
Accrued expenses and other current liabilities	402,843	(362,079)
Deferred Revenue	(264,676)	250,987
Other Assets	(16,711)	32,939
Net cash used in operating activities	(2,040,504)	(1,628,842)
Cash flows from financing activities		
Proceeds from issuance of common stock, net of financing costs	—	79,461
Proceeds from notes payable, stockholders	—	155,000
Principal repayments of notes payable, stockholders	—	(50,496)
Proceeds from notes payable, convertible debt	2,080,000	2,151,575
Principal repayments of notes payable	—	(606,667)
Principal payments for obligations under capital leases	—	(33,471)
Net cash provided by financing activities	2,080,000	1,695,402
Net increase in cash	39,496	66,560
Cash, beginning of year	67,060	500
Cash, end of year	$ 106,556	$ 67,060

See accompanying notes to consolidated financial statements.

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DEALERADVANCE, INC. AND SUBSIDIARY, FORMERLY STRONGHOLD TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

Supplementary schedule of non-cash investing and financing activities

	Years Ended December 31, 2006	2005
Supplemental disclosure of cash flow information, cash paid during the period for interest	—	80,235
Supplemental disclosures of noncash investing and financing activities		
During the year ended December 31, 2006, the Company entered into an agreement to convert $150,000 of accrued officer's compensation into 21,428,571 shares of common stock.		
During the year ended December 31, 2006, the Company entered into two agreements to convert $806,909 of accrued compensation into convertible notes		
During the year ended December 31, 2006, the Company entered into three separate agreements to convert $1,352,532 of notes payable, stockholders and $636,652 of accrued interest, stockholders, into 10,000 shares of preferred stock.		

See accompanying notes to consolidated financial statements.

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DEALERADVANCE, INC. AND SUBSIDARY, FORMERLY STRONGHOLD TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S DEFICIT

Years Ended December 31, 2006 and 2005

	Preferred Stock Series A		Preferred Stock Series B		Preferred Stock Series D		Common Stock		Additional Paid-in Capital	Stock Subscription Receivable	Accumulated Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balances, December 31, 2004	2,002,750	$ 201	2,444,444	$ 244			$ 16,087,349	$ 1,609	7,924,928	$ (3,000)	$ (15,086,263)
Conversion of convertible notes to common stock							172,873	17	5,152		
Stock issued for interest due, net of costs							1,200,000	120	74,309		
Payment of stock subscription receivables										3,000	
Net loss											(3,632,448)
Balances, December 31, 2005	2,002,750	201	2,444,444	244	—	—	17,460,222	1,746	8,004,389	—	(18,718,711)
Issuance of preferred stock											
Warrants issued with debt									85,884		
Conversion of convertible notes to common stock							4,698,600	470	880		

Conversion of stockholder notes to preferred stock					10,000	100			1,989,083		
Stock Issued for compensation							21,428,571	2,143	147,857		
Imputed interest from noninterest bearing notes									625,182		
Net loss											(4,443,627)
Balances, December 31, 2006	2,002,750	$ 201	2,444,444	$ 244	10,000	$ 100	43,587,393	$ 4,359	$ 10,853,275	—	$ (23,162,338)

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

On October 2, 2006 DealerAdvance, Inc. , a newly formed wholly owned subsidiary was merged into Stronghold Technologies, Inc. Stronghold Technologies, Inc. changed its name to Dealer Advance, Inc.

The Company is in the business of selling, marketing and installing a web based application software and database system that manages the auto dealer-client relationship. The Company's suite of Customer Relationship Management ("CRM") software has been designed to assist auto dealerships in collecting client contact information, following up on sales prospects and aiding dealership sales personnel in finalizing the sale of its automobiles.

2. Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net loss of approximately $4,444,000 and had negative cash flows from operations of approximately $2,040,000 for the year ended December 31, 2006, and had a working capital deficit of approximately $7,898,000 and a stockholders' deficit of approximately $12,304,000 as of December 31, 2006. These conditions, among others, raise substantial doubt about the Company's ability to continue as a going concern. During 2007, management of the Company will attempt to raise additional capital to fund future operations. If the Company is unable to generate sufficient revenues or raise sufficient additional capital, there would be a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. Summary of significant accounting policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Property and Equipment

Property and equipment are recorded at cost. Depreciation for equipment, software and furniture is provided for financial reporting and tax purposes using declining balance methods. Leasehold improvements are amortized by the straight line method.

Maintenance, repairs and minor renewals are charged to expenses when incurred. Replacements and major renewals are capitalized.

Accounts Receivable

The Company records its accounts receivable at cost. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Accounts are written off as uncollectible at the discretion of management. No allowance for doubtful accounts is recorded as of December 31, 2006.

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Software Development Costs

Capitalized software development costs, including significant product enhancements incurred subsequent to establishing technological feasibility in the process of software development and production, are capitalized according to Statement of Financial Accounting Standards (SFAS) No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Costs incurred prior to the establishment of technological feasibility are charged to research and development expenses as incurred. The capitalized software is amortized over a three year period using the straight-line method. As of December 31, 2006, all capitalized software development costs were fully amortized.

Fair Value of Financial Instruments

Financial instruments held by the Company include cash, accounts receivable, notes payable and accounts payable. The book value of cash, accounts receivable and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. The fair values of the notes payable approximate book values primarily because the contractual interest rates approximate prevailing market rates.

Impairment of Long-Lived Assets

The Company periodically assesses the recoverability of the carrying amounts of long-lived assets, including intangible assets. A loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the difference by which the carrying amount of the asset exceeds its fair value.

Retirement Plan

The Company has a retirement plan under Section 401(k) of the Internal Revenue Code ("the Plan"), which covers all eligible employees and provides for voluntary deduction of the employee's salary, subject to 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 years ended December 31, 2006 and 2005.

Deferred income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109) which requires that deferred tax assets and liabilities be recognized for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, SFAS 109 requires recognition of future tax benefits, such as carryforwards, to the extent that realization of such benefits is more likely than not and that a valuation allowance be provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123(R), *Share-Based Payment*, which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123(R) requires all share-based payments to employees and directors, including grants of stock options, to be recognized in the financial statements based on their fair values. We adopted SFAS No. 123(R) on January 1, 2006, under the modified prospective method, in which the requirements of SFAS No. 123(R) are to be applied to new awards and to previously granted awards that are not fully vested on the effective date. The modified prospective method does not require restatement of previous years' financial statements.

The fair value of the Company's stock options was estimated using the Black-Scholes option pricing model. Prior to the adoption of SFAS No. 123(R), we accounted for share-based compensation using the intrinsic value-based method of accounting in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. The following table presents net income (loss) and earnings per share if the fair value method had been applied to all outstanding and unvested stock options for fiscal year 2006 and 2005, respectively:

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		2006		2005
Net loss applicable to common shareholders, as reported	$	(4,443,627)	$	(3,632,448)
Add				
Total stock-based compensation expense determined under fair value method for all awards, net of related tax effect		7,122		12,647
Pro forma	$	(4,450,749)	$	(3,645,095)
Basic and diluted EPS				
As reported	$	(0.08)	$	(0.14)
Pro forma	$	(0.08)	$	(0.14)

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 approximately 50.6%, expected dividend yield rate of 0%, expected life of 10 years, and a risk-free interest rate of 4.49% and 4.23% for the years ended December 31, 2006 and 2005, respectively.

Revenue Recognition

Revenue is recognized under the guidelines of Statement of Position SOP 97-2 Software Revenue Recognition.

All sales agreements with clients do not require significant production, modification, or customization of software, additionally all the functionality of the product is made available upon delivery, therefore the Company recognizes revenue in accordance with Paragraph 8 of 97-2 when:

1) Persuasive evidence of an arrangement exists as evidenced by a signed contract,
2) Delivery has occurred, please note that Dealer Advance does not recognize revenue prior to delivery,
3) The price of Dealer Advance’s system is fixed and determinable as evidence by the contract, and
4) Collectability is highly probable.

Deferred Revenue

Deferred revenue is recorded as a liability when the Company receives the three year maintenance contact in a one-time advance payment. The Company then recognizes the revenue from the maintenance portion of the contract on a pro rata basis over the term of the contract.

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.

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Loss Per Common Share

Loss per common share is based on the weighted average number of common shares outstanding. The Company complies with SFAS No. 128, “Earnings Per Share,” which requires dual presentation of basic and diluted earnings (loss) per share. Basic earnings (loss) per share exclude dilutions and are computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Since the effect of the outstanding options and warrants are anti-dilutive, they have been excluded from the Company’s computation of loss per common share.

Recently Issued Accounting Pronouncements

In May 2005, the FASB SFAS No. 154, “Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3”. This statement requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. It carries forward without change the previous guidance for reporting the correction of an error and a change in accounting estimate. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

4. Liquidated damages payable

Pursuant to the callable secured convertible notes and as a result certain registration rights granted to investors, the Company incurred damages due to its failure to have sufficient issuable shares of common stock registered in accordance with the terms of the agreement.

5. Property and Equipment

A summary of property and equipment at December 31, 2006 and the estimated lives used in the computation of depreciation and amortization is as follows:

	Amount	Estimated Useful Life	Principal Method
Computer equipment	195,827	5 years	Declining-Balance
Computer software	19,166	3 years	Declining-Balance
Furniture and fixtures	21,717	7 years	Declining-Balance
Computer equipment recorded under capital leases	113,193	5 years	Declining-Balance
Leasehold improvements	7,982	4 years	Straight-line
	357,884		
Less accumulated depreciation and amortization	(355,060)		
	2,824		

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6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following at December 31, 2006:

Payroll taxes, including penalites and interest	$	467,026
Commissions		109,786
Compensation		46,135
Sales tax		106,524
Accrued officer's compensation		80,000
Litigation		334,294
Other		113,807
	$	1,257,572

7. Notes payable, stockholders

At December 31, 2006, notes payable, stockholders consists of the following:

Note payable, bearing interest at 8% and due in May, 2007	$	875,000
Non interest bearing convertible notes payable, net of interest imputed at 15% per annum of $615,923		190,986
		1,065,986
Less current portion		(875,000)
	$	190,986

The convertible notes mature on August 13, 2016 and are convertible at the option of the stockholder at the market price of the company's common stock on the day of the conversion.

8. Callable secured convertible notes consist of the following:

Callable secured convertible notes bear interest at a rate ranging from 8% to 12% (weighted average 10.22%) and are due at various dates from April, 2006 to December 15, 2009. The notes are secured by the company's assets	$	6,573,463
(Less) current portion		2,344,973
	$	4,228,490

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The notes are convertible into our common stock, at the investors' option, at a conversion price, equal to the lower of (i) $0.05 or (ii) 25% of the average of the three lowest intraday trading prices for our common stock during the 20 trading days before, but not including, the conversion date.

On December 15, 2006 the Company entered into an agreement with a group of investors for the sale of $900,000 of callable secured convertible notes and 5,000,000 common stock purchase warrants. As of December 31, 2006, the Company sold $250,000 of the notes and issued 1,388,000 warrants.

In February and March, 2007 the company sold an additional $300,000 of notes and issued 1,700,000 warrants. In addition, provided that all of the conditions of the Agreement are satisfied, on the final business day of each month until the full $900,000 in Notes has been purchased, the Company will issue to the Investors and the Investors will purchase $150,000 in notes and related warrants. The Company or majority interest of the Investors may terminate the obligation to issue additional notes and warrants upon 30 days notice.

9. Income taxes

At December 31, 2006, the Company had net operating loss carryforwards of approximately $16,998,000 which expire between 2009 and 2024.

The Company has a deferred tax asset of approximately $5,780,000 resulting from available net operating loss carryforwards for which a 100% valuation allowance has been applied.

A reconciliation of the credit for income taxes with the amount computed by applying the statutory Federal income tax rate to loss before income taxes is as follows:

	2006	2005
Computed expected tax credit rate	34%	34%
State income tax credit, net of federal benefit	7	7
Deferred tax valuation allowance	(41)	(41)
Effective income tax rate	0%	0%

10. Stock option plans

The Company has adopted four stock option plans ("Plans") providing for incentive stock options ("ISOs") and non-qualified stock options ("NQSOs"). The Company has reserved 5,421,875shares of common stock for issuance upon the exercise of stock options granted under the Plans. 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 Plans further provide that the maximum period in which stock

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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. All stock option grants vest equally over a three year period.

	Plan Options	Restated Per Share Exercise Price	Weighted Average Exercise Price
Outstanding at			
January 1, 2005	1,225,408	$ 0.11-$2.00	$ 0.850
Granted in the year ended			
December 31, 2005	4,000	$ 0.05	$ 0.050
Terminated in the year ended			
December 31, 2005	(728,277)	$ 0.07-$1.50	$ 1.220
Outstanding at			
Year ended December 31, 2005	501,131	$ 0.05-$1.50	$ 0.640
Granted in the year ended			
December 31, 2006	3,666,668	$ 0.003	$ 0.003
Terminated in the year ended			
December 31, 2006	(460,156)	$ 0.05-$1.50	$ 0.677
Outstanding at			
December 31, 2006	3,707,643	$ 0.003-$1.50	$ 0.010

The exercise price ranges for options outstanding and exercisable at December 31, 2006 were:

Range of Exercise Price			Options Outstanding			Options Exercisable	
From		To	Number Outstanding	Weighted Remaining Contractural Life	Weighted Exercise Price	Number Outstanding	Weighted Exercise Price
$ 0.0001	to	$ 0.2000	3,688,543	$ 9.93	$ —	3,688,543	$ —
$ 0.2001	to	$ 0.2000	—	$ —	$ —		
$ 0.4001	to	$ 0.6000	10,000	$ 6.30	$ 0.57	10,000	$ 0.57
$ 0.6001	to	$ 0.8000	7,000	$ 6.49	$ 0.65	7,000	$ 0.65
$ 0.8001	to	Above	2,100	$ 6.48	$ 0.86	2,100	$ 0.86
			3,707,643	$ 0.01	$ 2.08	3,707,643	$ 0.01

11. Stockholders' Equity

On Feb. 6, 2006 a stockholder converted $150,000 of deferred compensation into 21,428,571 shares of common stock of the Company (the "Shares").

On August 14, 2006, a former officer entered into a Settlement Agreement with the Company pursuant to which he exchanged accrued salary, interest, auto allowance aggregating $1,177,268, and two bridge loans of $622,000 for a convertible note of $661,369 and 5,117 shares of Series D Convertible Preferred Stock with an aggregate stated value of $1,017,899. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion.

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On August 14, 2006, the Company entered into a settlement agreement with a lender pursuant to which the lender exchanged a loan of $473,594 including interest for 2,381 shares of Series D Convertible Preferred Stock with an aggregate stated value of $473,594. The shares of Series D Preferred Stock are convertible into common stock by dividing the stated value by the closing bid price on the day immediately prior to conversion.

On August 14 2006, the Company into a settlement agreement with pursuant to which the lender exchanged a loan of $497,691 including interest for 2,502 shares of Series D Convertible Preferred Stock with an aggregate stated value of $497,691. The shares of Series D Preferred Stock are convertible by dividing the stated value by the closing bid price on the day immediately prior to conversion

Warrants

During the year ended December 31, 2006, we issued the following warrants in connection with callable secured convertible notes (see Note 6 above):

Date	Warrants Issued	Exercise Price	Expiration Date
02/06/06	180,000	0.03	02/06/11
03/17/06	2,900,000	0.05	03/17/11
05/12/06	200,000	0.05	05/12/11
12/15/06	1,388,000	0.05	12/15/11
	4,668,000		

The warrants were valued at approximately $85,884 using the Black-Scholes option pricing model including the following assumptions: exercise price of $0.03-$0.05, expected volatility of 43.65%, expected dividend yield rate of 0%, expected life of 5 years, and a risk free interest rate of 4.41%.

12. Commitments and contingencies

Legal proceedings

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business and have not been finally adjudicated. These actions when ultimately concluded and determined will not, in the opinion of management, have a material adverse effect on results of operations or the financial condition of the Company.

A former officer of the Company commenced an arbitration proceeding against the Company claiming, among other things, that he was due unpaid salaries and damages resulting from the company failing to remove a restrictive legend from shares of common stock owned by him. In May , 2006, the arbitrator awarded the former officer $214,362, of which $27,030 has been paid by December 31, 2006. The balance is included in accrued expenses and other current liabilities .

In the ordinary course of business the Company made certain guarantees to prospective clients as an inducement to contract for services. These guarantees, although limited, provided that the Company would pay client third party equipment leases after the first 12 months of service if the client was not satisfied with our DealerAdvance™ Software Solution. As of December 31, 2006, two judgments have been entered against the Company for failure to honor such guarantees, aggregating $203,419, which is included in accrued expenses. Two additional claims for failure to honor guarantees have been filed against the Company. These claims have an approximate aggregate liability of $53,000 and have been included in accrued expenses.

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13. Related Party Transactions

Transactions with Officers and Directors of DealerAdvance, Inc.

The Company and/or the Company's sole executive officer and director and CEO may be subject to fines, sanctions and/or penalties of an indeterminable nature as a result of violations of the Sarbanes Oxley Act of 2002 in connection with loans made to the sole executive officer and director.

In 2006 the Company loaned its sole executive officer and director, and a company controlled by him, $114,141. During this same period, $68,000 of the loans were repaid. These loans violate Section 402 of the Sarbanes Oxley Act of 2002. As a result, despite the fact that a portion of such loans were repaid, the company and/or the Company's sole executive officer and direcor may be subject to fines, sanctions and/or penalties. At this time, we are unable to determine the amount of such fines, sanctions and/or penalties that may be incurred by our company and/or the officer.

14. Subsequent events

On January 25, 2007, Stronghold Technologies, Inc. (the "Subsidiary"), a New Jersey corporation and a wholly owned subsidiary of DealerAdvance, Inc., filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Case No. 07-30322-sgj7. In connection with the filing, the Subsidiary has ceased all business activity and operations. The Subsidiary determined that it does not have sufficient resources to continue its operations.